Gail Christopherson-Schurr

From: JoJo Ojima
Sent: Thursday, May 08, 2003 4:17 PM
To: Kenneth Carlson
Cc: Ken Williams; Gail Christopherson-Schurr
Subject: RE: Board Minutes from March 20

Thanks Ken!

Gail: Can you make the change? Thanks!

3-20-2003
Minutes orig.
and copy in main file
plus binder copy #240
changed 5-13-2003
gcs

> -----Original Message-----
> **From:** Kenneth Carlson
> **Sent:** Thursday, May 08, 2003 2:37 PM
> **To:** JoJo Ojima
> **Cc:** Ken Williams
> **Subject:** Board Minutes from March 20
>
> Jojo --
> Here's a small thing that probably doesn't need correcting.
> On page 11 of the Board minutes (p. 014 of the board package), line 14, I ~~think that Mr. Ken Williams~~ responded, not Mr. Ken Carlson.

CalHFA BOARD OF DIRECTORS

Thursday, May 15, 2003

Hilton Burbank Airport
& Convention Center
2500 Hollywood Way
Burbank, California
(818) 843-6000

9:30 a.m.

1. Roll Call.

2. Approval of the minutes of the March 20, 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: (Linn Warren)

NOTES

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

FUTURE MEETING DATE: Next CalHFA Board of Directors Meeting will be July 10, 2003, at the Holiday Inn Capitol Plaza, Sacramento, California.

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

--oOo--

ORIGINAL

BOARD OF DIRECTORS

PUBLIC MEETING

--oOo--

Holiday Inn
300 J Street
Sacramento, California

Thursday, March 20, 2003
9:33 a.m. to 12:57 p.m.

--oOo--

"Minutes approved by the Board of Directors at its meeting held: May 15, 2003

Attest: [signature]"

Reported By: DANIEL P. FELDHAUS, CSR #6949, RDR, CRR

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A P P E A R A N C E S

Directors Present:

CLARK WALLACE, Chairman

JULIE I. BORNSTEIN

CARRIE A. HAWKINS

LUPITA OCHOA
for Tal Finney

THERESA A. PARKER

JEANNE PETERSON
for Phil Angelides

CATHY SANDOVAL
for Maria Contreras-Sweet

JACK SHINE

CalHFA Staff Present:

THOMAS C. HUGHES
General Counsel

JOJO OJIMA

--oOo--

A P P E A R A N C E S
Continued

For the Staff of the Agency:

NANCY ABREU

KEN CARLSON

EDWIN GIPSON

RUTH VAKILI

LAURA-WHITTALL-SCHERFEE

LINN WARREN

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continued

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BE IT REMEMBERED that on Thursday, March 20, 2003, commencing at the hour of 9:33 a.m., at the Holiday Inn, 300 J Street, Sacramento, California, before me, DANIEL P. FELDHAUS, CSR #6949, RDR and CRR, the following proceedings were held:

--oOo--

(The following proceedings commenced with Mr. Bayuk, Ms. Ochoa, Ms. Sandoval and Mr. Czuker were absent from the hearing room.)

CHAIRMAN WALLACE: Why don't I call the meeting to order then, and have the secretary call the roll?

Item 1: Roll Call

MS. OJIMA: Thank you, Mr. Chairman.

Ms. Peterson for Mr. Angelides?

MS. PETERSON: Here.

MS. OJIMA: Mr. Bayuk?

(No response was heard.)

Ms. Bornstein?

MS. BORNSTEIN: Here.

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

(No response was heard.)

MS. OJIMA: Mr. Czuker?

(No response was heard.)

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Here.

MS. OJIMA: Mr. Klein?

(No response was heard.)

MS. OJIMA: Mr. Shine?

MR. SHINE: Here.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Here.

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

(No response was heard.)

MS. OJIMA: Mr. Peace?

(No response was heard.)

MS. OJIMA: Ms. Parker?

MS. PARKER: Here.

MS. OJIMA: We do not have a quorum.

CHAIRMAN WALLACE: We're short a quorum, so we will not get into the action-type items, which means we could jump to Item 3.

Item 3: Chairman/Executive Director Comments:

CHAIRMAN WALLACE: The secretary reminds me that all of the Board members have to do that FPPC Form 700 by the end of the month, or face fines and persecution. So you should get that in pretty quick. Other than that, I've got a couple of other items.

But, Terri, why don't you give your report?

MS. PARKER: Okay, Mr. Chairman, thank you.

Just kind of doing a little housekeeping and updating for all of you.

First of all, I want to talk a little bit about a trip to Washington last week that Di Richardson and I made, along with Jeanne Peterson and Mike Herald from Julie's staff. It was the NCSHA LegCon meeting. And we went on the Hill to essentially talk about affordable housing as the State's Affordable Housing Team.

We scheduled 33 Hill visits. We now have a number of 55, as our Congressional delegation. So we were able to stop by and see either members or staff in 33 of our offices. And for the remaining members, we dropped material off.

We spent our time talking to them about the reintroduction of the legislation in the 107th Congress to get rid of "The Ten-Year Rule." And that's been reintroduced. In fact, when we were there, they actually introduced the Senate version of it, which is SB 595. So we're working on co-sponsorship for that.

(Mr. Bayuk entered the room.)

MS. PARKER: While we were there, we got six new members for California to sign on. And we expect to -- we've pretty much heard from the majority of the people that we've seen that we've signed on in the 107th to the bill, to be able to sign on again. So we are continuing to move forward on the front on The Ten-Year Rule, particularly given prepayments. We think that this is a particularly important time for us to get passage of that.

It's not clear what kind of vehicle will be available. Most of the Congress is focused on the President's tax proposal. It is very clear that anything that we have will not be in that. And, you know, that could be a good thing. But we're really focused on getting the co-sponsorship up; so when they have tax bills later on in the year, that we have co-sponsorship to essentially have our proposal rise to the top.

(Ms. Ochoa entered the room.)

MS. PARKER: We also spent some time talking with members about the President's tax proposal, particularly the impact on tax credits. And that was primarily Jeanne's focus; and certainly Jeanne could give you any perspective on that.

But we did have very effective meetings. We were very well received. I think going as a team was very helpful, particularly the confusion among, in California, who has what responsibilities. And now they continue to be seeing the housing folks as a team and know that we all work together, and that they can call any one of us, if they have any issues.

The second item I want to just mention is that we are working on our transition move to the Meridian. We're on time with that. That's scheduled for August. So we'll be continuing to work on that and also doing some reshuffling of folks within our building at the Senator Hotel. We're going to be working on that. One of the new things that we'll have to do is be changing letterhead and addresses and whatnot. And so that will be coming out in the next couple of months.

I wanted to point out to you, this is our new marketing material and booth for the trade show. So we thought we would set it up for you all, so you could see what it looks like.

Again, we continue with our branding effort with CalHFA. And I have to say, although there are some people who still use it, we are making that transition; and we are moving ahead with that. Certainly, our marketing people are doing a lot of work with the branding: We're doing radio shows, we're getting out and doing things with stakeholder groups, articles being printed. So the marketing team is being very aggressive.

I want to mention to you that as far as the Business Plan for the next Board meeting, we had a lengthy discussion of Business Plan, mid-year update at our last meeting.

(Cathy Sandoval entered the room.)

MS. PARKER: We've pretty much talked about the programs that we're doing that is really an implementation of Prop. 46. We really expect to be bringing that as a business plan to you, not really new production programs but, really, the ones that we're going to be administering because of Prop. 46.

Many of those programs, since we met in January, are out on the street. The CHDAP program is out on the street: 50 million dollars, half of it for resale, half of it for new construction. We have at least somewhere around 200 million -- excuse me, 200 -- is it 200 loans in the pipeline, Ken?

MR. WILLIAMS: I would think we have that many, yes.

MS. PARKER: So we're being very aggressive in getting that out. The School Facilities Fees Program has started. The HIRAP program for neighborhood revitalization has been announced out there. And I think within the next week or two, Linn is going to be sending out the term sheet for the Preservation program on the multifamily rental side.

The monies that we haven't released yet are the Teachers Extra Credit Program. And we're still working on whether or not we want to make some changes to that program before it is released with Prop. 46 funds. We are continuing to operate the Teachers Extra Credit Program using internal resources. And, of course, the insurance, the 85 million dollars in the insurance funds, we're continuing to work on that. And, in fact, we have a meeting scheduled with CAR mid-April, to talk with them about product development.

So the Business Plan that we're going to be presenting to you at the next meeting is really going to be about what production levels we're going to put for Homeownership, for the various downpayment assistance programs, for Multifamily, for Insurance.

And I guess last, but not least, we should point out that even in this very low-interest rate environment, that production on the Homeownership side continues to be very strong. We're having 6- to 10-million-dollar days. And clearly, what you'll hear from Linn is that the pipeline for Multifamily continues to be very strong, if not some of our highest numbers ever.

So with that, Mr. Chairman, I will turn -- that will conclude --

CHAIRMAN WALLACE: Back to me?

MS. PARKER: Turn it back and that will conclude my remarks, unless there's any questions from Board members.

CHAIRMAN WALLACE: So what you're saying is basically our Business Plan, which is usually a heavy part of this March meeting, is pretty much what we talked about in the January Board meeting, and heavily driven by the passage of Prop. 46 programs?

MS. PARKER: Correct.

CHAIRMAN WALLACE: So that we're not really going to have -- you don't see it on the agenda, and that's why. And we will have final action on the Business Plan in the May meeting.

MS. PARKER: Correct.

CHAIRMAN WALLACE: Okay, any questions on any of that?

(No response was heard.)

CHAIRMAN WALLACE: Let me make a note that two of our Board members will be leaving. Pat Neal from BT&H is going back to private business, as I understand it, at the end of this month.

MS. SANDOVAL: Yes.

CHAIRMAN WALLACE: And Cathy, at least you're it for the immediate future. So it's nice to have you back today.

MS. PARKER: Pat will be here later.

MS. SANDOVAL: She said about 10:30.

CHAIRMAN WALLACE: So why don't I hold off and acknowledge Pat then?

Secondly, with great chagrin on our part -- great joy, I'm sure on yours -- Julie Bornstein, this will be her last meeting, retiring from state government and going to USC in some capacity, of which I'm not sure.

Can you give us a little heads-up? And we'll know whether to -- as an old Cal grad, whether to cheer or not.

MS. BORNSTEIN: Thank you, Mr. Chairman.

And I'd have to say as a Bruin and a grant of your baby brother's school, this is quite an adjustment for me. Luckily, I also have a degree from USC, so I have been somewhat bipartisan most of my adult life.

(Laughter)

MS. BORNSTEIN: I'm honored to have been selected to be the founding director of the Keston California Infrastructure Institute, which is an institute that's going to be jointly housed in the School of Public Policy and the School of Business on the USC campus. And so it is an exciting challenge.

It surprised me when I was approached. It is certainly a fabulous opportunity; but it is also with great sadness that I leave the position that I have. It's the one position I wanted in the administration; and the Governor was kind enough to give it to me. And it's been extremely rewarding. I've enjoyed working with all of you. I've enjoyed working with the folks at HCD, and will always keep my heart in housing, even though we'll start turning our attention to other infrastructure needs of the State.

Thank you very much.

CHAIRMAN WALLACE: Well, Julie, it goes without saying; but I'll do it, anyway: We are going to miss you a lot. You've been a very stalwart, full attendance, very contributing member of this Board. And I know from some other contacts that I've had with you, you're on top of things and very helpful. It's going to leave a real void at HCD.

MS. BORNSTEIN: Thank you, Mr. Chairman.

I suspect in the short run Judy Nevis, the chief deputy, will be attending on my behalf; and most likely Mike Herald, who accompanied Terri to Washington, D.C., will be her backup. Luckily, we have a real deep bench in HCD. So I know that whoever sits in this chair will also be a very strong contributing member. But thank you for your remarks.

CHAIRMAN WALLACE: We will miss you; and we wish you the best of everything at USC.

MS. BORNSTEIN: Thank you.

CHAIRMAN WALLACE: Anything else under Item 3?

I think not. I think that's what I had.

Well, we now have a quorum with Cathy and Ed here. And Lupita, we will acknowledge you as well.

MS. OCHOA: Thank you.

CHAIRMAN WALLACE: So let's go back to Item 2.

Item 2: Approval of Minutes for the January 9, 2003, Board Meeting

CHAIRMAN WALLACE: Item 2 is the approval of the minutes that I know you've read assiduously.

Could I have a motion to approve; or any additions, deletions, corrections?

MS. PARKER: May I say one thing, Mr. Chairman?

As you all remember, for some of you were there, at the last meeting, the minutes were a bit of a challenge for us. We did not have our typical recorder. We have changed that; and we have a new company that we're working with that will be recording our minutes. So this was our best effort at trying to do a transcript to the level of verbatim minutes that we have had in the past.

MR. SHINE: "Inaudible" was just prolific.

MS. PARKER: Yes.

(Laughter)

MS. PARKER: I did want to clarify that because it is not up to our usual standard.

CHAIRMAN WALLACE: Well, let's speak up then. But notwithstanding that concern --

MS. PETERSON: With that caveat, I will move approval.

CHAIRMAN WALLACE: Peterson moves approval.

MS. BORNSTEIN: Second.

CHAIRMAN WALLACE: Bornstein, second.

Is there any discussion on the motion from either the Board or the audience?

(No response was heard.)

CHAIRMAN WALLACE: Hearing, seeing none, secretary, call the roll and the minutes.

MS. OJIMA: Thank you, Mr. Chairman.

Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Mr. Bayuk?

MR. BAYUK: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Sandoval?

MS. SANDOVAL: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Wallace?
CHAIRMAN WALLACE: Aye.
MS. OJIMA: The minutes have been approved.
CHAIRMAN WALLACE: The minutes of the January 9th, 2003, Board of Directors meeting are hereby approved.
With that, we'll move on to the projects, Item 4.
Linn?
MR. WARREN: Thank you, Mr. Chairman.
I wanted to just comment with a couple of updates from a programmatic standpoint, and then we'll get into the projects.
CHAIRMAN WALLACE: Hang on just a minute.
MR. WARREN: You bet.
CHAIRMAN WALLACE: Pat, we saved you a seat; and then we sold it.
MS. NEAL: Well, did you get a fair market value?
(Laughter)
CHAIRMAN WALLACE: Not with you not in it, no.
But let me acknowledge Pat Neal, a long-time Board member representing BT&H; and this is her last meeting. Cathy is sitting in for her.
We understand you're going back to private

business as of the end of this month, I believe.

MS. NEAL: Correct.

CHAIRMAN WALLACE: And I want to hereby acknowledge your wonderful contributions to CHFA -- to CalHFA --

(Laughter)

CHAIRMAN WALLACE: -- and CHFA, too.

MS. OJIMA: Yes, that's true. It was both.

CHAIRMAN WALLACE: We are very proud of the work you've done and the liaison you've performed with BT&H on our behalf.

MS. NEAL: Thank you.

CHAIRMAN WALLACE: So we wish you the best of everything, Pat. And you're entitled to rebuttal, if you care to.

(Laughter)

MS. NEAL: Well, I've known you long enough to know that I really am not going to engage in rebuttal with you. I think you and I did that a long time ago.

(Laughter)

CHAIRMAN WALLACE: Yes, when you were a teenager.

MS. NEAL: The only thing that I'm going to miss, I'm going to be leaving here, Clark, without seeing you change into your Superman suit.

CHAIRMAN WALLACE: Huh? Well, that could be arranged.

(Laughter)

MS. NEAL: I know we could get a telephone booth in here.

This has been just an absolutely wonderful experience, being part of this organization. I'm again one of those fortunate people, like Clark, that was around when it was founded. And it has been one of the most terrific things we've ever done in the state, starting something like this. And for those of us who believe so very much in affordable housing and in first-time home buyers, it's been just a godsend.

And you probably operate better than anyone in their wildest dreams could have imagined, as far as how you do your leverage. I really admire it. As someone who had to survive a lot of real estate markets on creative financing, I truly appreciate the job that you do. And I thank you so much for recognizing me.

CHAIRMAN WALLACE: Well, I'm sure we all wish you the best of everything in your future, Pat.

MS. NEAL: Thank you very much.

CHAIRMAN WALLACE: Thank you for your contribution.

MS. NEAL: As soon as I sign the contract, I'll tell you where I am.

(Laughter)

CHAIRMAN WALLACE: Okay. Any comments from the Board?

MS. SANDOVAL: Mr. Chairman?

CHAIRMAN WALLACE: Cathy?

MS. SANDOVAL: If I may, I wanted to on behalf of the Business, Transportation and Housing Agency and our Secretary, Maria Contreras-Sweet, thank Director Julie Bornstein for all of her work and leadership at Housing Community Development and for her leadership in Housing; and thank Deputy Secretary Pat Neal for her work and leadership in Housing; that you both have truly been an asset and really have created a great team around you. And we are definitely going to miss you.

And as the person who is taking over Pat's job in the interim, my "in" box is already growing exponentially. But we really appreciate everything that you have done and we will miss you, and we wish you good luck. And we know that we will have opportunities to work together in the future. So thank you very much for everything you've done.

MS. NEAL: Thank you.

MS. BORNSTEIN: Thank you.

CHAIRMAN WALLACE: Please, Carrie?

MS. HAWKINS: I'd just like to add, that as a Board member here for many, many years, I'm truly going to miss Pat Neal and Julie Bornstein. They've been so good to work with; and we're going to miss you a lot.

MS. NEAL: Thank you, Carrie.

MS. BORNSTEIN: Thank you.

CHAIRMAN WALLACE: Okay, moving on. Back to Linn and our projects, quite a number of them.

Item 4: General Discussion of Upcoming Projects

MR. WARREN: Mr. Chairman, yes, I wanted to give an update to the Board on the -- and this is appropriate that Pat is here -- for the Student Housing Initiative. Recently, EAH, Ecumenical Housing Association, received an award to develop the Albany site for student housing from UC Berkeley. And EAH has been in contact with us to begin discussion to provide financing for that particular project. And we're beginning to do this analysis.

The loan that is being requested from us is fairly large. It is in excess of 100 million dollars. A little bit larger than we wanted to start with. But that said, we're examining how we should best underwrite this project, how we should handle the risk, both from the bond standpoint and from the loan standpoint. And this is the process that we're embarking on now. But our preliminary indication is that our financing mechanism and 501(c)(3) bond execution will save at least 10 percent of the total development costs for something of this size.

So at the May Board, we'll be talking to all of you about this some more. And it has been our policy on this whole program to update, as program developments occur, we'll share with the Board; and we'll see where this takes us. So we're excited about that particular event.

Given the size of the number of projects today and what is on the agenda, it is my desire, Mr. Chairman, to move pretty quickly on the presentation piece and leave time for questions from the Board. So we'll move at a pretty good clip.

CHAIRMAN WALLACE: That's our desire, too.

MR. WARREN: Very good, sir.

There's a few replacement pages, mainly sources and uses. And we'll point those out to you as the projects go with this.

Ruth Vakili is here. Ruth will be doing some projects as well as Laura Whittall-Scherfee.

Resolution 03-11 (Branham Lane Family Apartments)

MR. WARREN: So with that, we'll start with Branham Lane Family Apartments. This request for two loans: A loan to lender in the amount of $25,210,000, 3 percent simple interest for two years, which will then convert into a permanent loan of a similar or same amount, 5.6 percent interest, 40-year, full amortization. This has a very large locality involvement from the City of San Jose in the amount of 14,100,000 dollars. The developers are known to us. It is JSM Enterprises: Jim Morley and Rich DeFabio. We've done a number of projects with both Jim and Rich over the years; and they're one of the preeminent affordable-housing developers in the San Jose area.

So with that, I'm going to have Ruth show you some pictures of the project.

MS. VAKILI: Good morning.

The site is five acres, just a little over five acres located in San Jose, off of Monterey Highway and Branham Lane. And directly across the street is the proposed site for a future library. The project will be 12 buildings, built on top of a podium, with underground parking. There will be 346 parking spaces, of which 253 will be underground and the rest at grade.

The project has two- and three-bedroom units, which are stacked; and all of the units are air-conditioned. There will be 38 one-bedroom/one-bath units; 89 two-bedroom/two-bath units, and

48 three-bedroom/two-bath units.

The project's location is very convenient to downtown, which, if you can see on the map here, is about seven miles away. It's located in the area that's called "South San Jose." And the Monterey Highway is a major arterial north-south to downtown from the south county areas, as well as Highway 101, which is about a mile from here.

The next picture, you'll see a more close-up. The area surrounding the project is consisting mostly of residential and townhome projects. The area has been built primarily between the 1970s to the 1980s, and is relatively mature.

The project, as I say, will be built on podium with the entry to the project right about where the arrow is. There will be an eight-foot masonry fence that goes along the residential back portion of the property. The buildings will be set back about 80 feet from the residential areas. And the project will be two stories above the podium level, two to three stories. The project -- the buildings that front Monterey Highway and Branham will be the two-story buildings. There will also be a swimming pool -- I'm sorry, let me back up.

We have the Branham Lane and Monterey Highway intersection here. Right down from the intersection is a bus station. Across the street is a proposed light rail station.

And here, you're looking down Branham towards the residential projects and the Branham side of the property. There will be a left-hand turn lane, into the project. And here, you can see the proposed elevations of the buildings.

You can also see from here a swimming pool. There will be a community-room area. There will be trash enclosures along the perimeter of the property.

And in front, near the Branham and Monterey intersection, is a community area that has a unique 300-year-old oak tree, which will make an attractive landscape piece.

Here, you can see the entry to the project.

The rents for the projects, for the 50 percents are 864 for one-bedrooms, 970 for two's. And relative to the market rents of 1,078, the percentages are 80 percent, and for the two-bedrooms, it's 71 percent. Two-bedrooms at 60 percent rents are 1,026 and 1,242. And the three-bedrooms, 1,183 and 1,432.

MR. WARREN: Thank you, Ruth.

Environmental concerns: The project was primarily agricultural. It was an orchard. Soil samples have been taken. There are no adverse environmental concerns.

One correction on page 114, under "Occupancy Restrictions," the TCAC is 100 percent affordable, not 90 percent.

A brief comment about rents. Rents in San Jose have compressed over the last two years, with the deflation of the tech industry in that area. We're keeping an eye on this. As a matter of fact, the one-bedroom units that Ruth has pointed out have actually been reduced to our normal standards of 90 percent above market. But the demand is still very strong for affordable housing in the greater Santa Clara area. And the project is cashed so appropriately, so it is a trend we're watching; but we think that rents will stabilize in the very near future.

So with that, we would like to have you recommend approval and would be happy to answer any questions to the Board.

CHAIRMAN WALLACE: Any questions from the Board? Jack?

MR. SHINE: Just one question. Who owned the land before it was purchased?

MS. VAKILI: The City of San Jose owns the land currently.

MR. SHINE: So the city sold the land to the developers for 40 bucks a square foot and then loaned them enough money to pay it back out of the proceeds; is that how that works?

MS. VAKILI: Yes.

MR. WARREN: Essentially.

CHAIRMAN WALLACE: Do you want to get on that list?

MR. SHINE: Boy.

CHAIRMAN WALLACE: They need it.

MR. SHINE: So then am I correct in assuming from this, that 70 percent of the net proceeds go back to the city to repay them for the loan to buy the land from them for the million dollars?

MR. WARREN: Well, I mean, essentially, yes. They are making a 14-million-dollar development loan in behind all of that. So that is part of the mix.

MR. SHINE: That's the loan that is being paid off by 70 percent of the proceeds?

MR. WARREN: No, I don't -- no, the city owns the land free and clear today. But the total development costs entails our loan plus tax credits plus the 14-million-dollar contribution for the city for the total development cost. I don't know what the city's basis is in the project, though, Jack.

MR. SHINE: Well, I'm not asking the basis.

MR. WARREN: Okay.

MR. SHINE: Never mind. So of the approximately one million dollars a year over the term of the loan, 70 percent of that is going to go back to the city from loan service and debt service?

MR. WARREN: You mean as far as residual receipts, Mr. Shine?

MR. SHINE: Yes.

MR. WARREN: Yes.

CHAIRMAN WALLACE: Just out of curiosity, do you know if it was -- with that close -- with established housing, was it controversial to put in?

MS. VAKILI: It was actually controversial. There were several meetings during the course of predevelopment with the neighborhood.

CHAIRMAN WALLACE: Yes.

MS. VAKILI: And there were substantial concessions made, which included more of a setback than had originally been planned; a lower density; and rather than a semi-subterranean parking lot, they had to depress all of the parking. And also they had to put the masonry fence around the residential --

CHAIRMAN WALLACE: A wall.

MS. VAKILI: -- and decreasing density. All of those impacts did add to the cost.

CHAIRMAN WALLACE: Sure.

MS. VAKILI: That wasn't anticipated.

CHAIRMAN WALLACE: Yes, I'd be kind of surprised if some of those things didn't happen in an established area. But the project pencils out, and the recommendation by staff is to approve the loan.

Cathy?

MS. SANDOVAL: One question. I noted that it is along the potential future right-of-way for the high-speed rail. Obviously, we've got a lot of steps to go before we have high-speed rail in California. But are we satisfied with the setbacks and that the potential arrangements will create something which will still make it livable for the residents, if they do put high-speed rail at that intersection?

MS. VAKILI: With the setbacks and also with the landscape created along those perimeters, the impact is lessened quite a bit. Also, with the type of noise attenuation that's going to be built into the project, we're satisfied that that will be more than sufficient to take care of any possible future impact. This high-speed rail is not a certainty at this point.

CHAIRMAN WALLACE: That's not what you wanted to hear; was it?

(Laughter)

CHAIRMAN WALLACE: Business, Transportation and Housing.

(Laughter)

CHAIRMAN WALLACE: Notwithstanding, are we ready for a motion?

If so, who wants to step one step backward --

MS. SANDOVAL: So moved.

CHAIRMAN WALLACE: -- or forward?

MS. BORNSTEIN: Second.

CHAIRMAN WALLACE: Cathy and Julie.

Any discussion on the motion from the Board or the audience?

(No response was heard.)

CHAIRMAN WALLACE: Hearing, seeing none, secretary, call the roll.

MS. OJIMA: Thank you, Mr. Chairman.

Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Mr. Bayuk?

MR. BAYUK: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Sandoval?

MS. SANDOVAL: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 03-11 has been approved.

CHAIRMAN WALLACE: Resolution 03-11 is hereby approved.

Thank you very much.

Let's move on to Glenbrook.

Resolution 03-12 (Glenbrook Apartments)

MR. WARREN: Thank you, Mr. Chairman.

Glenbrook Apartments is a 52-unit new construction family project located in Grass Valley in Nevada County. The loan request today is a first mortgage amount of $3,355,000, 5.6 percent interest, 40-year term, tax exempt; and a bridge loan, to qualify for 4 percent of credits, $2,335,000, 4 percent, which is our prevailing, or newer bridge loan rate, one year, simple interest term.

The City of Grass Valley is a significant contribution for a town this size, $2,796,000 of home money for the project, also with a 40-year loan co-terminus with our first on it.

So with that, I'll have Ed take us through the slides.

MR. GIPSON: Glenbrook is a 4.7-acre site in Grass Valley near Highway 49, which is this arterial right here (indicating), and New Brunswick, the exit. If the aerial looks somewhat familiar of the area, Cedar Park, which we did back in September and got Board approval, is the site across the street, which was an 81-unit project.

Glenbrook will be a 52-unit project. It was for a higher density previously; but as we'll talk about in just a moment, there were some -- right here is a PG&E substation, one site up separating through this barrier of trees, if you will, and some walls and fences and everything else. But the power lines, which are high-tension power lines but not high-power power lines, are running parallel to the street right here. So in the design, we have set the project back, outside any PG&E easement, which is 40 feet on each side of the line. And so the first residential building is another 12 feet back from that. And from that, we have also changed some of the buildings from two-story to three-story to have the 52-unit density.

Here's a picture looking at the site. It is traditionally Grass Valley, somewhat hilly, very "treey." A beautiful area. The area is actually surrounded by multifamily across the street, which we saw services to the north.

This is the rear walking path. It's basically the back border of the site. To the right, it drops down a little bit more. And to the left of this picture is where more of the projects will be.

Here are the power lines that I was discussing just previously. The far right side of the corner, you can see Sutton Way. And so these are the power lines. These right here are low power lines that will be put underground. But these right here, which are a little further over, are the lines we're talking about. We've had an EMF study, and it was updated as well just a couple months ago to reflect all new current information that was around. And basically, they have negated any issues with that and not found any consequence due to the power lines. And they base those projections if it was running at full power, as opposed to what it is now so if sometime they've increased the power to the maximum that the lines could hold.

Here's the PG&E substation.

Here is a side shot of what would be the clubhouse and the front building of the layout.

Here's the site plan. Sutton Way is on our left. The center of the project and the power lines being right along the front here. And then the project sitting back off the very front building. The first building that will be very nearby is the community building and then the residential surrounding to the back of the site.

Now the rents, the rents are 614 for 50 percent, 711 for a 60 percent, two-bedrooms, which is 74 percent and 86 percent of market for the three-bedrooms. They are 678 at 50 percent and 801 for 60 percent, which is 73 percent and 86 percent of market.

There will be 24 two-bedrooms and 28 three-bedroom units. Rents in the area range from 550 to 900 dollars for a one- and two-bedroom right now in Grass Valley; and from 765 to approximately 1,100 dollars for three-bedroom units in Grass Valley.

With the design changes and everything else pertaining to the site, because of the power lines, we did reduce density so that the costs weren't spread out over as many units as previously. But in protecting of the clientele who would be there and any concerns that anybody might have, we just thought it would be a better move to just stay away from those lines in that area and provide everybody comfort.

MR. WARREN: Okay, thanks, Ed.

Yes, we spent a little bit of time on the EMF studies. And as Ed indicated, there are no seeming consequences, long-term health risks. But on the side of precaution, they did move the setback to the property. So that was a good thing.

The sponsor is Cascade Housing Association. It is a nonprofit, based in Oregon. This is the third project that they have done with us. And there are a number of other projects that Cascade has done throughout California and in Oregon.

So, again, this is a good project in a rural area, and we would like to recommend approval, and be happy to answer any questions.

CHAIRMAN WALLACE: Any questions from the Board?

Yes, Julie?

MS. BORNSTEIN: Actually, a comment, Mr. Chairman, more than a question.

When the home application was made to us, the project was at the higher unit count. We have it down as 60 units. So if the representative from the developer is in the room, I would hope that you could contact our home staff and make a request for a reduction in the units, so that we don't have any delays in closing the loans. We certainly don't want this project to be delayed, but we do need our file brought up to date, so it reflects what the project actually looks like.

CHAIRMAN WALLACE: Jeanne?

MS. PETERSON: Mr. Chairman, about two weeks ago or so the Treasurer's office received a copy of an anonymous letter that was sent to the Board of Equalization with respect to the developer on this project, Cascade Housing. And while we recognize that we can't give a huge amount of credence to anonymous letters, the letter was quite specific in raising a lot of questions with respect to the developer's position as a nonprofit, an Oregon nonprofit, and whether or not that was an accurately-conferred status. It also has raised some questions with respect to specific tax credit deals that this sponsor has done. And because of the timing, because I happened to get the Board book and was reading it shortly after receiving this letter, I did take the opportunity to contact Mr. Warren, to send him a copy of the letter. He was then able to send it on to the sponsor, whose attorneys have responded, anyway, to the Board of Equalization just, I think, the day before yesterday, asking for a full investigation, actually, of the matter.

And so I raise this only, like I say, partly because the timing of this project coming up before us today, also we'll be looking at it from the tax credit perspective. But I did feel compelled to raise it to the rest of the Board members.

And I wanted to ask on the record whether or not there was any difference in the underwriting standards that CalHFA applies to developers that have a nonprofit status as opposed to a for-profit status? And just sort of to make clear that -- or to ask the question whether the outcome of this would make any difference to the underwriting. We recognize that with respect, for example, to the property taxes, that nonprofits in a situation such as this one in Grass Valley will probably be exempt from paying the property taxes. I'm not sure if there are any other underwriting standards that are different or if the pro forma would look different.

MR. WARREN: Right. No, we do not differentiate from a product standpoint between nonprofits and for-profits. The Agency has not done that from the loan standpoint for a number of years.

The letter, obviously, is troublesome from the standpoint that we want to make sure that all of our borrowers are fully qualified. They've met all of our underwriting tech tests. The articles of incorporation, their 501(c)(3) determination letters are all in order; and we have no reason to believe that Cascade cannot proceed as they've represented to us.

But that said, we will follow along this investigation that their attorneys have requested with the Board of Equalization. And the representatives have indicated they will cooperate with us in any way they feel is appropriate. And that's fine with us.

But the quick answer to your question, Ms. Peterson, is, no, we do not differentiate. But we always look at the 501(c)(3) qualifications because the ability to receive property tax abatements is critical to underwriting projects. And if we don't do our due diligence there on this and other projects, then we have this as another problem. So we will continue to watch this.

But we are satisfied at this juncture that this meets our tests.

MS. PETERSON: Thank you.

And because of that, on behalf of the Treasurer, when we do come to a vote, I'm going to vote to approve, contingent upon staff's conclusion that the development team does meet the requirements.

MR. WARREN: Certainly.

CHAIRMAN WALLACE: I think that's a caveat we ought to attach to the motion, I think given that we're all on notice now. In fact, I'll invite you to make that motion.

MS. PETERSON: Oh, too bad.

(Laughter)

MS. PETERSON: No, I'm happy to make that motion. I'm happy to move approval, contingent upon staff's conclusion that the development team meets the requirements for the making of this loan.

CHAIRMAN WALLACE: Can I have a second?

MS. HAWKINS: I'll second.

CHAIRMAN WALLACE: Second, Carrie.

Any discussion on any of this, since I kind of cut off debate when Jeanne was through? Any other questions or concerns on the issue immediately raised or the project in general?

(No response was heard.)

CHAIRMAN WALLACE: Are you ready for the motion?

Okay, anybody in the audience who wants to speak to this, before we take action?

(No response was heard.)

CHAIRMAN WALLACE: Hearing, seeing none, secretary, call the roll.

MS. OJIMA: Thank you, Mr. Chairman.

Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Mr. Bayuk?

MR. BAYUK: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Sandoval?

MS. SANDOVAL: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 03-12 has been approved.

CHAIRMAN WALLACE: Resolution 03-12 is hereby approved.

Okay. Linn, if anything does come as a result of that investigation, I think you or Terri should report it to us.

MR. WARREN: Yes, we will.

CHAIRMAN WALLACE: Okay, the next project.

Resolution 03-13 (Bayview Senior Apartments)

MR. WARREN: The next project, Mr. Chairman, is Bayview Senior Apartments. This is located in Newport Beach, in Orange County. It is a combined loan of $11,740,000, comprised of both tax-exempt and taxable; hence, the interest rate is blended at approximately 5.5 percent. This is 30 years. The financing, although it says "tax-exempt," does have a taxable component to it.

This is a senior project. It is being developed by the Related Companies under a land lease from The Irvine Company. The long-term residual receipts of the land lease for 57 years, of which there's a -- you'll see the formula about the split of the funds, depending upon available cash back to The Irvine Company.

This project was delayed. This is actually another project that the Board approved recently. It was also a lease situation with Bridge housing in the Irvine area, and was delayed because of soil conditions, old dredgings on the site. It had some contamination and the mitigation of the soils are the full responsibility of The Irvine Company. And that is underway. And the sponsors have advised us that when that is completed to their satisfaction and ours, the project will go ahead and proceed.

But at that juncture -- but given that, we felt it was appropriate that all other aspects of the project was in pretty good shape. So we want to go ahead and move forward with it.

So, Laura, with that, why don't you go ahead and run some slides here?

MS. WHITTALL-SCHERFEE: Yes, the project itself is outlined by the white kind of circle. What this is, is five acres. The whole parcel includes this area to the left, and that is an additional ten acres. Right now, the site is a full 15 acres. There will be a lot line division. And our site will actually be this five-acre piece you're seeing here.

To the east is Jamboree Road. And this is the Coast Highway that runs kind of east-west. There is also Backbay Road here. And across the street from Backbay Road is the supermarket. There's a Hyatt down the road. And this is a 520-family apartment building.

This is the Newport Dunes area. It's a very attractive area in Newport Beach. There is no affordable housing currently in Newport Beach. That means no affordable senior projects and no affordable family projects. The closest affordable housing is in Irvine, about seven miles away. That project is fully leased, and it has a waiting list of over 400 people. That is a senior project.

There is a project in Huntington Beach, currently under construction. It is expected to be completed in April. It is fully leased up -- the affordable portion is. And there is an additional waiting list of 50 people for an, as of yet, unopened senior project.

This is looking northwest, towards the project.

This site has absolutely gorgeous views. There will be parks, trails that run from the site to the park area, that is also going to be owned by the Related Companies and the limited -- and I believe the Related Companies themselves.

Inside the project, there will -- oh, backing up here, sorry. This is looking east, from the entrance of Newport Dunes. There's a huge recreational area that you can see, where the channel runs through the project. And this is the entrance to that project. And you're looking straight across to the site.

The site that you can see is graded. That's where there has been some remediation work already completed. And then the hilly area to the back is the back portion of the site.

There are three buildings. This is the elevation of the first building. They are all three-story buildings, with two-story elements at the end of each building. And this is a little bit better color elevation.

And this tells you exactly how the site is located. Here's the project and here is the ten-acre parcel on the side.

The rents in this area are very, very high for senior one- and two-bedrooms. There are going to be

120 one-bedroom units. There will be 582 square feet. That is large for senior units in this area. And there are 30 two-bedroom/one-bath units that are approximately 810 square feet.

There will be 180 uncovered parking places. And the rents show that the one-bedroom units are at about 61 to 74 percent of market. And the two-bedroom units are between 65 percent and 78 percent of market rate.

MR. WARREN: Thank you.

I neglected to mention that the City of Newport Beach is contributing one million dollars in a residual receipts loan.

One correction on page 160 of your project summary, the appraisal did come in, and the project was valued at 18 million dollars, which results in a loan-to-value of 64 percent.

As I said, the management partners, the developer is Related Companies, the nonprofit is Las Palmas Foundation, a nonprofit we have on a number of our other projects, in conjunction with Related, mainly in the Section 8 portfolio.

So as Laura indicated, this is really a gorgeous site, very rare. We're happy to recommend it for approval.

CHAIRMAN WALLACE: Linn, next time you don't have the appraisal then, don't put "zero" for final value. Put "pending," or something like that.

(Laughter)

CHAIRMAN WALLACE: Because otherwise, the loan-to-value doesn't look real.

MR. WARREN: We will fix that, Mr. Chairman.

CHAIRMAN WALLACE: I'm glad to hear it has some value.

MR. WARREN: It has some marginal value, yes, sir.

(Laughter)

CHAIRMAN WALLACE: Okay, any questions?

Carrie?

MS. HAWKINS: I have a question. Was there any opposition to this development from the neighborhoods?

MS. SCHERFEE-WHITTALL: My understanding was that because it was senior housing, people were very, very supportive. What has taken so long, though, have been the soils issues on this site.

MS. HAWKINS: I'm just amazed at this development because we've owned property at the cove, which you've referenced in here. So I've been watching this land for a long time, driving by it; and I'm just amazed that you are able to put this all together with the prices because, needless to say, there is no affordable housing there. Yet from being involved in the community, there are many needs. Not everyone there is rich, and so it just is very difficult for anyone to get housing there. So I'm just amazed that you've been able to pull it together in that location. It is beautiful.

MR. WARREN: I would point out, Ms. Hawkins, that, obviously, we've done a number of projects with Related Companies that work very well; but the folks in The Irvine Company have been, as always, very quick, very professional. They've been a delight to work with. So they were very motivated to do this as well.

CHAIRMAN WALLACE: Yes, I know Bridge has done a number of The Irvine Company projects --

MR. WARREN: Yes.

CHAIRMAN WALLACE: -- and they want to do it. But when you have zero value --

(Laughter)

CHAIRMAN WALLACE: -- this is understandable that it would take so long.

MR. WARREN: I'm not sure they agree with that valuation.

CHAIRMAN WALLACE: Julie?

MS. BORNSTEIN: Well, I also am quite impressed with this project. And knowing Newport Beach is a very high-cost area, when I compare the cost per unit of this project and the cost per unit of the San Jose project we looked at initially, I'm wondering if you have any comments on just how this project came in at such a low cost, in such a high-cost area?

MR. WARREN: Well, first of all, the San Jose project has three elements to it, which really did move the costs up significantly: Podium construction, the parking, and the prevailing wage in San Jose have been very difficult. And it was a family project, so you have that configuration.

This is a senior project. They are smaller units, lower density, garden-style. And there may be some efficiencies that they are Related Companies. But I agree, it is one of the anomalies of this industry, in which the costs sometimes don't make any sense.

But I think you have a different product type for this. But I have seen the Related Companies bring in senior projects at similar costs. So we're fairly comfortable with it.

CHAIRMAN WALLACE: But San Jose was pointed out, and that's part of the reason I ask; if it's controversial, it's going to de facto raise the cost.

MR. WARREN: And I don't think we've brought that up in San Jose, is there was an enormous amount of locality -- or neighborhood involvement that compelled numerous design changes that went on for a long period of time, that ended up being embedded within the hard costs.

CHAIRMAN WALLACE: Sure.

MR. WARREN: And that is not the case here.

CHAIRMAN WALLACE: People don't generally understand that; they just don't want to.

MR. WARREN: Right.

CHAIRMAN WALLACE: But it automatically raises the cost.

MR. WARREN: And in this project, the site mitigation costs are outside of the capital budget, since they're being dealt with entirely by The Irvine Company. That did not make it into the cost structure.

MS. PETERSON: Plus the land is over eight and a half million dollars' difference.

CHAIRMAN WALLACE: Yes, in part, that's because Irvine -- I know from my Bridge experience, The Irvine Company can be a little bit more gratuitous with the size of the development that they have; whereas if you're looking at an isolated site, gratuities typically aren't there.

MR. WARREN: That's correct.

CHAIRMAN WALLACE: Cathy?

MS. SANDOVAL: What I know is -- and Pat Neal can attest to this -- this is an area that has a tremendous affordable housing need. So I'm glad to see that we're proposing to do something there.

I was wondering about that other adjoining parcel. What is it zoned for, and are there any other pending plans for its use, and do we believe those uses are compatible?

MS. WHITTALL-SCHERFEE: Yes. There is not going to be any construction on it. It is going to be a park. It will have hiking trails, bicycle trails, park benches. And that is what it is going to be designated for. And there will be access from this site to the park area as well.

MS. SANDOVAL: And who owns that adjoining parcel?

MS. SCHERFEE-WHITTALL: The Related Companies.

CHAIRMAN WALLACE: Are you satisfied?

Carrie?

MS. HAWKINS: I'm ready to move approval so that I go on the record as not being a nimby.

(Laughter)

MS. HAWKINS: It's my family that actually owns it; not myself, personally.

CHAIRMAN WALLACE: Oh, that's different.

Do you want to make it a motion then?

MS. HAWKINS: I will.

CHAIRMAN WALLACE: And so the motion by Ms. Hawkins.

Is there a second?

MS. SANDOVAL: Second.

CHAIRMAN WALLACE: Cathy Sandoval.

Any further questions on the motion, from either the Board or the audience?

(No response was heard.)

CHAIRMAN WALLACE: Hearing, seeing none, secretary, call the roll.

MS. OJIMA: Thank you, Mr. Chairman.

Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Mr. Bayuk?

MR. BAYUK: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Sandoval?

MS. SANDOVAL: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 03-13 has been approved.

CHAIRMAN WALLACE: Resolution 0-13 -- am I right?

MS. OJIMA: Yes, 03-13.

CHAIRMAN WALLACE: 03-13 is hereby approved.

Okay, let's move on to Wildhorse.

Resolution 03-14 (Moore Village at Wildhorse)

MR. WARREN: Yes, Mr. Chairman. Moore Village at Wildhorse is a 59-unit family project in the City of Davis in Yolo County. The mortgage request is a first-mortgage amount for 2,950,000, 5.4 interest rate, 30 years, and a bridge loan again to qualify for 4 percent, tax credits of 1,950,000, 4 percent for two years.

The City of Davis has a significant contribution to this project in the amount of a residual receipts development loan of 3,300,000 dollars; and the city is also contributing to the site, which has been valued at 539,000 dollars.

The sponsor developer is Davis Mutual Housing 2003, an organization we know. We did the Twin Pines Project with them in North Davis several years ago; and they've been very active in the Davis area for a number of years. So with that, I'll -- just so everyone will know where we're at, this is Davis (indicating). And we are right here, by the way (indicating), in case anybody cares.

CHAIRMAN WALLACE: We'll have to visit.

MR. WARREN: Go ahead.

MS. SCHERFEE-WHITTALL: You can see my house from there.

MR. WARREN: You can see it? I live down here (indicating).

(Laughter)

MR. WARREN: Go ahead, Laura. Sorry.

MS. SCHERFEE-WHITTALL: Okay. Any place on this golf course right here.

MR. WARREN: That's the ninth hole of the Wildhorse Golf --

(Laughter)

MS. WHITTALL-SCHERFEE: I thought you were taking my thunder here.

MR. WARREN: No, I'm done.

MS. SCHERFEE-WHITTALL: Okay, this property is 3.93 acres in size. It's zoned to allow the 59 units, that are going to be constructed as part of this development.

It's 1.3 miles north of I-80, which is this roadway you see right here (indicating). It's a new development that is surrounded by single-family homes;

and the average price range for those homes is between 450,000 and 600,000 dollars.

And you can see the homes a little bit better. And this is the ninth hole of the Wildhorse Golf Course.

MR. WARREN: Okay.

MS. WHITTALL-SCHERFEE: Okay, is that enough?

MR. WARREN: Yes, that's enough.

MS. WHITTALL-SCHERFEE: Median home prices in Davis are averaging 380,000 dollars. And there is a very big shortage of affordable housing. A lot of affordable housing is taken up by students. And since students don't qualify by their -- you know, if they are truly students for our housing. Sometimes the affordable housing numbers sound like there's really not a need in Davis; but that is far from the truth.

Here is another view. It's across the street from Moore Boulevard; and it is a view of our site.

The project consists of 17 buildings. They're one- and two-story townhomes.

One of our first comments when we saw this slide was, "Wow, those colors are rather bright." Apparently, the Planning Commission felt the same way. And a couple days ago, they did ask the architect to tone down those colors. So these do not represent the colors that are expected to be on the final product.

There was a lot of nimbyism that had to be addressed. There have been ten meetings with the neighbors in the last one-and-a-half years. And you'll see some site design and layout issues that were developed as a result of these meetings.

This is a site layout of the project: 17 buildings, one- and two-story townhomes. Two- and three-bedroom units will have laundry hookups. But there is a community room that will have a laundry room, as well as a kitchen, a community room, leasing offices and separate bathrooms.

Outside amenities are going to include a handball court, tot lot, barbecues and picnic tables and bicycle parking.

The 93 uncovered parking places that you see within this circle are part of the response to the concern of the single-family homeowners around the area. The parking was put so that it would not be visible to those people who own single-family homes in the area.

The whole design of this project was to make it look as close to the single-family homes as you possibly could. And that's why you have 17 separate buildings as opposed to more of an apartment-type townhouse look.

There are ten proposed projects in Davis right now, with a total of 527 units. These are projects that have not yet been constructed. They are either proposed or in the planning stages; and this includes Moore Village at Wildhorse.

In terms of the units, we have 17 one-bedroom units. They are 640 square feet. There are also 17 two-bedroom units, approximately 960 square feet. And the three-bedroom units are 1,120 square feet.

The rents are 62 to 70 percent of market for the one-bedrooms, and 58 to 72 percent of market for the two-bedrooms, and 42 percent to 54 percent for the three-bedrooms.

In terms of environmental, there was a Phase I completed on the entire subdivision. There was -- it was not specific to this site. So one of the recommendations that will be a part of the final commitment and will need to be incorporated into the scope of work will be any results from an updated Phase I that will be site-specific.

The seismic review was completed; and there are no concerns or issues raised from a seismic perspective.

That's it.

MR. WARREN: Okay, Davis Mutual Housing will be having John Stewart manage the property -- an organization you're very familiar with.

As Laura indicated, the rents in Davis and other towns similar, there's just a lot of rent pressures because of the students and also from folks that are moving into the Davis area.

So with that, we'd like to recommend approval; and we'd be happy to answer any questions.

CHAIRMAN WALLACE: Questions?

MR. SHINE: Just a comment that I think --

CHAIRMAN WALLACE: Yes.

MR. SHINE: Whoever the architect or land planner is did a really nice job in resolving the issue of the community concern with respect to the interface between this project and the existing homes in which they live. I think it was a nice solution.

CHAIRMAN WALLACE: I looked at buying Wildhorse Ranch in about the late eighties or something; and I can remember there was designated in the general plan affordable housing. The moral of the story is you had better get that developed first because as soon as you build all your -- you tell everybody else around you, there's going to be affordable -- it was blatant. That's where it is. And I looked at doing the whole thing. But sometimes the market doesn't cooperate with you in doing such a thing as developing affordable housing first. And then you get a built-in objector every time you sell a home.

MR. SHINE: Your biggest objectors for Phase II are the people from Phase I.

CHAIRMAN WALLACE: Yes. Well, we try and deal with that in the development community; but it isn't easy.

Will you just quickly describe why a bridge loan? We have had a couple in today's agenda.

MR. WARREN: Oh, why we did it?

CHAIRMAN WALLACE: And what circumstances precipitate, Linn, a bridge loan?

MR. WARREN: To qualify for 4 percent credits with tax-exempt financing, in excess of 50 percent of the development costs must be financed by tax-exempt proceeds, based upon a basis calculation of the total capital cost. This is solved in two ways. If we did the construction loan and tax-exempt funds of that 50 percent test went through the construction period, that would qualify for the 4 percent credits. If we do not do the construction loan but do the permanent loan, the permanent loan in this case, just by itself, does not meet the 50 percent test. So we have to make a one-year bridge loan to take us over that 50 percent threshold. The repayment of the bridge loan is really delayed equity. Tax credit equity then comes in a year later, or however we do assignments.

But that's why we do it. And one reason that we have gone to visit the construction lending is because it's a simpler structure. But that's why we do it.

CHAIRMAN WALLACE: And the 50 percent test, again, is --

MR. WARREN: 50 percent of the eligible tax credit basis, I probably said it wrong; and Jeanne can correct me. But it's basically a calculation -- there's a basis of the capital costs, less reserves and less fees. Basically it's hard costs that are depreciable. And from that is the basis test, and the tax credit -- or the dollar amounts based against that. And that's in bond law and the tax credit law. So that's something we just have to live with.

CHAIRMAN WALLACE: Thank you.

MR. SHINE: I'm pleased to move that one.

CHAIRMAN WALLACE: Okay, Mr. Shine moves.

And is there a second?

MS. BORNSTEIN: Second.

CHAIRMAN WALLACE: Ms. Bornstein.

Any questions from the Board or the audience on the motion to approve?

(No response was heard.)

CHAIRMAN WALLACE: Hearing, seeing none, secretary, call the roll.

MS. OJIMA: Thank you, Mr. Chairman.

Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Mr. Bayuk?

MR. BAYUK: Aye.

MS. OJIMA: Ms. Bornstein.

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Sandoval?

MS. SANDOVAL: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 03-14 has been approved.

CHAIRMAN WALLACE: Resolution 03-14 is hereby approved.

Okay, how about Skyline Village?

MR. WARREN: Mr. Chairman, [I'll have Laura and Ed are going to take the next couple], so I'll let them take it away.

Resolution 03-15 (Skyline Village Apartments)

CHAIRMAN WALLACE: We've got a lot of paperwork on Skyline Village, though.

MS. SCHERFEE-WHITTALL: That's because you've seen it before.

CHAIRMAN WALLACE: So just give us a heads-up on why.

MS. SCHERFEE-WHITTALL: Yes. What it is we're coming to you is for a modification. Skyline Village originally was approved by the Board in March of 2001. It is a 73-unit new construction family project located at 420 South Lucas Avenue in Los Angeles. It's a loan-to-lender deal with a first permanent loan.

Originally, the approval that the Board provided was for a loan-to-lender in the amount of 6,805,000 dollars, 6 percent interest, one year; and then a permanent loan in the amount of 2,750,000 dollars at 6 percent, for 40 years.

We are requesting approval today of a loan modification, increasing the loan-to-lender to 9 million, with a blended rate of 4.7, and a one-year simple interest tax-exempt loan.

The blended rate is confusing if you look at the original Board package and try to compare it to what our rates are today, because when we actually sold the bonds, we were able to sell them at a lower rate, and pass that savings on to the borrower. So the blended rate that you see is the rate that we actually passed on to the borrower, combined with our rate today.

What that results in is a loan to lender of

9 million dollars, and then a permanent loan of 3,750,000, with a blended rate of 5.35 percent for 40 years.

In order to complete construction on Skyline Village, we've had to find -- or the borrower has had to find new sources of financing. The borrower is Thomas Safran and Associates. And they have approached Los Angeles Housing and Development, who is increasing their residual receipt loan from a 1,836,471 to 2,872,460 dollars. They've also obtained an AHP grant of 292,000 dollars and a grant from the City of Industry for 566,000 dollars. The one loan that does remain the same is the MHP loan for 55 years at 4,056,342 dollars.

And with that, I'm going to let -- I'm going to ask Ed to show the pictures and also explain the reasons for the increase.

MR. GIPSON: Skyline has experienced several cost overruns, primarily from some design changes that were first brought to it by the city on how they wanted it to lay out. And with most things, some repercussions came about with the subterranean parking, the retaining walls. And it's Los Angeles, so then that triggered some seismic issues. Construction costs increased overall. Supply costs increased overall. It's a prevailing wage project. They then had some difficulty bringing in contractors and getting reasonable-priced contracts. And basically, the largest increase in costs are associated with construction with this project, with the remaining being associated costs along that line. But they are large costs.

CHAIRMAN WALLACE: Was it prevailing wage when we originally approved it?

MR. GIPSON: Yes, it was.

CHAIRMAN WALLACE: So that's been consistent?

MR. GIPSON: Yes, it's been consistent.

I do want to make one clarification, that the loan-to-lender is a two-year term. A two-year term. My apologies.

Here's the site on the slide overhead. As you can see, it's an L-shaped site. It's approximately, 1.6 acres. In the distance, you can see downtown Los Angeles.

Here's the reverse angle shot, pointing north still. There's a park over there towards the right of the slide.

Here's a shot from the center of the property. If you recall, it's an L-shaped site, so now we're looking towards the west. Before there were structures on the property, so the demolition has been completed now.

We're now looking the other direction, kind of northwest. And so now the site is now clear and all those tenants have been relocated.

Here's the site layout, kind of compacted. But you can see, it is an L-shaped site with that upper left-hand corner being the existing structure of another property sitting there.

And here's an elevation to give you an idea of what it will look like.

The rents involved: They have several units at 35 percent below market and some at 60 percent. The one-bedrooms at 35 percent are at 362. The 60 percent units are at 583, which makes them 48 percent and 78 percent of market. Their two-bedrooms are 433 for 35 percent and 698 for 60 percent units, which places them at 38 and 61 percent of market.

The three-bedrooms are, for the 35 percent, it is 495. And I apologize, there's an error here. The 60 percent is at 801 -- the slide is correct; the write-up is incorrect -- which makes it 38 percent and 61 percent of market. And the four-bedrooms, same issue, the 35 percent is actually 544, not 801 -- that would be a little high for 35 percent -- which makes that 36 percent of market; and the 60 percent is 885, which makes it 59 percent of market.

We received a new appraisal to substantiate the values. Those are 2002 rents that they are now being measured against. So the rents were updated from the previous approval. And as Laura mentioned, several parties have increased their loan amounts to help offset the costs, including CalHFA for one million dollars, the City of Industry contributing, and an AHP grant, and L.A. Housing.

MS. SCHERFEE-WHITTALL: One other comment is that the borrower has also contributed, in the form of -- they've increased their deferred developer fee. Originally, the deferral was going to be closer to 250,000. Now it is almost 400,000 dollars more than that.

And with that, we'll be happy to answer any questions; and we'd like to recommend approval.

CHAIRMAN WALLACE: Any questions from the Board?

Julie?

MS. BORNSTEIN: We, of course, made the MHP loan some time ago; and all of the changes that you cite have occurred since that time. I don't think this information has been shared with our MHP division. And I would ask again if the representative of the developer is in the room, or if you would be kind enough to put that message over to them, that we do need to have all of this latest information in our file as well. Again, we don't want to delay any closings that might be involved with the MHP loans. So it is important that we get all of the new information in the event any actions are needed on our part.

CHAIRMAN WALLACE: Pat Neal?

MS. NEAL: Yes, Chairman Wallace. I was curious as to whether the grant, from the City of Industry was directly from the City of Industry or through L.A. County?

MR. GIPSON: I believe it's directly through the City of Industry.

MS. NEAL: Okay, thank you.

CHAIRMAN WALLACE: Any other questions or comments?

(No response was heard.)

CHAIRMAN WALLACE: Okay, the Chair will entertain a motion.

(No response was heard.)

Hearing none and seeing none, let's go on to the next project.

(Laughter)

MS. SANDOVAL: So moved.

CHAIRMAN WALLACE: Cathy moves?

MR. SHINE: Second.

CHAIRMAN WALLACE: Jack Shine seconds.

Any question on the motion from the Board or the audience?

(No response was heard.)

CHAIRMAN WALLACE: Hearing, seeing none, secretary, call the roll.

MS. OJIMA: Thank you, Mr. Chairman.

Ms. Peterson?

MS. PETERSON: Aye.

CHAIRMAN WALLACE: Mr. Bayuk?

MR. BAYUK: 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. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 03-15 has been approved.

CHAIRMAN WALLACE: Resolution 03-15 is hereby approved.

I'm going to ask Carrie to take over and chair

Corralitos Creek.

Linn?

MR. WARREN: I will let Laura finish it up.

MS. SCHERFEE-WHITTALL: I'm going to finish it up.

Resolution 03-18 (Corralitos Creek Apartments)

MS. SCHERFEE-WHITTALL: Corralitos Creek is a loan-to-lender request and a permanent loan. We're requesting a loan-to-lender in the amount of 7,250,000 dollars at 3 percent interest for two years. And then a permanent loan in the amount of 2,000,000 at 5.4 percent for 30 years.

The property is a 64-unit new construction family project. It's located at 125 Pajaro Circle in Freedom, California, which is near Santa Cruz County -- or, I'm sorry, it's in Santa Cruz County.

In addition, the locality has provided financing. The Redevelopment Agency for the County of Santa Cruz is providing a 1,325,000-dollar loan, 55 years, 4 percent interest, with residual receipt payments.

The borrower is known to us. They are South County Housing Corp. The name of the limited partnership is Corralitos Creek Associates Limited Partnership. South County has recently completed one of our first loan-to-lender deals; and that was Monticelli. They are also using Kent Construction, who was the contractor on the Monticelli project. They came in early, and the project was finished slightly under budget.

South County Property Management Company, an affiliate of South County Housing, will be the property management company.

We've also received the new appraisal. It came in at 6,800,000 dollars.

And, Ruth, why don't you lead off on the pictures?

MS. VAKILI: Okay, this is a view of the project. There are two sites, one on each side of the street. Along here is Corralitos Creek.

And to the back of this site is a project which is under construction, and also developed by South County Housing, which is 35 townhomes. The project should be completed in the next three to four months and fully leased up.

And on the other side of the street is a senior housing project that is affordable.

Just adjacent to the site is a retail strip. It has a Ralph's and a Sears and a Rite-Aid. A bus station is just across -- a bus stop is just up the street. So it's conveniently located.

The project will be -- let me go on to the next slide here' and we can see it a little bit better.

The project will be garden-style apartments, walk-up, 64 stacked flats. There are 12 one-bedroom/one-bath units of 756 square feet, 32 two-bedroom/one bath units at 852. And 20 three-bedroom/one-and-a-half bath units at 1,091 square feet.

There will be two laundry rooms, also a community room with offices and a computer room and library. There will also be a tot lot and a sport court on the site. They'll be located roughly along the portion of the site that fronts the creek.

Here, you can see a little more of the creek side. You can also see soil that is stacked on this site temporarily, which are spoils from the project next to it that's under construction. And that will be removed before construction starts.

Here is a computer-generated elevation of the project, and fronting along airport and right up the street is the bus stop.

Here's another view of the project.

The project will be at least at leased at 35 and 40 percent rents for farm workers and also at 50 and 60 percent. The project is estimated to be, upon completion, leased up within three months due to the heavy market demand in the area. The market survey estimated that 70 percent of the farm workers in the area would qualify under income qualifications to qualify to occupy the project. There is a very heavy demand in the area in the area for this project.

In addition, the demand for the 50 and 60 percent rents is very high. Within the Santa Cruz County, there's a waiting list of over 7,000 households; and within Watsonville itself, a waiting list of almost 2,000 households, which would qualify for this project as well.

The project's location is very convenient to the downtown area and to all the services.

The rents -- we have one more slide. The project, being that it's along the creek, will have fencing along the perimeter near the creek, and special fencing. For those who are interested in environmental issues, the fencing that particularly blocks the passage of the red-legged frog from Corralitos Creek onto the site. So that was kind of an interesting little tidbit, so that you won't have any red-legged frogs on your affordable housing site. And I guess that was an important environmental consideration for the project, which is a little bit unique.

Other than that, there are no other environmental issues on the site. It was basically a fallow field for most of its populated history.

The geotechnical report did reveal that there is a moderate potential for possible liquefaction in the case of a strong earthquake. And because of that, the developers have set back the buildings from Corralitos Creek about 110 feet from the creek, so that those areas would not be subject to the liquefaction.

Okay, the rents that we're expecting at the 35 and 40 for the farm workers, for the one-bedrooms is about 646 dollars, which is 73 percent of market.

The -- I'm sorry, let me back up.

The farm worker rents at 35 to 40 percent. The 35 for the one-bedroom is 452; and for the two-bedrooms is 517, which are respectively 53 and 59 percent of market. Two-bedrooms is 543 and 621, which are 47 and 54 percent of market. And three's are at 627 and 717, which are 42 and 48 percent of market.

What did I do? Pressing too many buttons.

MS. SCHERFEE-WHITTALL: In addition to the Redevelopment Agency financing, there's also Home Funds on this project to the tune of 3.5 million-dollar loan at 3 percent interest. AHP has a 400,000-dollar loan for 30 years. The Farm Worker Housing Grant is 1,073,000 dollars. And then there's other contributions to the site. But there is a lot of locality and other funding that's going to make this project possible and allow the affordability levels that we're seeing.

And with that, we'd like to answer any questions, and recommend it for approval.

MS. HAWKINS: Mr. Shine?

MR. SHINE: Could we go back to the plot plan of Pajaro Road there?

The one just before this, please.

Well, maybe before that, too.

MS. SCHERFEE-WHITTALL: It is. It's before.

MR. SHINE: In the upper portion, on the right-hand side, it depicts buildings. Are those the ones under construction?

MS. VAKILI: The projects, right in this area, are those that are under construction right now.

MR. SHINE: Who is the owner of those projects?

MS. VAKILI: That's also South County Housing.

MR. SHINE: Is this project then just another phase of that development?

MS. VAKILI: Yes, it is.

MR. SHINE: Will the same entity own both and manage both?

MS. VAKILI: The townhomes are for-sale units, which will be sold to people of low and very-low income.

MR. SHINE: With a covenant of some kind?

MS. VAKILI: Yes.

MR. SHINE: So those will be sold, and those will be owner occupied, and these will be rentals?

MS. VAKILI: Right.

MR. SHINE: And these are flats?

MS. VAKILI: Yes.

MS. HAWKINS: Any questions?

I'm sorry, Mr. Shine, proceed.

MR. SHINE: Thank you.

MS. HAWKINS: Ms. Peterson?

MS. PETERSON: I have a question with respect to what the restrictions are for the farm worker population and the general population, how that's going to work?

MS. VAKILI: The restrictions for the farm worker units at 35 and 40 percent, the project will be targeted for farm workers. And I believe as a part of the financing, under the Farm Worker Housing Grant, the units are actually set aside for farm workers that are income qualified.

MS. PETERSON: And how many of those units will that be?

MS. VAKILI: That will be 32 units, I believe.

MS. PETERSON: Thank you.

MS. HAWKINS: Any other questions?

Mr. Shine?

MR. SHINE: Excuse my curiosity, but can we talk about access for just a moment? You have a for-sale and a for-rent project. The for-rent project is before us today.

In looking at the map, I'm not able to see any access to the for-sale project except through the for-rent project. Or is that black-line boundary not appropriately placed as a demarcation?

MS. VAKILI: There is one form of access on this side of the street. There will be reciprocal access easements for access to the townhome site.

MR. SHINE: Will the HOA of the townhome site -- is that a private street?

MS. VAKILI: I believe it is.

MR. SHINE: Who will be responsible for the maintenance and the upkeep it?

MS. VAKILI: For the portion of the townhome site, it will be the HOA, and for the portion -- pro rata portion that is attributable to the apartments, it would be the owner of the apartment project.

MR. SHINE: So it will be shared on an undivided basis for the entire street?

MS. VAKILI: Yes, that's my understanding.

MR. SHINE: Thank you.

MS. HAWKINS: Thank you.

Any other questions?

(No response was heard.)

MS. HAWKINS: Hearing none, I will entertain a motion to approve.

CHAIRMAN WALLACE: I'll move.

MS. BORNSTEIN: Second.

MS. HAWKINS: It's been moved by Mr. Clark and seconded by Ms. Bornstein.

Are there any comments for discussion or anything further from the Board or the public?

(No response was heard.)

MS. HAWKINS: Hearing none, could we please have the roll?

MS. OJIMA: Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Mr. Bayuk?

MR. BAYUK: 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. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 03-18 has been approved.

MS. HAWKINS: Mr. Wallace, I turn it over to you.

CHAIRMAN WALLACE: Thank you. Thank you, Carrie.

Yes, Jack?

MR. SHINE: Is it appropriate now to make a non-project comment?

CHAIRMAN WALLACE: Sure.

MR. SHINE: I'd like to make a request that we be supplied with a line-item breakdown of construction costs with each project as it comes in, so we can ascertain to what extent off-sites are or are not part of that cost.

MR. WARREN: Sure.

MR. SHINE: And also, if you could, is there a standard of some kind with respect to the obligations and responsibilities of the architect on the project that runs from project to project, or is each one different?

MR. WARREN: There is an architect's agreement letter, if you will, that we make them sign, which really requires them to sign off on the as-builts, for example, and to engage a supervising architect during construction, if that's what you're referring to.

MR. SHINE: Do they do ongoing inspections?

MR. WARREN: Ongoing inspections? We retain -- we have our own staffing inspectors plus retained inspectors; but we also require that the design architect either do it himself or hire a supervising architect to go out regularly and inspect the project as part of our requirement.

MR. SHINE: And do they submit anything to you as a result of those inspections?

MR. WARREN: At the end, they do. Since we are not a construction lender, we don't look at the ongoing inspections; but at the end of the day, we look at the as-built certifications from the architect, at the end of the day.

MR. SHINE: So they're signing with their license that this is --

MR. WARREN: Yes, that this is built according to the -- the as-builts are built according to their plans.

As we do construction lending, though, Mr. Shine, that will change, because then we'll have to have ongoing inspections from the architect, on a going-forward basis.

MR. SHINE: Thank you very much.

MR. WARREN: So, yes, we do look at that.

CHAIRMAN WALLACE: Thank you, Laura.

Thank you, Linn.

Linn, you've got a couple of non-project items.

MR. WARREN: A couple, yes.

CHAIRMAN WALLACE: Let's move on to Item 5 then.

MR. WARREN: All right.

CHAIRMAN WALLACE: It's on page 229.

Item 5: Resolution 03-16 (GMAC contract underwriting agreement for CalHFA 236 loans)

MR. WARREN: Actually, this is my next one, so I'm going to reduce these just for a moment.

The first delegation -- or the first request for resolution is the GMAC 236 contract.

By way of background, as some of the Board members may remember, is that in December of 2002, the Agency purchased approximately 279 loans from Fannie Mae. These were 236 assisted HUD loans, an opportunity that Fannie Mae offered to HFAs around the country. To my knowledge, we were the only HFA that took advantage of the loan purchase, with the reason -- with the objective to put ourselves in the position as a new lender to help refinance and reposition these projects and to prevent runoffs and opt-outs.

We did an analysis right after that. We did a number of these. But a couple things occurred, unfortunately because of resource constraints it was very tough for us to get to the portfolio and the runoff rate, the payoff rate of the 236 portfolio was actually very low. So, for example, today there are 238 - 236 loans in the portfolio, out of the original 279. And we have financed ten of those. So less than -- or a little over 10 percent of the portfolio has runoff, and some of those have gone on to affordable.

But that said, we felt it was appropriate for us as our resources have replenished themselves, to readdress and revisit the 236 portfolio. So we put out an RFP for a contract underwriter to help us with underwriting and marketing. We received a few responses, and the best of which was the GMAC Commercial Mortgage Group, which has offices located that specialize in FHA lending, fortunately, in Sacramento.

So with that, we would like to seek approval from the Board to contract with GMAC Commercial Mortgage, and the representatives are here, Michael Kulick, the senior vice president, and an old friend of ours, Jim Liska, who now works for GMAC, would also help us in this work.

GMAC will market and underwrite these loans. The loan closing process and the final loan approval will still vest with the Agency. And we will have staff internally to do the review process and the closing process. But the combination of the two organizations will leverage our abilities to address this portfolio.

We are still a little bit unclear as to how many owners, for-profit owners will engage in sales situations because sales prices are still very high, particularly with cap rates where they are today. But 44 percent of the portfolio are owned by nonprofits, particularly Northern California. And 501(c)(3) refinancing opportunities for them, we think, is a very good thing for us to offer, so we'll be focusing on that as well.

Another added benefit of GMAC is that the loans that are being serviced today are being serviced by GMAC's servicing operation in Pennsylvania. So Michael and Jim and GMAC would have access to all the operating histories of the projects and to help with the refinancing.

So this is a way for us to use the contract and leverage our abilities; and we think they are the most qualified respondent to the RFP.

And with that, I'd like to recommend approval, and be happy to answer any questions.

CHAIRMAN WALLACE: Questions? Comments?

Why wouldn't we do this in-house?

MR. WARREN: We have -- as Terri indicated, our pipeline is growing rapidly. The current status, Mr. Chairman, we have approximately 480 million dollars of activity in our pipeline. And even with our staffing increases, we are having to really increase the workloads. So we think we still have to dedicate internal resources for rereview and for loan closings. But it's a well-defined portfolio. GMAC knows our underwriting. We think it's a very good match. And compensation of one point is a good one.

And I will point out under the request that there is an upper limit on total compensation, once it reaches a million dollars, we will come back to the Board for permission, or at least for a status, so we can cap the contract.

But, no, we are just very busy; and we need to leverage our resources.

CHAIRMAN WALLACE: Thank you.

Any further questions or comments?

(No response was heard.)

CHAIRMAN WALLACE: It's a good idea.

Who wants to move the approval?

MR. SHINE: (Indicating.)

CHAIRMAN WALLACE: Jack?

MS. BORNSTEIN: (Indicating.)

CHAIRMAN WALLACE: Julie?

Jack and Julie went wall to wall.

Okay, let's let Julie do it.

MS. BORNSTEIN: All right, I'll make the motion; and I guess Jack will second it.

CHAIRMAN WALLACE: He changed his mind, Julie. You're hanging out there all by yourself.

MS. BORNSTEIN: I'm hanging out there all by myself, yes.

CHAIRMAN WALLACE: We have a motion. And any questions from the Board or the audience on the motion?

(No response was heard.)

CHAIRMAN WALLACE: Hearing, seeing none, secretary, call the roll.

MS. OJIMA: Ms. Peterson?

MS. PETERSON Aye.

MS. OJIMA: Mr. Bayuk?

MR. BAYUK: Abstain.

MS. OJIMA: Thank you.

Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Sandoval?

MS. SANDOVAL: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 03-16 has been approved.

CHAIRMAN WALLACE: 03-16 is hereby approved. Thank you, Linn, and thank you, Board.

MR. WARREN: Thank you.

CHAIRMAN WALLACE: Let's go on to Item 6.

Item 6: Resolution 03-17 (Delegation of Loan Approval Authority under Preservation Acquisition Fund (Prop. 46))

MR. WARREN: Thank you, Mr. Chairman.

This item relates to Multifamily Program's role in Prop. 46. Embedded within Prop. 46 was the Preservation Opportunity Fund. It was a fund that was designed to allow for the rapid acquisition of at-risk affordable housing.

The components of it are pretty straightforward. 45 million dollars of a 50-million-dollar fund has been dedicated to be coupled and leveraged with CalHFA funds to rapidly acquire at-risk affordable housing that have been defined by the legislation.

Let me show you the format very quickly here.

This is a standard CalHFA acquisition structure for a 10-million-dollar acquisition. Under the bond fund structure, under Prop. 46, 25 percent -- or in this case, a particular example, 2.5 million dollars -- would be contributed from bond funds. This is a 3 percent interest rate. The balance of the money needed for the acquisition would then come from CalHFA funds. These would be short-term borrowings that we would do under our credit facilities. The objective behind the Prop. 46 program, in working in conjunction with HCD, under which we would administer the program, is to recycle the money on a permanent debt structure. So when we go into the permanent structure, as the Board is seeing, we would then do a permanent loan, not necessarily with us but with other folks. Tax credit equity and other income, such as project income or locality financing would come in.

The permanent structure would serve to recycle not only the bond funds but the CalHFA funds. It's important for our money because these are short-term borrowings and we would need to either replace that with long-term debt or other sources of funds. But the critical piece of it is the HCD or bonds funds then could be recycled for new projects. Again, that's how we want to recycle the monies.

Again, a broad outline, as I said earlier, it is to provide low-cost funds. Our money right now is priced at four percent -- it could go lower, depending on where the markets go -- to preserve at-risk assisted projects. These are Section 8, 236 projects, 202's, 515's and tax-credit projects that are expiring and at risk.

The Agency's role, as I indicated, would be under an MOU with HCD, is you would underwrite and close these acquisitions pursuant to the guidelines that we've established during our history in doing preservation loans.

The 75-25 split is really a general guideline. The 25 percent piece is important because it is the risk piece. In the event that we are unable to secure permanent financing or if the loan has to be continued for some reason, then the 25 percent or bond fund piece will convert to a residual receipts loan.

The Agency, as I said, would fully underwrite and staff these things. We are looking at contract underwriters. Coincidentally, we were also talking with GMAC on the basis for this to help us on a short-term basis. But long-term, the underwriting and funding process for the acquisition loan program would be entirely in-house. We have a position request out there for that very purpose.

The key to any acquisition loan is good underwriting of the acquisition piece; but more importantly, what is the permanent financing structure going to look like? So we've boiled down to two main components of the program in these couple bullet points:

A physical needs assessment will be conducted pursuant to our guidelines, to make sure the project is in -- or to determine what kind of shape the project is in. It may not be in good shape. And is there enough money both in the acquisition phase and in the permanent phase to successfully complete the scope of work?

Second and perhaps more important strategy is: What is the permanent financing structure? In other words, if the project costs over the short and long term cannot be financed by the permanent structures that we normally use bonds and credits for, then this may not be a viable strategy. And the Agency, in its discretion, could very well turn down the acquisition loan.

As I have explained to the bill's authors and others involved, the Agency is not going to just throw money at this, either ours or HCD's. We want to be judicious and apply the guidelines we've used in the past.

In the event that permanent financing can't be found, the exit strategies, which is the next bullet point, would be employed. And this is our terminology for converting short-term debt into long-term debt. Our money could roll into a 501(c)(3), sale to a nonprofit. There are a number of mechanisms we can do to protect our debt. And the bond funds would then become long-term residual receipts. But the goal is not to do this, but to recycle the funds.

In looking at these, on a loan amount, we generally assumed that the loan amounts for the acquisitions would be under 10 million dollars. As we began to get into discussions with the industry, we found that there may be situations in which there will be higher loan amounts. The delegation request today is to do these loans without approval of the Board, and in conjunction with the guidelines that were approved previously for the under 4-million-dollar loans.

But the one issue that has arisen since the Board materials were sent, is a couple of large loans have come up for our consideration, larger than we anticipated. So I wanted to bring this issue up, that the Board may wish to consider limiting the ability for us to do an unlimited loan amount. In other words, we could get a 25-million-dollar loan in a tomorrow, and the way the resolution is written, we'd be able to do it.

And I think the staff would feel comfortable bringing those to the Board.

But that said, my best guess is that 80 to 90 percent of the projects that we would see -- maybe not 90 but closer to 80 -- would come in under a certain limit of the smaller size.

So with that, I would like to offer recommendation for the delegation. The delegation really is designed solely to meet the intent of the Prop. 46 bond, to move quickly on these loans and not have to wait for the Board to save these projects.

And I'd be happy to recommend approval and answer any questions.

CHAIRMAN WALLACE: Yes, Jeanne?

MS. PETERSON: Thank you.

I talked with Mr. Warren about this and about the importance of this acquisition fund, that really, hopefully will provide some ability to provide dollars to purchasers in a very short period of time. And so I think it's a good idea for us, as the Board, to delegate some of this possibility to staff. However, I am a little bit concerned that there could be huge sums that didn't come to the Board. And so I would like to suggest that the motion include in it a dollar amount, a delegation amount that would be 9 million dollars of

CalHFA funds. And what I mean by that is that any amount over that, any one, single loan amount over that would come to the Board for its prior approval.

I think it's also understood that the Board will receive reports --

MR. WARREN: Yes.

MS. PETERSON: -- with respect to all of them.

And then I also had a question, which is, do you anticipate any particular percentage or number of these that will actually come to us for permanent financing?

MR. WARREN: Well, we asked the bill's author to write it such that the sponsor can go any place for the permanent financing, just to give them flexibility.

You know, my guess is the majority of them will. I just think that if you come in to an underwriting shop and you look at acquisition -- and, obviously, we will, on a strong basis, underwrite the permanent -- you've done a lot of work. And you don't want to have to come in for the acquisition and then go right back out and find a permanent loan. So I'm going to throw a number out, saying that 60 to 70 percent could very well come to the Agency for permanent financing.

And the way the resolution is written, those permanent loans would all come to the Board for approval, with the exception of those that are under 4 million dollars. So, for example, if we did an acquisition loan for 12 million; and it was a permanent loan -- which would meet the guidelines as Ms. Peterson has proposed, regardless of the size of the permanent, unless it was less than 4 million dollars, that would come to the Board for approval separately. Perhaps at the same time but probably separately. So that would be consistent with existing procedures.

MS. PETERSON: I would like to offer that as a formal amendment to the motion.

CHAIRMAN WALLACE: Jeanne, why 9 million? Why not 4 million? Why not 7 million? How did you pick 9 million?

MR. WARREN: Well --

MS. PETERSON: I had collusion with the Director of Development.

MR. WARREN: We had collusion on this.

CHAIRMAN WALLACE: I knew it.

(Laughter)

MS. PETERSON: Actually, at least I'll give my perspective; and then Mr. Warren can give his.

MR. WARREN: Right.

MS. PETERSON: I mean, I don't want the staff's hands to be tied, waiting for our bi-monthly Board meetings. However, like I say, as a Board member, it seems as though there's some amount above which definitely these things should come to the Board. And if you assume, which I did, just very roughly a 30,000 dollars-per-unit acquisition price, that would mean it would have to be a 400-unit deal or greater in order for it to come to the Board. And it strikes me that anything that is 400 units or greater definitely ought to come to the Board. There have not been that many.

In talking with Mr. Warren about it -- I actually, if anything, would have suggested a slightly lower number; but he begged me to keep it that high -- no.

(Laughter)

MR. WARREN: I think "advocated" was the proper term, Jeanne.

MS. PETERSON: That's what I meant to say.

MR. WARREN: That's right.

CHAIRMAN WALLACE: Okay. we've heard her view. How did you arrive at 9 million, instead of 4 million?

MR. WARREN: Well, my general sense was I wanted to go toward a doubling of the existing authority, which is 4 million. But using --

MS. PETERSON: Twice "four" isn't "nine," Linn.

(Laughter)

MR. WARREN: Sometimes I round up; and sometimes I round down.

But generally speaking, with a 75-25, it results in a total of 12 million-dollar acquisition to keep the numbers simple. So I felt that was an appropriate number. The industry could remember, and it was just -- my sense was it was high enough to handle most of the projects.

And another way to look at, it's less than ten and more than eight, would be a way to look at it. But it really was -- in talking to some folks, we kind of agreed that 12 million dollars was kind of an agreeable benchmark for acquisitions. We've got a couple that are in excess of 12. So we just used that number and kind of backed into it. Not very scientific, but I think it will serve its purposes.

MS. PARKER: Mr. Chairman, just let me add one caveat to that. As we were going to be reporting to you, the number of projects that we've done under the 4-million-dollar delegation, we'll certainly be revisiting that delegation. And I think what we are suggesting at this point in time is to try this dollar amount. It's all somewhat a guess on our part of what the size of the projects that are going to be coming through. This project -- this program is all about really trying to be as expeditious as possible. So I think we're somewhat picking a number. And after we start doing these, we'll be in a better place to give you information about what your comfortability would be about whether the numbers should be changed or not.

CHAIRMAN WALLACE: It never goes down.

MR. WARREN: We hope not.

MS. PARKER: Linn, how often is the reporting planning?

MR. WARREN: Well, basically, I think, every other Board are planning on coming back -- not only for the 4 million, but for this. For example, the May Board, there will be a report on the other delegations. So I believe we could report at every Board, if the Board wishes. I'd be happy to do that.

CHAIRMAN WALLACE: You know, we picked 4 million --

MR. WARREN: Right.

CHAIRMAN WALLACE: -- kind of in this same way that you're talking about 9 million, anticipating that you would develop some background, and as you're soon to do, come and say, "It should be seven" or maybe nine is what you're really thinking now. I almost feel it's the cart before the horse, Linn, because we haven't -- I mean, don't we want to expedite everything? What's the distinguishing characteristics between this program --

MR. WARREN: Long term.

CHAIRMAN WALLACE: -- that would call for nine, versus what we --

MR. WARREN: The 4 million?

CHAIRMAN WALLACE: -- what we placed less than a year ago at four?

MR. WARREN: Well, the main two differences is the 4 million dollars has to be a long-term permanent debt. It's a 30-year commitment on behalf of the Agency. And there's a lot of stuff, lender-writing components that go into that.

The risk profile for the short-term debt, given the HCD money, I think is very different; hence, the more than doubling, as Ms. Peterson points out, of the monies.

Our experience on preservation profiles, although it may look like it's risky, it's a 100 percent loan-to-cost loan. Given the structures that deal with equities, it's a fairly good risk to take. And all the borrowers are going in with the understanding that they will be recycled out within the two-year period. So it's two really different programs, fundamentally different. And we are not going to take projects in unless the permanent financing is there.

But I think the problem with waiting, Mr. Chairman, is, as Terri indicated, we're ready to go out next week. And in looking at this, the industry really has come to us really more with a delegation request than internally. Waiting for a Board on some of these smaller projects is going to be tough. And our experience has been, over the years, we've lost a lot of projects because we can't get our act together.

The really large ones, though, I will point out, as you've seen in the past, because of their sheer size, they do a different financing structure, which may not need this money. But if we're going to follow the intent of the bill and the bond, my request is that we do this.

But I'm a little bit concerned about not having a cap. We could have a 25 million-dollar loan come in tomorrow and staff would be uncomfortable doing that without Board approval.

MS. PARKER: One other thing, Linn, just to add for, perhaps, the benefit of the Board members. These funds that were put in the bond for this particular purpose was actually part of the discussion in legislation that was discussed a couple of years ago, when money was -- general-fund money was put in the budget for housing. And there was a particular pitch by a private company -- can we call them a nonprofit, Julie --

MS. BORNSTEIN: Yes.

MS. PARKER: -- that essentially came and made a proposal to the Legislature about, you know, establishing this private fund and doing these portfolios, to try to do it from a preservation standpoint, and the fact that they could operate on a very quick basis, a quick turnaround. And it was a lot of the advocates who worked with CalHFA that really said, "Why should they do it? CalHFA should do this." And so -- but it was all with the understanding that you could be -- you would have an expeditious process to do this, so that people weren't held up by approvals that may delay time, in that sense, interested sellers from working with the borrower that might have to have Board approval.

So I'm just saying that when this program was conceived and funded, it was always discussed from the standpoint that it would be a process, whether it was done by the state entity or a nonprofit outside entity, would be done from an expeditious fashion.

CHAIRMAN WALLACE: And one of the big criticisms of government is it's ponderous, it's slow. So CalHFA doesn't move as fast as conventional financing. I'm not sure that's true in the current refinance market, but --

MR. WARREN: Yes, it is, it is.

CHAIRMAN WALLACE: It's a criticism -- a generic criticism of government. So I understand all that.

I guess I'm saying -- and I think you've told me your first loan request was 13 million?

MR. WARREN: The first one is going to come to the Board. So, you know, under these guidelines, the very first one would come to the Board for approval. And we've informed the borrowers that that's the case, assuming the delegation goes forward, regardless. But that is the case.

CHAIRMAN WALLACE: Let's do this -- or let's see what the Board feels. But my own sense is we'll approve your amendment to the resolution; but get us some earlier on -- you know, you're going to be hitting the market; hopefully, it generates. And then let's reassess when -- realizing things never go down, it's always more.

MR. WARREN: Right.

CHAIRMAN WALLACE: But I'd argue that we want to be a little sensitive to having something more than this in setting our standard here. And the other, I think if you're coming to us in May, you're going to be able to, "A," give us a first annual report or whatever, Linn, on the 4 million as a cap. And it's been helpful to hear "long-term, short-term." That's distinguishing. But then give us an early read on the 9 million. And I have a hunch, you're going to say 4 million isn't high enough, and backing it up with some statistics.

MR. WARREN: I would point out that we have a general sense as to what the acquisition loans are going to look like. But as you pointed out, we really won't know until they start coming in the door. And I think some of them are going to be very good and others are probably going to be extremely problematic. So we'll just have to wait and see.

So I would add not only to the number report; but the types of projects that are brought to our staff for review, which I think would be pretty interesting.

CHAIRMAN WALLACE: And I think, Linn, also probably now that we're kind of on a roll on the 4-million delegation, that we probably ought to do that at least quarterly.

MR. WARREN: That would be fine, Mr. Chairman.

CHAIRMAN WALLACE: And ultimately the same with whatever we decide here.

MR. WARREN: Certainly.

CHAIRMAN WALLACE: But with that kind of caveat, I'm going to vote for Jeanne's motion.

Anybody else?

Julie?

MS. BORNSTEIN: Mr. Chairman, with all due respect, I'm wondering just from the HCD point of view of administering a new program, if we might get reports on this delegation a little more frequently. And I don't know how burdensome it is to staff to just simply give us an update at every Board meeting. But this is a new program. It is intended, as Terri indicated, to be a rapid response program for those at-risk units. Because as we all know, and certainly we saw it in the rent differentials in some of the projects we've approved today, we have not only a huge need to build additional units; but we certainly want to preserve those affordable units that already exist. That's why the overall 50-million-dollar fund was put in the bond. We're going to be issuing a notice of funding availability for the 5 million. That does not come to this Agency. That's meant to be out there for a private firm to come in and offer the same kind of activity.

Ask so for us to really evaluate the CalHFA performance and the private-sector performance, it would be helpful, if it is not burdensome to staff, to have just a quick update at every Board meeting; if that's all right.

MR. WARREN: That is not a problem. And I think you've reminded me, Ms. Bornstein, that in the legislation there's a requirement that we report to the Legislature on an annual basis, in effect, to do just that, to compare the programs. And under our MOU with HCD, that's going to be a daily discussion. So, no, that's not a problem at all.

MS. BORNSTEIN: Thank you.

CHAIRMAN WALLACE: Well, let's do that then.

MR. WARREN: Sure.

CHAIRMAN WALLACE: We'll place it in this motion. I don't know that we have to -- let's hear your report on the 4 million --

MR. WARREN: Sure.

CHAIRMAN WALLACE: -- delegation at the next meeting. But for the immediate -- I'll leave that at quarterly for the moment; but you may have some insights when you give your report at the next meeting on this. But for the purpose of this fast action program we're talking about now, let's do it every meeting.

MR. WARREN: Fine.

CHAIRMAN WALLACE: No problem, you said.

Cathy?

MS. SANDOVAL: The Governor is certainly interested in getting out the bond funds expeditiously. And I wanted to commend both HCD and CalHFA for their tremendous efforts to get out the funds very expeditiously. We've really set records in how quickly we've gotten those out. But many of these projects are long-term projects which, by their nature, are already in existence.

If you could just clarify for me, you know, I certainly understand everyone prefers speed -- but why does the two months make such a difference, that we should so increase the delegation authority and not have these things come to the Board?

MR. WARREN: Well, you mean overall for the delegation or waiting until --

MS. SANDOVAL: Well, particularly increasing the delegation authority. I know no one likes to wait.

MR. WARREN: Yes.

MS. SANDOVAL: But why does the two months really make such a difference to the project to getting it underway?

MR. WARREN: Oh, I think we're in a situation, quite frankly where a matter of weeks can make difference on approvals for Section 8 projects.

MS. SANDOVAL: They make a difference to, what, to the interest rate?

MR. WARREN: No.

MS. SANDOVAL: To going forward?

MR. WARREN: We are in direct competition with market-rate purchasers. This is a competitive situation in which our money is out there, competing with others who wish to opt out and take these things to market, and basically evict Section 8 tenants. That is what is essentially at stake here.

And in the six years we've been doing preservation, I hate to say, we've probably lost as many as we've won. And speed is critical. And our sponsors, in tying up for-profit sellers, operate in not a matter of weeks but in a matter of days. So it's critical. The industry has quite simply stated that if there's a Board delay in some of this stuff, they will have to seek financing elsewhere.

MS. PARKER: Which in this case could mean that they sell the property rather than to somebody who might try to see if they can preserve as affordable it.

MR. WARREN: That's correct.

MS. PARKER: Sell for market rate.

MR. WARREN: That's it exactly.

MS. PARKER: And it would be lost, period.

MR. WARREN: Correct. And part of our challenge, Ms. Sandoval, is we have to compete -- our staff has to compete on a processing level with for-profit and profit-motivated lenders. That's our challenge. And for us to impose a time frame which would delay that, I think harms our constituents.

CHAIRMAN WALLACE: Kind of the word in the industry was CHFA, CalHFA, last resort, it's bureaucracy. And if we really want to preserve some of these units, we've got to -- we do have to act fast. So this is a legitimate issue, but I guess it needs to be reinforced.

MR. WARREN: I'm begging the Board's indulgence on this. If we can get ourselves going, we'd be happy to recalibrate this when we have more time. But I would prefer to not wait. Let's hit the market with this and hit it fairly hard.

CHAIRMAN WALLACE: We've got a few questions; but, Jack, you were next.

MR. SHINE: We're getting ready to vote on this resolution with some change. Let's do --

CHAIRMAN WALLACE: We'll repeat that before you vote.

MR. SHINE: Thank you.

CHAIRMAN WALLACE: Carrie?

MS. HAWKINS: Yes. I understand the dilemma. Just coming from the private sector, just from a simple single-family loan, in the past, if a seller would hear it was FHA, they would say, "I'd rather take the conventional deal." And what happened was, they know who they would get tied up with -- as they perceived government. And so that's why FHA or HUD originally went to the delegated underwriting for lenders, to give you a historical perspective. And then the FHA loan became equally desirable from that standpoint. And so I understand what you're dealing with, with the sellers, as Clark and others have reiterated.

But the 9 million does concern me a little bit; but I think if we can be assured that within a two-month period of time we're going to get an update; and by then, we're going to get to see perhaps some deals, where the permanent financing is going and we can monitor it; and if we feel uncomfortable at that time, we can revisit it. So I would support it.

MR. WARREN: Yes, and, hence, my comment, Ms. Hawkins, is the type of deals are just as important as the dollar amount, because it reflects the relative risk profile of the projects we are being asked to finance. That's an important qualifier on that.

CHAIRMAN WALLACE: Pat Neal?

MS. NEAL: Thank you, Chairman Wallace.

The private organization that had originally tried to corner the preservation property market, when they made their argument to Congress to get their allocation as seed money, they used the fact that you had to operate very quickly. I mean, they could turn around in less than two weeks. That was one of the arguments in the record.

In the Millennium Commission Report, they talked about the speed that was needed to acquire these properties, and that there was so much bureaucracy and slowness in the process. And so time is of the essence, as we've always had in our contracts, Clark. And this is an area where it's more of the essence than anything else than I know of.

Thank you.

CHAIRMAN WALLACE: Thank you.

Could we repeat the motion?

(No response was heard.)

CHAIRMAN WALLACE: No?

Try again.

MS. PETERSON: My suggestion would be -- and I would be happy to move it -- that this delegation of authority, with respect to the Preservation Opportunity Fund loan commitments, be granted to the executive director and staff for acquisition loans to be made up to a 9-million-dollar contribution on the part of CalHFA; and that for loans that would include more than 9 million dollars of CalHFA funds, that they be presented to the Board for action.

MR. SHINE: I'll move that.

CHAIRMAN WALLACE: Jack says he'll move that, assuming you didn't.

MS. PETERSON: I thought I did; but it doesn't matter.

CHAIRMAN WALLACE: Let's have a debate here as to who gets to move.

Why don't you move it; and, Jack, you second it?

MR. SHINE: Yes.

CHAIRMAN WALLACE: Okay. Is that what you had your hand up for, Judy?

MS. BORNSTEIN: No, I'd like to make the second amendment to the resolution that's been presented to us, consistent with my remarks, which is section 2 of the proposed resolution currently reads that, "The Director of Multifamily Programs shall report to the Board from time to time." I would delete the phrase "from time to time," and insert the word "each" between "at" and "regularly" so that it will read -- as amended, it will read: "The Director of Multifamily Programs shall report to the Board, at each regularly scheduled meeting, lists of the loans approved under this authority," if that's acceptable to both the maker of the motion and the seconder of the motion.

CHAIRMAN WALLACE: Jeanne?

MS. PETERSON: Absolutely.

CHAIRMAN WALLACE: And Jack?

MR. SHINE: Yes.

CHAIRMAN WALLACE: Okay. So it's an amendment to the amendment, which has been accepted.

Do we all understand the motion?

Are you ready for the question?

Any further comments from the Board or the audience? Because I'm not going to recognize you.

(Laughter)

CHAIRMAN WALLACE: Please. Any?

(No response was heard)

CHAIRMAN WALLACE: Hearing, seeing none, secretary, call the roll on the amended motion.

MS. OJIMA: On the amended motion? Thank you, Mr. Chairman.

Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Mr. Bayuk?

MR. BAYUK: Aye.

MS. OJIMA: Ms. Bornstein?

MS. BORNSTEIN: Aye.

MS. OJIMA: Ms. Sandoval?

MS. SANDOVAL: Aye.

MS. OJIMA: Ms. Hawkins?

MS. HAWKINS: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Mr. Wallace?

CHAIRMAN WALLACE: Aye.

MS. OJIMA: Resolution 03-17 has been approved.

CHAIRMAN WALLACE: Resolution 03-17 is hereby approved.

Okay, I'm going to ask Terri to read the report on Item 7.

(Ms. Hawkins stepped out of the hearing room.)

CHAIRMAN WALLACE: And do you need assistance there, Terri?

MS. PARKER: Yes. I'd ask, Nancy and Tom, why don't you come join us, so you can sit across from the Board members?

CHAIRMAN WALLACE: It's safer there, Tom.

(Laughter)

MR. HUGHES: Sometimes that's correct.

MS. PARKER: I just want to commend the Board on how quickly they have gone through a very difficult agenda so far.

CHAIRMAN WALLACE: Are you intending to slow that down?

(Laughter)

MS. PARKER: No. I'm hoping essentially that you've set the pace.

CHAIRMAN WALLACE: Okay.

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Item 7: Financial Support by Agency of California Housing Loan Insurance Fund

MS. PARKER: We have one more action item before we will go into a closed session to essentially do some briefing for you. But I wanted to take this opportunity to bring a resolution before you. And I'm just going to do some introductory comments about it.

As you all know, with the hiring of Nancy Abreu, a little more than a year ago -- we've been celebrating her anniversary -- we've gone through the insurance program as far as every conceivable way that we possibly can. We've been looking at the products. We've been looking at the authorization of the products. We've been looking at the operation. We've been looking at who essentially are our partners from a contracting, from a back-office standpoint, from a shared-risk standpoint. We have looked at the internal staff. We have been acquiring and have new staff that has accepted positions with us. And we have been working with the rating agencies, essentially, going through our authorization authorities.

As you all know, we're in the final stages of negotiating a contract with GE. We believe we are very close to essentially accomplishing that. We are very excited about the technology and the additional resources that that will bring to the administration of the insurance program. Frankly, the expertise of GE is something that just being associated with them will grow our own expertise exponentially.

So the item before you is really a result of going through every aspect of what we're doing with the insurance program. And we have looked at and have brought to you other items where we've identified things that were no longer timely and no longer applicable, no longer sort of realistic in the 21st century. And one of the those items was the previous resolution, Resolution 93-18, which was passed in June 1993, almost ten years ago. And in that resolution, it essentially talked about the financial support between the two funds that the Agency has, the Housing Finance Fund and the Insurance Fund. We have looked at that and have found, not only is it so out of date, but it is really a question about whether or not it provides more confusion to the reader than it does clarity.

So with everything else that we are going through to try to come up to what we believe is a level of professionalism and integrity and clarification of this fund, we submitted a resolution to you which will essentially, we believe, really state in today's terms what the relationship and the support that the Housing Agency provides for the Insurance Fund.

It's really meant to be part of our basic infrastructure. This item does not have anything to do with the 85 million dollars that is in Prop. 46. It doesn't further that purpose. It really is the basic underpinnings for the existing program.

Nancy and Tom are both here to answer any questions about it; but I would essentially also tell you that, as part of our staff work in doing this, we've clearly been working with our consultant from --

MS. ABREU: Milliman.

MS. PARKER: -- Milliman on this.

We've worked with our bond counsel. We've worked with our partners at GE. We've worked with the rating agencies to essentially have them look this over, to see if there are any caveats from their standpoint that we should be taking into consideration to update this and make it as relevant in today's terms as we possibly can.

To our knowledge, there is no known opposition or, in that sense, there is no, I think, confusion or concern about what is in here. So if anybody's concerned about whether there is -- we're causing a concern to any particular stakeholder group, that's not relevant in this particular item.

So I think we sent to you all a draft the other night. We would say, we appreciate the indulgence of the Board.

We have been working on this, as it has been evolving, on a day-to-day basis. We do not have a number in it because, frankly, our consultant is still working that out. And part of the reason why we've written the delegation to be the way it is, this resolution, is we believe that over a period of time that number will change. We think that the best thing to do -- that has not been really available to the Board in the past -- is to know on any given year what is the support between the funds. This resolution, in that sense, would really add to the knowledge base of the Board, so they would know the annual Agency support at the key time of the Business Plan, when it would be most appropriate to talk about whether this is the amount that the Agency wants to have the Housing Fund support the Insurance Fund, and what that funding or financial backing does and the kind of public benefit we're trying to achieve with the purposes of the Insurance Fund to begin with.

(Ms. Hawkins returned to the room.)

MS. PARKER: So we believe that it's very timely. We believe from the standpoint that it provides not only the Board but the financial community a better understanding, frankly, of the commitment and the availability to meet the tests that we have agreed to meet from a ratings standpoint, and that is our 10-to-1 capital requirement, and also to meet the kinds of stress tests that a rating analysis is based on.

So with that, Mr. Chairman, Tom, Nancy, and I are here to answer any questions. So we would recommend to the Board that you adopt this new resolution that would greatly supersede 93-18, which we believe is woefully out of date.

CHAIRMAN WALLACE: Nancy, anything to add?

MS. ABREU: No, I think Terri did a great job summarizing some of the background work we've done and the need to basically clarify what was in the previous resolution by actually rescinding it and adopting this resolution.

CHAIRMAN WALLACE: Tom?

MR. HUGHES: I agree.

CHAIRMAN WALLACE: Man, a great legal mind, agreeing.

(Laughter)

CHAIRMAN WALLACE: In reality, this just states reality; doesn't it? It's making today what we have to do, anyway?

MS. PARKER: Yes.
MS. ABREU: Yes.
CHAIRMAN WALLACE: It modernizes something that's out of sync?
MS. ABREU: That's correct.
MS. PARKER: That's correct.
CHAIRMAN WALLACE: Any other questions?
The Board will entertain -- or the Chair will entertain a motion of approval.
MS. HAWKINS: I will move approval.
CHAIRMAN WALLACE: Resolution 03-19, is that what you're moving approval of?
MS. HAWKINS: Yes.
CHAIRMAN WALLACE: Is there a second?
MS. BORNSTEIN: (Indicating.)
CHAIRMAN WALLACE: Julie?
MS. BORNSTEIN: Yes.
CHAIRMAN WALLACE: Any discussion by the Board or any questions or discussion by the audience before we call the roll?
(No response was heard.)
CHAIRMAN WALLACE: Hearing and seeing none, the secretary will do that, call the roll.
MS. OJIMA: Thank you, Mr. Chairman.
Ms. Peterson?

MS. PETERSON: Aye.
MS. OJIMA: Mr. Bayuk?
MR. BAYUK: Aye.
MS. OJIMA: Ms. Bornstein?
MS. BORNSTEIN: Aye.
MS. OJIMA: Ms. Sandoval?
MS. SANDOVAL: Aye.
MS. OJIMA: Ms. Hawkins?
MS. HAWKINS: Aye.
MS. OJIMA: Mr. Shine?
MR. SHINE: Aye.
MS. OJIMA: Mr. Wallace?
CHAIRMAN WALLACE: Aye.
MS. OJIMA: Resolution 03-19 has been approved.
CHAIRMAN WALLACE: Resolution 03-19 is hereby approved.
MS. PARKER: On behalf of the staff, we thank you very much.
MR. HUGHES: Thank you.
CHAIRMAN WALLACE: We thank you for catching things that need to be updated. I think we're doing the Lord's work.
Moving on to Item 8, the Board will now go into executive session. My read of it is there will be no action from the executive session. However, I intend

to come out and report that fact. Should you desire to stay, that's fine. I don't know how long we'll be in there. I would guess maybe half an hour. So suit yourself. I don't --

MS. PARKER: Mr. Chairman, before we do that, I apologize for the interruption; but I just wanted you to know that -- since we are in Sacramento, there is a good number of our Sacramento staff who came to actually witness a Board meeting. And we have staff. Ken has his financing staff here. Linn has I think most of Linn's underwriting staff. We have -- Jackie has some of her administrative staff here. Marketing staff is well represented, as well as Di and all of her staff at this.

(Laughter)

MS. PARKER: And obviously we've had all of our senior managers for Homeownership.

CHAIRMAN WALLACE: Hang on a minute. That's to "Di" for; right?

THE AUDIENCE: Yes.

Item 9: Discussion of Other Board Matters and Reports

CHAIRMAN WALLACE: There is another item which I'm going to move up, and that's Item 9 -- first of all, welcome, all of the staff. And we're sorry we had to put you through that. But it's a good adult education. We're always happy to have you.

Let me deal with Item 9 because -- to see if there's any discussion on any non-agendized matters before the Board that we didn't have.

Jack?

MR. SHINE: I would just like to thank staff for the unbelievably timely way in which we're now getting our Board packets, and having the extra time that we want to read them and understand them; and it makes life a lot easier.

CHAIRMAN WALLACE: It's all JoJo's fault. She used to -- she kept saying in the early years when I was here, "Give it to them at the last minute. They may not figure it out."

(Laughter)

CHAIRMAN WALLACE: No -- but that's true, we've been given a little more time and it's been helpful.

Thanks, Jack. Thanks, JoJo.

MS. OJIMA: Thank our director, Terri. It's because of Terri.

MR. SHINE: Thank you, all.

MS. PARKER: I mean, most of all, I really appreciate, we need to know if there are concerns for you, in that sense, how we can be more efficient and effective. So if you have others, please let us know.

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Item 10: Public Testimony

CHAIRMAN WALLACE: And lastly, almost semi-lastly, Item 10, any members of the public here that want to raise any issues that weren't otherwise on the agenda?

(No response was heard.)

CHAIRMAN WALLACE: Hearing, seeing none, the Board will go into executive session.

Thanks, everybody, for your good work.

The Board will go to executive session right here; and I think that means the rest of you have to leave.

Item 8: Closed Executive Session

(The Board met in closed executive session from 11:47 a.m. to 12:56 p.m.)

CHAIRMAN WALLACE: Let's wrap up the meeting by saying the Board is back in session. We are out of executive session, in which we had discussion but took no action.

And with that, we are adjourned until our next meeting, which is May 15th, in Burbank, I think. Yes, Burbank.

(The meeting concluded at 12:57 p.m.)

--oOo--

REPORTER'S CERTIFICATE

I hereby certify that the foregoing proceedings were reported by me at the time and place therein named; that the proceedings were reported by me, a duly certified shorthand reporter and a disinterested person, and was thereafter transcribed into typewriting by computer.

I further certify that I am not of counsel or attorney for any of the parties to said proceedings, nor in any way interested in the outcome of the cause named in said matter.

In witness whereof, I have hereunto set my hand this 26th day of March 2003.

Daniel P. Feldhaus

DANIEL P. FELDHAUS
CSR #6949, RDR, CRR

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CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Napa Creek Manor
Napa, Napa County, CA
CalHFA# 02-032-N

SUMMARY:

This is a final commitment request for a two year, interest only, tax-exempt bridge loan in the amount of $4,145,000 and a 30 year, fully amortized, tax exempt permanent loan in the amount of $4,145,000. The bridge loan will be used to refinance the project's HUD 202 financing and fund reserves. Upon completion of rehabilitation the permanent loan will be funded and insured under HUD risk share. Security for the loans will be Napa Creek Manor.

Napa Creek Manor is an 84 unit, existing senior development located at 1300 Jefferson Street, Napa, in Napa County. The property is owned by the Napa Housing Foundation, a California not-for-profit, and managed by the John Stewart Company.

LOAN TERMS:

Bridge:

First Mortgage:	$4,145,000
Interest Rate:	5.50% fixed
Term:	2 years
Amortization:	Interest Only
Financing:	501(c)(3) Bond, Tax-Exempt

Permanent:

First Mortgage:	$4,145,000
Interest Rate:	5.50% fixed
Term:	30 years
Amortization:	Fully Amortized
Financing:	501(c)(3) Bond, Tax-Exempt
Insurance:	HUD/HFA Risk Share

Risk: This permanent loan will be insured under the HUD Risk Share Program. Final Commitment is subject to HUD final approval of risk share.

SECTION 202/8 REFINANCING PROGRAM:

Napa Creek was developed by the Napa Housing Foundation, a not-for-profit corporation, in 1983 utilizing the HUD Section 202/8 Direct Loan Program. Under the program, not-for-profit organizations seeking to develop affordable senior housing could obtain 40 year loans at favorable interest rates with an accompanying 20-year Section 8 contract.

The Napa Housing Foundation has applied to CalHFA to refinance its HUD Section 202 loan in order to reduce the interest rate and use the resulting savings for necessary repairs and improvements to the property. The HUD 202 loan documents permit refinancing the facility upon 30 days written notice, the Napa Housing Foundation has chosen to follow the HUD Notice 02-16 (the "Notice") in refinancing the transaction to insure continuation of the Section 8 Contract. The Notice provides specific guidelines for refinancing the facility and requires the owner to agree, through the execution of a HUD-approved Use Agreement, to maintain the property as affordable for at least the remaining term of the original Section 202 loan (April 1, 2024). Additionally, HUD must review and approve the request for prepayment.

Section 8 Contract: The initial 20 year Section 8 contract will expire in March of 2004, and it is anticipated to be renewed in accordance with HUD's guidelines for refinancing Section 202 developments. The new contract will be subject to annual renewals. Upon the expiration of the contract in March 2004, the project will be eligible for a mark-up to market rent increase. A Rent Comparability Study, dated December 17, 2002, prepared by Goldrush Realty Advisors, estimated the market rents for the property at $875 (a 15% increase). In November 2003 the project will receive a mark-up to budget rent increase of approximately 2.5% to pay for CalHFA required earthquake insurance and other associated costs. At the last budget review in November 2002, HUD approved a 2.4% rent increase.

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

MARKET:

A. Market Overview:

The subject property is located in a well-maintained, residential neighborhood within walking distance of downtown Napa. The City of Napa is located in Napa County approximately 52 miles northeast of San Francisco.

Napa County is the center of the Napa Valley Wine Region. The wineries and vineyards employ over 6,000 people. The wineries attract millions of tourists each year and the tourism industry continues to grow and flourish. The county's population is approximately 124,000 and has increased more than 11% since the 1990 census. Projections anticipate a population of approximately 141,000 by 2010. Sixty percent of Napa County's population resides in the City of Napa. The City's population increased 13% between 1990 and 2000 and is expected to continue to grow over the next 20 years.

B. Market Demand:

Napa Creek is expected to draw 80% of its residents from the City of Napa, its primary market area, with the remainder from Napa County. Because average market rents in the area have increased more than 39% since 1995, and there has been very little development of new units, demand for affordable units continues to increase.

C. Market Supply:

Vacancy rates in the City of Napa are currently about 2% and have remained below 3% since 1995. There are seven affordable rental developments in the City of Napa totaling 407 units. Additionally, construction on one, 117-unit senior apartment project is almost complete and is in the process of initial lease-up. No new market rate projects have been built in the last 10 years. There are currently five projects in the planning stages with no scheduled date for completion. It is estimated that demand for units will continue to exceed supply for the foreseeable future.

Since opening in 1984, Napa Creek Manor has had virtually full occupancy (approximately 1% vacancy rates) and a one year waiting list of potential residents.

Market versus Restricted Rents

	Section 8 Rents:	Market Rate	Difference	% Of Market
One Bedroom		$875		
	$758		$117	87%

PROJECT DESCRIPTION:

A. Description of Site and Existing Improvements:

Napa Creek Manor is an 84-unit (all one-bedroom) apartment complex for low-income seniors located at 1300 Jefferson Street, Napa, CA. The area surrounding the project is primarily residential. The zoning designations have changed and the planning department is in the process of revising zoning designations and maps. The new designation for this site as vacant is low density residential (RM – TRI – 14). Currently Napa Creek Manor is considered a legal non-conforming use.

The project was built on 1.73 acres approximately 18 years ago. The site contains six, 3-story, wood frame buildings which face an interior courtyard. The one bedroom units range in size from 484 to 494 square feet. There are 22 parking spaces on site, 13 of which are covered. Amenities include two elevators, a laundry room, and community room.

B. Planned Rehabilitation:

A seismic review dated October 4, 2002, was performed by URS. URS determined that $50,000 worth of minor seismic strengthening is required for the building with tuck-under parking to meet Agency requirements. The seismic work involves replacing six (3 inch diameter) pipe columns to support the 14-inch steel girder with steel wide-flange or tube steel columns for the tuck-under parking structure. The remainder of the property meets seismic risk criteria. The seismic work will be completed during the two year bridge loan, and the cost is included in the immediate physical needs rehabilitation cost.

Waarvik Innovations prepared a Physical Needs Assessment (PNA) in December 2002. The PNA found the building in overall good condition with several components nearing the end of their projected useful life. The majority of replacements will occur within the interest-only period of the loan with the remainder spread over the life of the loan.

The immediate needs for the property include common area accessibility modifications, lighting changes, sidewalk and balcony repairs, installation of air conditioners, replacement of window corner posts, installation of smoke detectors in each bedroom, and replacement of the emergency call system. The immediate needs for the property including the seismic work total $785,000 and will be completed within the two-year interest-only period. The total rehabilitation cost including seismic work will be $785,000.

Replacements over time include cabinets, roofing, siding, ranges, vinyl flooring and exhaust fans. Replacement of the roofs will be completed within the first five years of the permanent loan, and the remaining replacements will be done over time as needed, but with most items completed within the first ten years of the permanent loan.

The replacement reserve will be funded at $1,000 per unit. The existing reserves ($410,142); cash flow from the first two years of the loan ($139,235), and proceeds from the financing of the tax-exempt bonds will be used to fund the immediate repair needs. Additional rehabilitation costs and future needs will be paid from replacement reserves and annual replacement reserve contributions ($400/unit).

All rehabilitation will be conducted with the tenants in place, and with minimal disruption.

OCCUPANCY RESTRICTIONS:

HUD: HAP Contract Restrictions: 30% of the units (25) to very low-income seniors. All tenants must be Section 8 eligible.

CalHFA: 20% of the units (17) will be restricted to 50% or less of median income, and 55% of the units (46) will be restricted to 80% or less of median income.

ENVIRONMENTAL:

The Phase I Environmental Review performed by URS, Inc. on November 27, 2002, indicated that prior to construction of the project, the site housed a gas station. There were no ground samples taken for testing at the time. The borrower contacted the oil company and was informed that the tanks had been removed. However, there are no records of tank removal or testing of the soil prior to construction of the property. A Phase II is being prepared by EMG, and EMG verbally indicated no issues were found.

The final commitment will include a condition that the Phase II report and its findings be acceptable to the Agency.

The Phase I also found asbestos in some of the floor tiles and recommended an operations and maintenance plan be prepared to address treatment of these tiles as they age. An O & M Plan was prepared by EMG on March 31, 2003, and will be incorporated into the ongoing maintenance plans for the property.

ARTICLE 34:

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

DEVELOPMENT TEAM:

A. Borrower's Profile:

The Napa Housing Foundation is a not-for-profit organization organized by the First United Methodist Church (the "Church") for the purpose of developing affordable senior housing in Napa. The Church raised seed money for the land purchase and arranged financing for Napa Creek Manor. The organization is comprised of a Board of Directors with nine members (six from the Church and three from the Napa community). Board Members serve two-year terms. The Napa Housing Foundation is a single-asset entity.

B. Contractor:

No general contractor is required based upon the contemplated rehabilitation proposed at the subject property. The construction manager will oversee the completion of the work.

C. Architect:

No architect is required based upon the contemplated rehabilitation proposed at the subject property, but an engineer will be required to design and inspect the seismic retrofit.

D. Management Agent:

Napa Creek Manor has been managed through the Sacramento office of the John Stewart Company for ten years. The John Stewart Company has 23 years experience in the management of affordable multifamily properties throughout the state of California. Ninety percent of the approximately 200 properties managed are financed through the Department of Housing and Urban Development, local housing authorities, and CalHFA. Properties range in size from eight to 300 units. Approximately 2,000 housing units are managed through the Sacramento office.

Project Summary

Date: 29-Apr-03

Project Profile:

Project :	Napa Creek Manor		
Location:	1300 Jefferson Street	*Appraiser*	Kathryn Sturgis-Bright
	Napa	*Cap Rate:*	7.75%
County:	Napa	*Market:*	$6,552,000
Borrower:	Napa Housing Foundation	*Income:*	$6,650,000
	a non-profit public benefit Corp.	*Final Value:*	$6,650,000
		LTC/LTV:	
Program:	501(c)(3)/Risk Share	*Loan/Cost*	88.3%
CalHFA#	02-032-N	*Loan/Value*	62.3%

Project Description:

Units	84
Handicap Units	9
Bldge Type	Senior
Buildings	6
Stories	3
Gross Sq Ft	42,733
Land Sq Ft	75,358
Units/Acre	49
Total Parking	22
Covered Parking	13

Financing Summary:

	Amount	Per Unit	Rate	Term
CalHFA Permanent First Mortgage	$4,145,000	$49,345	5.50%	30
CalHFA Bridge First Mortgage	$4,145,000	$49,345	5.50%	2
Other	$0	$0	0.00%	0
Other	$0	$0	0.00%	0
Other	$0	$0	0.00%	0
Project Reserves	$410,142	$4,883		
Equity/Operations	$139,235	$1,658		

Unit Mix:

Type	Manager		80% AMI		50% AMI		60% AMI		Section 8 Rents		Total
	number	rent	number	rent	number	rent	number	rent	number	rent	
0 bedroom	0	0	0	0	0	0	0	0	0	0	0
1 bedroom	1	0	0	0	0	0	0	0	83	758	84
2 bedroom	0	0	0	0	0	0	0	0	0	0	0
3 bedroom	0	0	0	0	0	0	0	0	0	0	0
4 bedroom	0	0	0	0	0	0	0	0	0	0	0
subtotal	1				0		0		83		84

Fees, Escrows, and Reserves:

Fees	Basis of Requirements	Amount	Security
Loan fees	2.50% of Loan Amount	$103,625	Cash
Escrows			
Bond Origination Guarantee	0.00% of Loan Amount	$0	N/A
Inspection fee	$1,500 x months of construction	$7,500	Cash
Construction Defect Reserve	2.50% of Hard Costs	$19,625	Letter of Credit
Reserves			
Operating Expense Reserve	10.00% of Gross Income	$75,767	Cash
Initial Deposit to Replacement Reserve	$1,000 Per Unit	$84,000	Cash
Annual Replacement Reserve Deposit	$400 Per Unit	$33,600	Operations

Sources and Uses

Napa Creek Manor

SOURCES:

Name of Lender / Source	Amount	$ Per Sq Ft	$ Per Unit	% of Total
CalHFA Permanent First Mortgage	4,145,000	97	49,345	88%
CalHFA Second Mortgage				
Other				
Total Institutional Financing	**4,145,000**	**97**	**49,345**	**88%**
Equity Financing				
Replacement Reserves	410,142	10	4,883	9%
Operations	139,235	3	1,658	3%
Total Equity Financing	**549,377**	**13**	**6,540**	**12%**
TOTAL SOURCES	**4,694,377**	**110**	**55,885**	**100%**

USES:

Repayment of Existing Debt	3,386,120	79	40,311	72%
Rehabilitation	785,000	18	9,345	17%
New Construction	0	0	0	0%
Architectual Fees	0	0	0	0%
Survey and Engineering	0	0	0	0%
Const. Loan Interest & Fees	0	0	0	0%
Permanent Financing	144,125	3	1,716	3%
Legal Fees	25,000	1	298	1%
Reserves	159,767	4	1,902	3%
Contract Costs	29,645	1	353	1%
Construction Contingency	128,720	3	1,532	3%
Local Fees	0	0	0	0%
TCAC/Other Costs	1,000	0	12	0%
Subtotal Project Costs	**4,659,377**	**109**	**55,469**	**99%**
Developer Overhead/Profit	0	0	0	0%
Consultant/Processing Agent	35,000	1	417	1%
TOTAL USES	**4,694,377**	**110**	**55,885**	**100%**

Annual Operating Budget

Napa Creek Manor

		$ Per Unit
INCOME:		
Total Rental Income	812,534	9,673
Laundry	2,809	33
Other Income	0	-
Gross Potential Income (GPI)	**815,343**	**9,706**
Less:		
Vacancy Loss	22,733	271
Total Net Revenue	**792,610**	**9,436**
EXPENSES:		
Payroll	168,332	2,004
Administrative	75,907	904
Utilities	40,171	478
Operating and Maintenance	87,472	1,041
Insurance	31,144	371
Taxes and Assessments	364	4
Reserve for Replacement Deposits	37,800	450
Subtotal Operating Expenses	**441,190**	**5,252**
Financial Expenses		
Mortgage Payments (Permanent)	282,418	3,362
Total Financial	**282,418**	**3,362**
Total Project Expenses	**723,608**	**8,614**

Cash Flow — Napa Creek Manor — CalHFA# 02-032-N

RENTAL INCOME	Year 1 (Interest Only)	Year 2 (Interest Only)	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Market Rent Increase	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Market Rent	0	0	0	0	0	0	0	0
Affordable Rent Increase	*2.00%*	*2.50%*	*5.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Affordable Rents	754,968	773,842	812,534	828,785	845,361	862,268	879,513	897,104
TOTAL RENTAL INCOME	**754,968**	**773,842**	**812,534**	**828,785**	**845,361**	**862,268**	**879,513**	**897,104**
OTHER INCOME								
Other Income Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Laundry	2,700	2,754	2,809	2,865	2,923	2,981	3,041	3,101
Other	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**2,700**	**2,754**	**2,809**	**2,865**	**2,923**	**2,981**	**3,041**	**3,101**
GROSS INCOME	**757,668**	**776,596**	**815,343**	**831,650**	**848,283**	**865,249**	**882,554**	**900,205**
Vacancy Rate : Affordable	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Less: Vacancy Loss	22,730	23,298	22,733	24,950	25,448	25,957	26,477	27,006
EFFECTIVE GROSS INCOME	**734,938**	**753,298**	**792,610**	**806,701**	**822,835**	**839,291**	**856,077**	**873,199**
OPERATING EXPENSES								
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Expenses	376,229	389,397	403,026	417,132	431,731	446,842	462,482	478,668
Replacement Reserve	33,600	33,600	37,800	37,800	37,800	41,580	41,580	41,580
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	350	357	364	371	379	386	394	402
TOTAL EXPENSES	**410,179**	**423,354**	**441,190**	**455,303**	**469,910**	**488,808**	**504,456**	**520,650**
NET OPERATING INCOME	**324,759**	**329,944**	**351,420**	**351,398**	**352,924**	**350,483**	**351,622**	**352,548**
DEBT SERVICE								
CalHFA - 1st Mortgage	227,975	227,975	282,418	282,418	282,418	282,418	282,418	282,418
CalHFA - 2nd mortgage	0	0	0	0	0	0	0	0
TOR								
Cash Flow	**96,784**	**101,969**	**69,002**	**68,979**	**70,506**	**68,065**	**69,203**	**70,130**
Debt Service Coverage Ratio	**1.42**	**1.45**	**1.24**	**1.24**	**1.25**	**1.24**	**1.25**	**1.25**

Cash Flow

RENTAL INCOME	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	
Market Rent Increase	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	
Market Rent	0	0	0	0	0	0	0	0	
Affordable Rent Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	
Affordable Rents	971,054	990,475	1,010,284	1,030,490	1,051,100	1,072,122	1,093,564	1,115,435	1,1
TOTAL RENTAL INCOME	**971,054**	**990,475**	**1,010,284**	**1,030,490**	**1,051,100**	**1,072,122**	**1,093,564**	**1,115,435**	**1,1**
OTHER INCOME									
Other Income Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	
Laundry	3,357	3,424	3,493	3,563	3,634	3,707	3,781	3,856	
Other	0	0	0	0	0	0	0	0	
TOTAL OTHER INCOME	**3,357**	**3,424**	**3,493**	**3,563**	**3,634**	**3,707**	**3,781**	**3,856**	
GROSS INCOME	**974,411**	**993,899**	**1,013,777**	**1,034,053**	**1,054,734**	**1,075,828**	**1,097,345**	**1,119,292**	**1,1**
Vacancy Rate : Affordable	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	
Less: Vacancy Loss	29,232	29,817	30,413	31,022	31,642	32,275	32,920	33,579	
EFFECTIVE GROSS INCOME	**945,179**	**964,082**	**983,364**	**1,003,031**	**1,023,092**	**1,043,553**	**1,064,425**	**1,085,713**	**1,1**
OPERATING EXPENSES									
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	
Expenses	549,283	568,508	588,406	609,000	630,315	652,376	675,209	698,841	7
Replacement Reserve	46,778	46,778	46,778	46,778	46,778	46,778	46,778	46,778	
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	
Taxes and Assessments	435	444	453	462	471	480	490	500	
TOTAL EXPENSES	**596,496**	**615,730**	**635,636**	**656,240**	**677,564**	**699,634**	**722,477**	**746,119**	**7**
NET OPERATING INCOME	**348,682**	**348,352**	**347,727**	**346,791**	**345,528**	**343,919**	**341,947**	**339,594**	**3**
DEBT SERVICE									
CalHFA - 1st Mortgage	282,418	282,418	282,418	282,418	282,418	282,418	282,418	282,418	2
CalHFA - 2nd mortgage	0	0	0	0	0	0	0	0	
TOR									
Cash Flow	**66,264**	**65,934**	**65,309**	**64,373**	**63,109**	**61,501**	**59,529**	**57,176**	
Debt Service Coverage Ratio	**1.23**	**1.23**	**1.23**	**1.23**	**1.22**	**1.22**	**1.21**	**1.20**	

Cash Flow

RENTAL INCOME	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year
Market Rent Increase	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00*
Market Rent	0	0	0	0	0	0	0	
Affordable Rent Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00*
Affordable Rents	1,207,383	1,231,531	1,256,162	1,281,285	1,306,910	1,333,049	1,359,710	1,386,90
TOTAL RENTAL INCOME	**1,207,383**	**1,231,531**	**1,256,162**	**1,281,285**	**1,306,910**	**1,333,049**	**1,359,710**	**1,386,90**
OTHER INCOME								
Other Income Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00*
Laundry	4,174	4,258	4,343	4,430	4,518	4,609	4,701	4,79
Other	0	0	0	0	0	0	0	
TOTAL OTHER INCOME	**4,174**	**4,258**	**4,343**	**4,430**	**4,518**	**4,609**	**4,701**	**4,79**
GROSS INCOME	**1,211,557**	**1,235,789**	**1,260,504**	**1,285,714**	**1,311,429**	**1,337,657**	**1,364,410**	**1,391,69**
Vacancy Rate : Affordable	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00*
Less: Vacancy Loss	36,347	37,074	37,815	38,571	39,343	40,130	40,932	41,75
EFFECTIVE GROSS INCOME	**1,175,211**	**1,198,715**	**1,222,689**	**1,247,143**	**1,272,086**	**1,297,528**	**1,323,478**	**1,349,94**
OPERATING EXPENSES								
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50*
Expenses	801,936	830,004	859,054	889,121	920,241	952,449	985,785	1,020,28
Replacement Reserve	46,778	46,778	46,778	46,778	46,778	46,778	46,778	46,77
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00*
Taxes and Assessments	541	552	563	574	586	597	609	62
TOTAL EXPENSES	**849,256**	**877,334**	**906,395**	**936,474**	**967,604**	**999,824**	**1,033,172**	**1,067,68**
NET OPERATING INCOME	**325,955**	**321,381**	**316,294**	**310,669**	**304,482**	**297,703**	**290,306**	**282,26**
DEBT SERVICE								
CalHFA - 1st Mortgage	282,418	282,418	282,418	282,418	282,418	282,418	282,418	282,41
CalHFA - 2nd mortgage	0	0	0	0	0	0	0	
TOR								
Cash Flow	**43,537**	**38,962**	**33,876**	**28,251**	**22,063**	**15,285**	**7,888**	**(1**
Debt Service Coverage Ratio	**1.15**	**1.14**	**1.12**	**1.10**	**1.08**	**1.05**	**1.03**	**1.**

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Napa Creek Manor

137

Scale 1 : 1,100,000

1" = 17.4 mi

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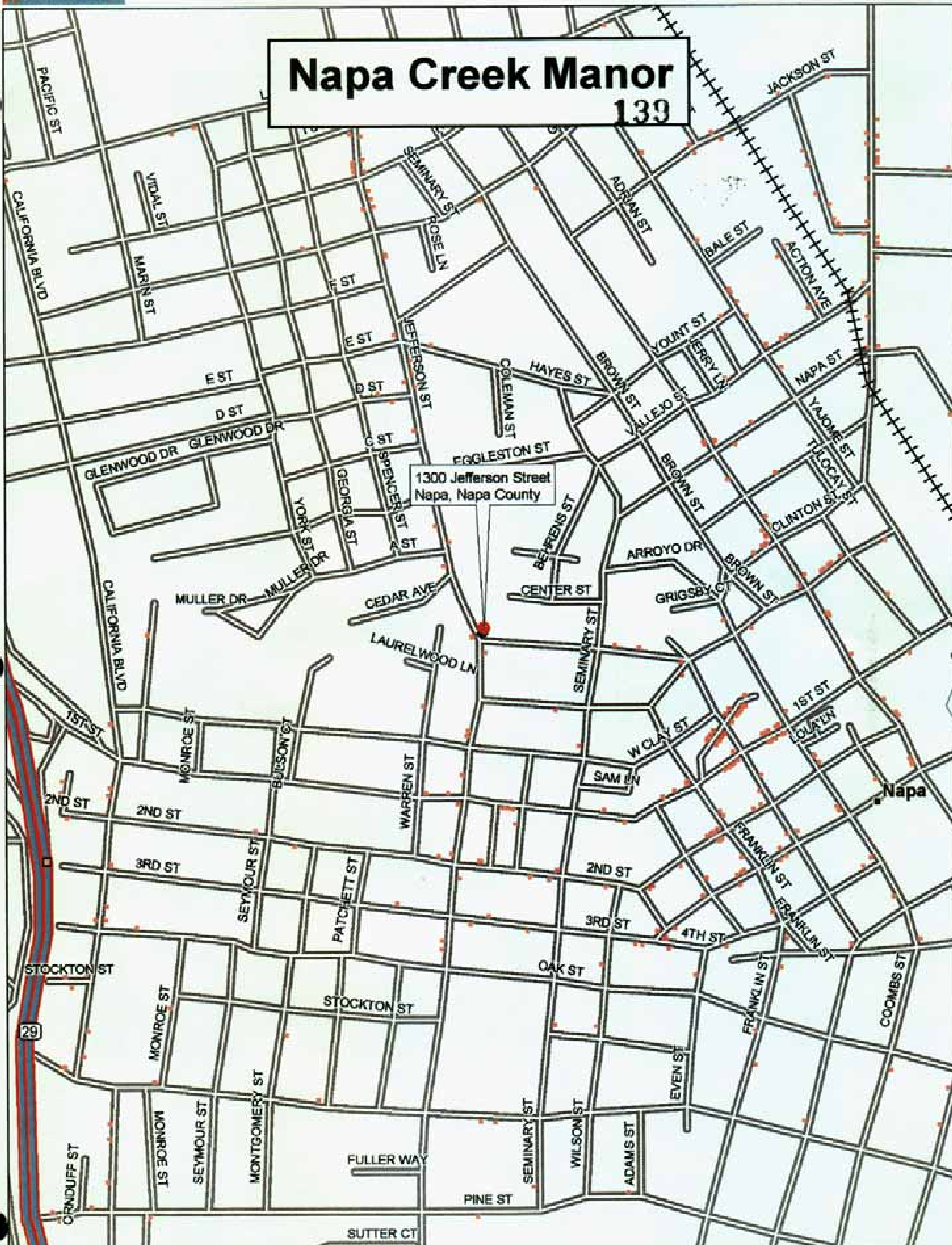

Scale 1 : 8,800

1" = 733 ft

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RESOLUTION 03-20

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Napa Housing Foundation, a not-for-profit organization (the "Borrower"), seeking a loan commitment under the Agency's 501(c)(3) Tax-Exempt Loan Program in the mortgage amount described herein, the proceeds of which are to be used to provide Bridge and permanent mortgage loans on a 84-unit multifamily housing development located in the City of Napa to be known as Napa Creek Manor (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated April 29, 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 April 29, 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 CHFA Staff Report, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNT
02-032-N	Napa Creek Manor Napa/Napa	84	First Mortgage: $4,145,000 Bridge Loan: $4,145,000

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 03-20 adopted at a duly constituted meeting of the Board of the Agency held on May 15, 2003, at Burbank, California.

ATTEST: ______________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Point Reyes Affordable Homes
Point Reyes Station, Marin County, CA
CalHFA # 03-039-N

SUMMARY:

This is a final commitment request for tax-exempt first mortgage permanent financing in the amount of Two Million Five Hundred Fifty Thousand Dollars ($2,550,000), a Section 8 Increment Loan in the amount of Three Hundred Fifty Thousand Dollars ($350,000), and Loan to Lender financing in the amount of Three Million Nine Hundred Eighty Five Thousand Dollars ($3,985,000). There is total locality financing of $2,049,573. Security for the loans will be Point Reyes Affordable Homes. The property will be owned by Point Reyes Affordable Housing, L.P., a limited partnership. The project sponsor and developer is EAH, Inc., a California not-for-profit.

Point Reyes Affordable Homes is a 27-unit, new construction family project located at 857 Mesa Road, Point Reyes Station in Marin County. The project will have a ten year Section 8 HAP contract for ten units of project based assistance.

LOAN TERMS:

Permanent:

First Mortgage:	$2,550,000
Interest Rate:	5.40%
Term:	30 year fixed, fully amortized
Financing:	Tax-Exempt
Second Mortgage:	$350,000
Interest Rate:	5.40%
Term:	10 year fixed, fully amortized
Financing:	Tax-Exempt

Loan to Lender:

Loan Amount:	$3,985,000
Interest Rate:	3.00%, fixed
Term:	24 Months, interest only
Financing:	Tax-exempt

CalHFA financing is subject to receipt of an acceptable appraisal.

LOCALITY INVOLVEMENT:

Marin County is providing the project a $600,000 residual receipt, HOME loan for 55 years at 3% interest; a Community Development Block Grant of $335,351; $121,329 in County fee waivers, and a $992,893 grant from County Housing Trust Funds.

The Marin Community Foundation is providing a guaranty of the HAP assistance income to the project if during the ten year term the HAP contract is not renewed.

HOUSING ASSISTANCE PAYMENT ("HAP") CONTRACT:

The Marin County Housing Authority is providing project based Section 8 for ten units of the development. The term of the HAP contract is for ten years (subject to annual renewals). The second mortgage (Section 8 increment loan) is underwritten to the Housing Authority's established Section 8 market rents: $1,269 for a one-bedroom, $1,605 for a two-bedroom, and $2,201 for a three-bedroom unit.

The borrower will be required to seek and accept any renewals of the project based Section 8 contract.

PROJECT DESCRIPTION:

Project Location:

The project is located at 857 Mesa Road, Point Reyes Station in Marin County approximately one-quarter mile from downtown Point Reyes Station. Point Reyes Station is an unincorporated town located at the junction of Highway 1 (Fourth Street) and Point Reyes-Petaluma Road about 35 miles northwest of San Francisco.

The project is bounded by Highway 1 (Fourth Street) to the west, Commodore Webster Drive to the south, open space and farm land to the east, and to the West Marin Elementary School site to the north. Across the street from the site are a neighborhood café and some small commercial buildings. A grocery store, a medical clinic, a pharmacy, and other services are located along Highway 1 near downtown within a quarter mile.

Site:

The site consists of two parcels totaling 6.87 acres, separated by approximately 200 linear feet of open space, and a separate parcel for future commercial development. The westernmost parcel is 3.78 acres and is zoned C-RMP-3.2 (Coastal Residential Multiple Planned, 3.2 units per acre). The easternmost parcel is 3.09 acres and is zoned C-RMP-4.3 (Coastal Residential Multiple Planned, 4.3 units per acre). The site is currently vacant land. In conjunction with the development of rental units and adjacent to the site, the project sponsor is developing seven affordable single family homes for sale, and one estate size home lot (market rate). Financing of the single family homes is not part of this project.

Improvements:

The project will consist of 27 units in fourteen one and two-story-style duplex buildings. There are 13 duplex buildings, plus a separate building for the manager unit and community space. The buildings will be on concrete slabs with wood frame construction, hardi-plank siding, and composition roof shingles.

The project will have 79 parking spaces, two laundry rooms (one at each site) and a courtyard area with security access and a small play area.

Unit amenities include central heat, refrigerator, range, dishwasher, and patio. The units will be individually metered for electricity and gas (propane for cooking and heating). The units will not have air conditioning due to their proximity to the ocean (and coastal breezes).

Unit Mix:

No. of Units	No. of Bedrooms	No. of Bathrooms	Unit Square Footage
11	1	1	636
7	2	1	805
9	3	2	1084

Off-site improvements:

There is $145,000 of offsite improvements associated with the development. The off-site costs consist primarily of a 1,500 foot extension of the water line and putting the utilities underground.

MARKET:

Market Overview:

The Market Study has defined the Primary Market Area (PMA) as the unincorporated towns and small cities surrounding Point Reyes Station located along Sir Francis Drake Boulevard and Highway 1. The PMA includes the towns of Bolinas, Woodville, Olema, Tocaloma, Forest Knolls, Lagunitas, San Geronimo, Woodacre, and the cities of Fairfax and San Anselmo.

As of year end 2002, the PMA had approximately 32,332 residents (13,531 households). The PMA population is projected to increase by approximately 697 residents (300 households) between 2002 and 2004, representing a 2.16% increase. The population of Marin County was 254,185 residents (103,514 households) at year end 2002, and is projected to increase by 6,053 residents (2,498 households) or 2.38% by 2004.

The unemployment rate for Marin County was 3.7% as of February 2003, down from 3.8% in February 2002. Between 2000 and 2005, the City is projected to add 170 new jobs, a 1.91% increase. The PMA added approximately 790 new jobs between 1990 and 2000, a 9.72% growth rate. All of the market area's job growth occurred in the retail, service, and "other jobs" sectors. In the unincorporated areas of the County, the service sector saw a 43.9% increase in jobs between 1990 and 2000, and nearly all the jobs in the agricultural industry are located in the unincorporated areas of the County.

Housing Demand:

Owner-occupied households represent 68% and 63.5% of the PMA and the County respectively. Renter households represent 32.4% in the PMA and 36.5% in the County, with non-senior renters outnumbering senior renters. In the PMA, 93% of renters are non-seniors versus 88% in the County.

Based on Census 2000 data, annual turnover for rental units is 23% in the PMA and 24% for Marin County. There are projected to be 2,980 renter households in the PMA by 2004 with incomes at or below $60,000 per year (60% AMI). Total demand is projected at 754 units.

EAH, Inc. has already compiled an interest list of over 200 prospective tenants for the project.

Housing Supply:

Marin County is a high-cost housing area. In January 2002 the mean home price was $458,000 in Fairfax and $553,250 in San Anselmo. The majority of the properties are owner-occupied. Typical rents in the market for a one-bedroom unit are above $1,000. The market study shows the rent range for a one-bedroom unit was $650 - $1,425, for a two-bedroom unit was $1,200 - $1,595, and for a three-bedroom unit was $1,275 - $2,800. The three-bedroom units surveyed were largely single family homes.

Because the majority of the properties near the project are owner occupied, comparable rental properties found were 11 to 20 miles away. The market study gathered rental and vacancy rates and other market data from eight apartment buildings, ranging in size from eight units to 80 units, two duplexes, and seven single family residences, representing a total of 313 rental units.

According to the market study there are no pending affordable rental housing developments in the unincorporated West Marin County, which would serve as primary competition to the subject development. There are, however, very preliminary discussions of a possible eight-unit preservation project in Forest Knolls, within the Primary Market Area.

The only affordable housing project in Point Reyes Station is a 25-unit, HUD 202 senior project developed by EAH.

PROJECT FEASIBILITY:

Market rate rents for comparable properties average $1,071 for a one-bedroom unit; $1,373 for a two-bedroom unit, and $2,293 for a three-bedroom unit.

Rent Differentials (Market versus Restricted):

Unit Type	Subject Rent	Market Rate	Difference	% of Market
One Bedroom		$1,071		
50%	$814		$257	76%
60%	$918		$153	86%
Two Bedroom		$1,373		
50%	$965		$408	70%
60%	$1,172		$201	85%
Three Bedroom		$2,293		
50%	$1,073		$1,220	47%
60%	$1,622		$671	71%

Estimated Lease-up Period:

The market study assumes 75% of the units being pre-leased from the 200 prospective tenants on the interest list and projects full lease-up within one to two weeks of the opening.

OCCUPANCY RESTRICTIONS:

CalHFA: 20% of the units (5) will be restricted at 50% or less of median income. The CalHFA Regulatory Agreement will be for a term of 30 years.

TCAC: 20% of the units (5) will be restricted to 50% or less of median income. 80% of the units (21) will be restricted to 60% or less of median income.

HOME: 23% of the units (6) will be restricted to 50% or less of median income.

County: 38% of the units (10) will be restricted to 80% or less of median income.

CDBG : 51% of the units (13) will be restricted to 80% or less of median income.

ENVIRONMENTAL:

A Phase I Environmental Assessment report was completed on June 29, 1998, by Hanover Environmental Services, Inc. The report concluded that there are no adverse environmental conditions that warrant further investigation or remedial action. Due to the age of the Phase I report, an updated report will be required prior to construction loan closing. The final commitment will include the condition that the report and its findings be acceptable to the Agency.

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 XXXIV:

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

DEVELOPMENT TEAM:

Borrower:

Point Reyes Affordable Homes, L.P. is a California limited partnership with Point Reyes Affordable Homes, Inc. as its general partner. The project sponsor is Ecumenical Association for Housing (EAH, Inc.) EAH, Inc., a California non-profit, was founded in 1968 to address the housing needs of low-income families in Marin County. EAH has developed over 4,500 units (63 projects) in California, and Hawaii. EAH currently manages over 5,500 units.

Management Agent:

Ecumenical Association for Housing (EAH, Inc.), a California non-profit, was founded in 1968 to address the housing needs of low-income families in Marin County. EAH has developed over 4,500 units (63 projects) in California, and Hawaii. EAH currently manages over 5,500 units (some of which are in the CalHFA loan portfolio).

Architect:

Chris Lamen and Associates (CLA) is a full service Architectural firm which was founded in 1991. The principals of the firm have over 25 years experience in planning, design, and project administration in multifamily housing and commercial development.

Contractor:

Homestead Builders, Inc. is a Sonoma based general building contractor engaged in building custom homes, single family subdivisions, apartments, retail centers, and office buildings.

Project Summary

Date: 28-Apr-03

Project Profile:

Project: Point Reyes Affordable Homes
Location: 857 Mesa Road
Point Reyes Station 94956
County: Marin
Borrower: Point Reyes Affordable Homes, L.F
GP: Point Reyes Affordable Homes, Inc
GP: 0
LP: 0
Program: Tax-Exempt
CalHFA #: 03-039-N

Cap Rate:
Market:
Income:
Final Value: $3,525,000 Estimated

LTC/LTV:
Loan/Cost 35.3%
Loan/Value 82.3% Estimated

Project Description:

Units	27
Handicap Units	1
Bldge Type	New Construction
Buildings	14
Stories	1 & 2
Gross Sq Ft	24,687
Land Sq Ft	299,257
Units/Acre	4
Total Parking	79
Covered Parking	0

Financing Summary:

	Amount	Per Unit	Rate	Term
CalHFA First Mortgage	$2,550,000	$94,444	5.40%	30
CalHFA Section 8 Increment Loan	$350,000	$12,963	5.40%	10
CalHFA Loan to Lender	$3,985,000	$147,593	3.00%	2
HCD MHP	$0	$0	3.00%	55
HOME	$600,000	$22,222	3.00%	55
County Fee Waivers	$121,329	$4,494	0.00%	-
CDBG	$335,351	$12,420	0.00%	-
Marin County Housing Trust Funds	$992,893	$36,774	0.00%	-
Contributions From Operations	$0	$0		-
G.P. Equity Contribution	$0	$0		-
Deferred Developer Equity	$0	$0		-
Tax Credit Equity	$2,269,162	$84,043		
CalHFA Bridge	$0	$0	0.00%	-

Unit Mix:

Type	Manager		35% AMI/SMI		50% AMI		60% AMI		Section 8 Increment		Total
	number	rent	number	rent*	number	rent*	number	rent*	number	rent*	
1 bedroom			0	0	3	814	8	918	3	305	11
2 bedroom			0	0	2	965	5	1172	2	369	7
3 bedroom	1	1622	0	0	2	1073	6	1622	5	508	9
4 bedroom			0	0	0	0	0	0	0	0	0
subtotal	1		0		7		19		10		
											27

* net rent

Fees, Escrows, and Reserves:

Fees	Basis of Requirements		Amount	Security
Loan Fees	1.00%	of L to L Amount	$39,850	Cash
	0.50%	of 1st & 2nd Mortgages	$14,500	Cash
Escrows				
Bond Origination Guarantee	1.00%	of L to L Amount	$39,850	Letter of Credit
Inspection fee	$1,500	x months of construction	$22,500	Cash
Construction Defect	2.50%	of Hard Costs	$96,069	Letter of Credit
Reserves				
Marketing	10.00%	of Gross Income	$42,582	Letter of Credit
Operating Expense Reserve	10.00%	of Gross Income	$42,582	Cash
Transition Operating Reserve		Lump Sum Payment	$27,000	Cash
Annual Replacement Reserve Deposit	$425	per unit	$11,475	Operations

Sources and Uses — Point Reyes Affordable Homes

SOURCES:

Name of Lender / Source	Amount	$ Per Unit	% of Total
CalHFA First Mortgage	2,550,000	94,444	35.3%
CalHFA Bridge	0	0	0.0%
CalHFA Section 8 Increment Loan	350,000	12,963	4.8%
CalHFA Loan to Lender	3,985,000	147,593	55.2%
HCD MHP	0	0	0.0%
Other Loans	2,049,573	75,910	28.4%
Total Institutional Financing	**4,949,573**	**183,318**	**68.6%**
Equity Financing			
Tax Credits	2,269,162	84,043	31.4%
G.P. Equity Contribution	0	0	0.0%
Deferred Developer Equity	0	0	0.0%
Total Equity Financing	**2,269,162**	**84,043**	**31.4%**
TOTAL SOURCES	**7,218,735**	**267,361**	**100.0%**

USES:

Acquisition	622,421	23,053	8.6%
Rehabilitation	0	0	0.0%
New Construction	4,056,604	150,245	56.2%
Architectual Fees	260,000	9,630	3.6%
Survey and Engineering	256,155	9,487	3.5%
Const. Loan Interest & Fees	391,351	14,494	5.4%
Permanent Financing	59,850	2,217	0.8%
Legal Fees	65,000	2,407	0.9%
Reserves	123,819	4,586	1.7%
Contract Costs	13,500	500	0.2%
Construction Contingency	407,162	15,080	5.6%
Local Permit Fees	121,329	4,494	1.7%
TCAC Fees/Costs	19,436	720	0.3%
Impact Fees/Other Costs	209,876	7,773	2.9%
PROJECT COSTS	**6,606,503**	**244,685**	**91.5%**
Developer Overhead/Profit	585,000	21,667	8.1%
Consultant/Processing Agent	27,232	1,009	0.4%
TOTAL USES	**7,218,735**	**267,361**	**100.0%**

Annual Operating Budget — Point Reyes Affordable Homes

		$ Per Unit
INCOME:		
Total Rental Income	372,912	13,812
Section 8 Increment	50,316	1,864
Laundry	2,592	96
Commercial/Retail	0	-
Gross Potential Income (GPI)	**425,820**	**15,771**
Less:		
Vacancy Loss	21,291	789
Total Net Revenue	**404,529**	**14,983**
EXPENSES:		
Payroll	63,535	2,353
Administrative	35,408	1,311
Utilities	14,000	519
Operating and Maintenance	22,200	822
Insurance and Business Taxes	18,058	669
Taxes and Assessments	800	30
Reserve for Replacement Deposits	11,475	425
Subtotal Operating Expenses	**165,476**	**6,129**
Financial Expenses		
Mortgage Payments (1st loan)	171,828	6,364
Mortgage Payments (2nd loan)	45,373	1,680
Total Financial	**217,202**	**8,045**
Total Project Expenses	**382,678**	**14,173**

Cash Flow — Point Reyes Affordable Homes — CalHFA Development Numb

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Section 8 Increment Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Section 8 Increment Rents	50,316	51,322	52,349	53,396	54,464	55,553	56,664
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	372,912	382,235	391,791	401,585	411,625	421,916	432,464
TOTAL RENTAL INCOME	**423,228**	**433,557**	**444,139**	**454,981**	**466,089**	**477,469**	**489,128**
OTHER INCOME							
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	2,592	2,657	2,723	2,791	2,861	2,933	3,006
Other Income	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**2,592**	**2,657**	**2,723**	**2,791**	**2,861**	**2,933**	**3,006**
GROSS INCOME	**425,820**	**436,214**	**446,863**	**457,772**	**468,950**	**480,401**	**492,134**
Vacancy Rate : Section 8 Increment	*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	21,291	21,811	22,343	22,889	23,447	24,020	24,607
EFFECTIVE GROSS INCOME	**404,529**	**414,403**	**424,520**	**434,884**	**445,502**	**456,381**	**467,527**
OPERATING EXPENSES							
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	153,201	159,329	165,702	172,331	179,224	186,393	193,848
Replacement Reserve	11,475	11,475	11,475	11,475	11,475	12,049	12,049
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	800	816	832	849	866	883	901
TOTAL EXPENSES	**165,476**	**171,620**	**178,010**	**184,654**	**191,565**	**199,325**	**206,798**
NET OPERATING INCOME	**239,053**	**242,783**	**246,510**	**250,229**	**253,938**	**257,056**	**260,729**
DEBT SERVICE							
CalHFA - 1st Mortgage	171,828	171,828	171,828	171,828	171,828	171,828	171,828
CalHFA - Bridge Loan	0	0	0	0	0		
CalHFA - Section 8 Increment Loan	45,373	45,373	45,373	45,373	45,373	45,373	45,373
DEBT COVERAGE RATIO (w/o Section 8)	1.11	1.13	1.15	1.16	1.18	1.19	1.20
CASH FLOW after debt service	**21,851**	**25,581**	**29,308**	**33,028**	**36,736**	**39,855**	**43,527**
DEBT COVERAGE RATIO (with Section 8)	**1.10**	**1.12**	**1.13**	**1.15**	**1.17**	**1.18**	**1.20**

Cash Flow

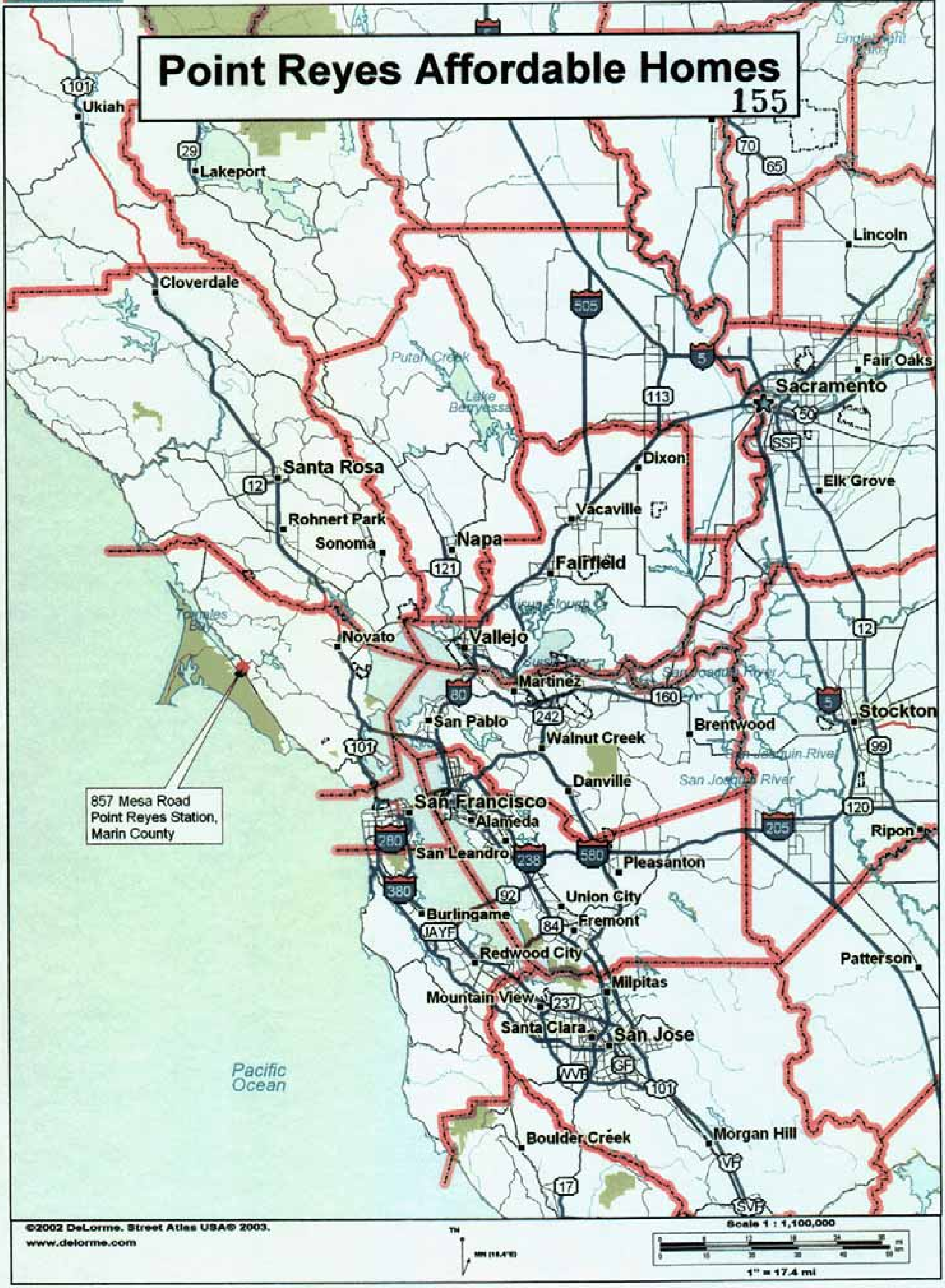
RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Y
Section 8 Increment Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	
Section 8 Increment Rents	0	0	0	0	0	0	0	
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	
Affordable Rents	477,359	489,293	501,525	514,063	526,915	540,088	553,590	56
TOTAL RENTAL INCOME	**477,359**	**489,293**	**501,525**	**514,063**	**526,915**	**540,088**	**553,590**	**56**
OTHER INCOME								
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	
Laundry	3,318	3,401	3,486	3,573	3,662	3,754	3,848	
Other Income	0	0	0	0	0	0	0	
TOTAL OTHER INCOME	**3,318**	**3,401**	**3,486**	**3,573**	**3,662**	**3,754**	**3,848**	
GROSS INCOME	**480,677**	**492,694**	**505,011**	**517,636**	**530,577**	**543,842**	**557,438**	**57**
Vacancy Rate : Section 8 Increment	*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	24,034	24,635	25,251	25,882	26,529	27,192	27,872	2
EFFECTIVE GROSS INCOME	**456,643**	**468,059**	**479,761**	**491,755**	**504,048**	**516,650**	**529,566**	**54**
OPERATING EXPENSES								
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	
Expenses	226,775	235,846	245,280	255,091	265,295	275,907	286,943	29
Replacement Reserve	12,651	12,651	12,651	12,651	12,651	13,284	13,284	1
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	
Taxes and Assessments	975	995	1,015	1,035	1,056	1,077	1,098	
TOTAL EXPENSES	**240,402**	**249,492**	**258,946**	**268,777**	**279,002**	**290,267**	**301,325**	**31**
NET OPERATING INCOME	**216,241**	**218,567**	**220,815**	**222,977**	**225,047**	**226,382**	**228,241**	**22**
DEBT SERVICE								
CalHFA - 1st Mortgage	171,828	171,828	171,828	171,828	171,828	171,828	171,828	17
CalHFA - Bridge Loan								
CalHFA - Section 8 Increment Loan	0	0	0	0	0	0	0	
DEBT COVERAGE RATIO (w/o Section 8)	**1.26**	**1.27**	**1.29**	**1.30**	**1.31**	**1.32**	**1.33**	
CASH FLOW after debt service	**44,413**	**46,739**	**48,986**	**51,149**	**53,218**	**54,554**	**56,413**	**5**
DEBT COVERAGE RATIO (with Section 8)	**1.26**	**1.27**	**1.29**	**1.30**	**1.31**	**1.32**	**1.33**	

Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27
Section 8 Increment Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Section 8 Increment 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	611,060	626,336	641,995	658,044	674,496	691,358	708,642
TOTAL RENTAL INCOME	**611,060**	**626,336**	**641,995**	**658,044**	**674,496**	**691,358**	**708,642**
OTHER INCOME							
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	4,247	4,353	4,462	4,574	4,688	4,805	4,926
Other Income	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**4,247**	**4,353**	**4,462**	**4,574**	**4,688**	**4,805**	**4,926**
GROSS INCOME	**615,307**	**630,690**	**646,457**	**662,618**	**679,184**	**696,163**	**713,568**
Vacancy Rate : Section 8 Increment	*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	30,765	31,534	32,323	33,131	33,959	34,808	35,678
EFFECTIVE GROSS INCOME	**584,542**	**599,155**	**614,134**	**629,487**	**645,225**	**661,355**	**677,889**
OPERATING EXPENSES							
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	335,683	349,110	363,074	377,597	392,701	408,409	424,746
Replacement Reserve	13,948	13,948	13,948	13,948	13,948	14,645	14,645
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	1,189	1,213	1,237	1,262	1,287	1,312	1,339
TOTAL EXPENSES	**350,819**	**364,271**	**378,259**	**392,807**	**407,936**	**424,367**	**440,730**
NET OPERATING INCOME	**233,722**	**234,885**	**235,875**	**236,681**	**237,289**	**236,988**	**237,159**
DEBT SERVICE							
CalHFA - 1st Mortgage	171,828	171,828	171,828	171,828	171,828	171,828	171,828
CalHFA - Bridge Loan							
CalHFA - Section 8 Increment Loan	0	0	0	0	0	0	0
DEBT COVERAGE RATIO (w/o Section 8)	**1.36**	**1.37**	**1.37**	**1.38**	**1.38**	**1.38**	**1.38**
CASH FLOW after debt service	**61,894**	**63,056**	**64,047**	**64,852**	**65,460**	**65,160**	**65,331**
DEBT COVERAGE RATIO (with Section 8)	**1.36**	**1.37**	**1.37**	**1.38**	**1.38**	**1.38**	**1.38**

Point Reyes Affordable Homes

155



Scale 1 : 1,100,000

1" = 17.4 mi

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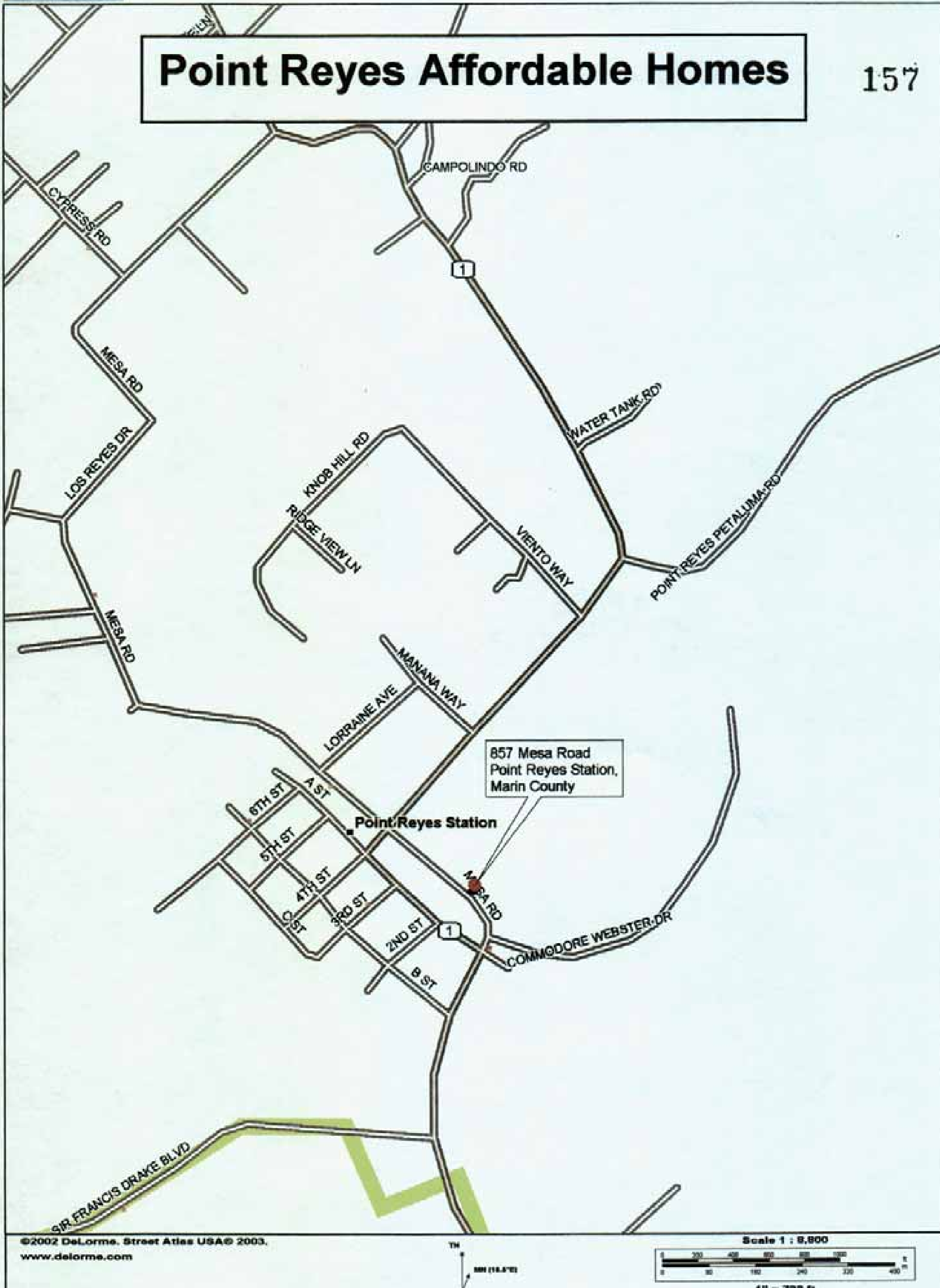
Point Reyes Affordable Homes



Scale 1 : 8,800

1" = 733 ft

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RESOLUTION 03-21

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Point Reyes Affordable Homes, L.P., a California limited partnership, (the "Borrower"), seeking a loan commitment under the Agency's Loan-to-Lender and Tax-Exempt Loan Programs in the mortgage amount described herein, the proceeds of which are to be used to provide financing for a 27-unit multifamily housing development located in Point Reyes Station to be known as Point Reyes Affordable Homes (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated April 28, 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 April 7, 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 set forth in the CHFA Staff Report, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNT
03-039-N	Point Reyes Affordable Homes Point Reyes Station/Marin	27	First Mortgage: $2,550,000 Second Mortgage: $ 350,000 Loan-to-Lender: $3,985,000

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 03-21 adopted at a duly constituted meeting of the Board of the Agency held on May 15, 2003, at Burbank, California.

ATTEST:____________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Plaza de las Flores
Sunnyvale, Santa Clara County, CA
CalHFA # 02052 A

SUMMARY:

This is a Final Commitment request for taxable Preservation Acquisition Fund loan financing in the amount of Thirteen Million Six Hundred Fifty Thousand Dollars ($13,650,000.00). The Preservation Acquisition Loan will consist of a Nine Million, Five Hundred and Fifty-Five Thousand Dollar ($9,555,000) taxable Agency Loan and a Four Million Ninety-Five Thousand Dollar ($4,095,000) Proposition 46 Preservation Opportunity Fund loan which CalHFA is administering for HCD. Security for the loans will be an existing 101-unit senior housing development and 11,815 square feet of commercial space on 2.23 acres located at 233 Carroll Street in the City of Sunnyvale in the County of Santa Clara. The property will be owned by Christian Church Homes of Northern California, a not-for-profit corporation.

Plaza de las Flores was built in 1982 as a HUD 221 (d) (4) insured, senior project. The project has a project-based Section 8 HAP which expires in November of 2003. The current owners are able to sell the property without the Section 8 restrictions. The Borrower has entered into a Purchase and Sales Agreement that expires on July 4, 2003.

LOAN TERMS:

Preservation Acquisition Fund

CalHFA First Mortgage	$9,555,000
Interest Rate	4.00 %
Term	2 year fixed, interest only, payable monthly
Financing	Taxable
Proposition 46 First Mortgage	$4,095,000
Interest Rate	3.00 %
Term	2 year fixed, interest only, interest deferred
Financing	Proposition 46 Preservation Opportunity Fund

LOCALITY INVOLVEMENT:

No locality funds are available for the acquisition of the project, but locality funds will be available at the time the permanent loan is funded.

Staff at the City of Sunnyvale has agreed to submit two loans totaling $1,450,000 to their City Council for approval. The first loan of $1,000,000 in HOME funds will go to the City Council on May 6, 2003. The second loan of $450,000 in housing mitigation funds will be taken to the Sunnyvale City Council in the summer of 2003. These two loans will have a blended interest rate of approximately 3.7%, a term of 30 years, and will be repaid from residual receipts.

The Borrower has received a letter of interest from the Lenders for Community Development ("the Santa Clara Housing Trust") for a deferred loan of $500,000, with an interest rate of zero percent and a term of 55 years.

HOUSING ASSISTANCE PAYMENT ("HAP") CONTRACT:

The project has a HAP contract for all 101 units. The existing HAP contract limits distributions to the owners. The HAP contract expires in November of 2003. The HAP contract is not renewable prior to the anticipated acquisition loan closing date.

The borrower has met with San Francisco HUD Staff who have indicated a willingness to extend the HAP contract for 20 years upon expiration of the current contract in November 2003. The new contract will also contain a limitation on distributions. The project is eligible for a mark-up to market rent increase at contract expiration. Current rent levels are set at $979. The contract rents at renewal will be determined by HUD after reviewing market comparability studies.

Assignment of the HAP contract to the Borrower, any required modification to the HAP contract, the general plan of financing, and the pledge of rents by the Borrower to the Agency are all subject to the approval of the Department of Housing and Urban Development ("HUD"). The Agency will require these approvals prior to the acquisition loan closing. The acquisition loan terms and conditions may be modified in the event that said approvals impact the transaction.

The borrower will be required to seek and accept renewals of the project-based Section 8 contract for the term of the CalHFA regulatory agreement (30 years).

OTHER FINANCING:

Under the terms of the purchase agreement, the replacement reserves of $328,251 will transfer with the property. HUD controls the use of the $710,749 residual receipts account. HUD staff has indicated that they will allow the residual receipts to be used for rehabilitation work.

The cash flow during the acquisition period will be retained to repay the debt on the Agency portion of the Preservation Acquisition Loan and will be a source of permanent financing. The amount of cash available is dependent upon the rent levels set by HUD at the expiration of the HAP contract as part of the mark-to-market process.

The refund on the property tax payments made during the acquisition period prior to the project receiving a property tax exemption will also be retained as a permanent funding source. It will be used to repay the debt on the agency portion of the Preservation Acquisition Loan, and/or to fund the transition operating reserve.

PROJECT DESCRIPTION:

Plaza de las Flores is a 20-year-old, 101-unit HUD 221(d)(4) affordable senior complex with 100% project-based HUD Section 8 rental subsidies. There are 100 one-bedroom residential units, one two-bedroom manager's unit, and 11,815 square feet of commercial space broken into six separate business suites, which are fully leased to long term tenants. The building was developed by Forest City Equity Services, Inc., and is owned by Plaza Associates, a Limited Partnership. California Community Housing Management Services, a wholly-owned subsidiary of Christian Church Homes of Northern California, has managed Plaza since the facility opened in 1983.

PROJECT LOCATION:

Plaza de las Flores is located in the downtown area of the City of Sunnyvale at the corner of Washington Avenue and Carroll Street. It is bordered by Sunnyvale Avenue, East Washington Avenue, and Carroll Street, in an area that has some single and multifamily residential units as well as many offices and shops. The south end of the project is bordered by a commercial parking lot along Carroll Street.

The residential units, parking area and commercial offices are all separately accessed from Carroll Street. The residential entrance is recessed from the street to provide vehicle access to the front entrance. Carroll Street is a two-lane street with moderate traffic.

SITE:

Improvements have been constructed on a single rectangular parcel containing a total of 97,139 square feet, or 2.23 acres. The site is in Sunnyvale's Community General Business Area which allows for high density residential uses with a special development permit. The current zoning is DSP (downtown specific plan) sub district 7, which allows for 100 residential units per 3.55 acres, and requires 1.75 parking spaces per residential unit. Because this development is affordable, it received a density bonus when it was permitted. It is a legal non-conforming use with respect to both density and parking.

IMPROVEMENTS:

Plaza de las Flores was built in 1982. It is a single, three-story, stucco, wood-frame building with a flat, built-up roof and tile parapet. It is served by two elevators. The building is donut-shaped with a large courtyard area. There are 101 apartment units.

The ground floor includes the office, a community room with kitchen, a spacious lobby, and laundry area. There is one laundry room at the project, located in building three next to the community room. The laundry room has four washers, four gas dryers, and a laundry sink. There is a vending machine just outside of the laundry room area. The main entrance has a security door, and the mail boxes are located off the entrance. The site's common area accessibility accommodations are good.

The development is attractively landscaped throughout. There is a large central courtyard with paved walkways, a fountain, seating, gardens, mature trees, shrubs, and flowers. The exterior of the property is landscaped with mature trees and shrubs along the street frontage. Adequate exterior lighting is provided on the building, and on light poles.

There are 34 residential parking spaces located on site in a subterranean lot which are accessed from a separate entrance on Carroll Street via a remote controlled access gate. Street parking is adequate.

At the southern end of the site is a one story commercial building connected to the main residential building. It is subdivided into six separate business suites. The commercial spaces are improved with carpeting or vinyl tile, fluorescent lighting, and dropped acoustical tile ceilings. Each commercial suite has a restroom. Accessibility accommodations in the commercial spaces are good. There are no commercial parking spaces on site. Ample parking is available in an adjacent city-owned parking lot.

The units are well maintained. All units are carpeted. Walls are painted textured sheetrock. Most of the units have sprayed on acoustical ceiling material. Heating and air conditioning is provided by forced air units. The kitchens have electrical appliances, particle board cabinetry in good condition, and Formica countertops. Bathrooms are typical with a tub/shower and a sink/vanity cabinet. The tub surrounds are vinyl. All units have sliding glass doors which lead from the living room to a private deck or balcony. The units have emergency call cords in the bathrooms and bedrooms. The units are all individually metered and the tenants pay for their own utilities. Storage units for the units are located on each floor.

Unit Mix:

No. of Units	No. of Bedrooms	No. of Bathrooms	Unit Square Footage
90	1	1	539
10	1	1	648
1	2	2	838

There are no off site improvements planned for this development. No relocation is required.

MARKET

Market Overview

The property is located in the City of Sunnyvale, a well established community located near the northwest boundary of Santa Clara County. Population growth is low at .5% per year. The community is fully developed and there is a lack of available land. Sunnyvale has a population of 132,800. The median income was $104,400 in 2000. Both the median age and the median buying income are higher than the rapid growth areas in southern and eastern Santa Clara County. Sunnyvale is 12 miles square, and has diverse land uses. The largest employers include Lockheed Martin, Advanced Micro Devices, Amdahl, and National Semiconductor. Unemployment in December 2002 was 6.4%, an increase from 3.8% in 2001 due to the downturn in the high technology sector.

The property is located in the downtown shopping district of Sunnyvale on the south side of Highway 101. The area is predominantly built-out commercial, office and residential with commercial development along the main thoroughfares. Sunnyvale Shopping Mall, which has Macy's as an anchor tenant, is located across the street from the property. New multifamily residential development has occurred to the north of the property on Evelyn Avenue, and there is an attractive new office building on Mathilda Avenue. Overall the neighborhood developments are in good condition, and the outlook for the neighborhood is positive in both the short and long term.

Housing Demand

The primary market area of this property is the City of Sunnyvale, and the secondary market area is the County of Santa Clara. Sunnyvale has traditionally enjoyed solid housing demand due to its centralized location, employment opportunities, varied demographic characteristics, and general appeal of the area. Both population and households are expected to increase by .5% per year.

In the last two years the housing market has been soft. Rents in Sunnyvale and Santa Clara County declined from January 2001 through December 2002 from an average of $1935 to $1372. The vacancy rate increased to 6.6% in December 2002 from 6.2% in September 2002. However, area managers report that the vacancy rate is slowly declining indicating a stabilizing market.

Housing Supply

Sunnyvale has a substantial multifamily rental base. There are 54,392 housing units in the city, of which 45.9% are multifamily residences. Two relatively large apartment projects were recently constructed in the downtown area of Sunnyvale: a 124-unit apartment building at Evelyn and Sunnyvale Avenues, and a 300-unit apartment development at the corner of El Camino Real and Mathilda, as well as four smaller developments totaling 90 units.

There are no senior market-rate apartment projects in the primary market area. The appraiser, Carneghi-Bautovich, concluded that the market for age restricted properties is similar to non-age restricted properties in Sunnyvale. They surveyed six comparable properties in Sunnyvale and found the rents for one bedroom units to be between $900 and $1,205, with the low end of the rental rates generally for smaller sized units, and units with less parking. Managers are currently reporting vacancy rates between zero and 9.00%. Managers are currently offering rebates of between $250 and one month's rent for tenants willing to sign 6 month to 12 month leases.

There are very few age restricted, independent apartment projects in Santa Clara County. Typical new senior facilities in Santa Clara County are continuing care facilities with larger luxury apartments and full services, or non-profit subsidized projects.

Demand for Plaza de las Flores units is considered strong given the lack of available housing for seniors with lower incomes, and the availability of Section 8 subsidies. The property currently has no vacancies, and a long waiting list. The historical vacancy rate is less than 1%.

Rent Differentials (Market versus Restricted)

Unit Type	Subject	Market Rate	$ Difference	% Market	HUD Rent	% of Market
One Bedroom		$1025			$965	
50%	$ 911		$114	89%		94%

All of the residents are very low income and pay only 30% of their income for rent.

Commercial Parcel

The commercial portion of the property is fully leased to stable long term tenants. Leases are on a modified gross basis with the tenant paying their own utilities and janitorial costs. The current owner stopped offering lease renewals in 2001 in anticipation of the sale of the property. Two of the month-to-month tenants have requested lease extensions. CCH intends to offer all three month-to-month tenants new leases.

Tenant	Square Feet	Tenancy Began	Current Lease Expiration	Monthly square foot rent	Escalations	Month to Month
Worldwide Wireless	2,910	05/2002	04/2007	$1.45	Yes	No
Karimi Chiropractor	2,402	1987, lease extended 11/1995	10/2005	$1.29	Yes	No
Fitzpatrick State Farm Insurance Agency	887	12/1992	12/2002	$1.41	No	Yes, but have requested a 10 year lease
Christian Science Reading Room	800	O2/1993	04/2003	$1.15	No	Yes, but have requested a 5 year lease
Certified Personnel	3,200	07/1998	09/2001	$1.07	No	Yes, but have requested a long term lease
The Upper Cut Beauty Salon	1,614	05/1987, lease extended 08/1997	06/2007	$0.77	No	No

The appraiser determined that the market rent for the subject property is $1.45 per square foot. Comparable lease rates in the area range between $1.45 and $2.70 per square foot on an adjusted modified gross basis. Rental rates above $2.00 per square foot were achieved at properties in larger shopping centers with anchor tenants. The lower rents of between $1.80 and $2.00 were achieved at similar buildings in the same neighborhood. The lowest rent of $1.45 was achieved at the subject property. (Worldwide Wireless, above, was leased at the subject property in May of 2002 at $1.45/sf).

OCCUPANCY RESTRICTIONS:

CalHFA / Prop 46 100% of the units (100) will be restricted to households with incomes of 50% AMI, or lower, for 30 years, if economically feasible.

HUD 100% of the units (100) will be restricted to households with incomes of 50% AMI, or lower, for the term of the HAP Agreement, and the available extensions. The restrictions will be removed when and if HUD terminates the Section 8 payments.

ENVIRONMENTAL:

A Phase I Environmental Assessment report was completed on January 23, 2003 by ACC Environmental Consultants of Sunnyvale, California. Based upon aerial photographs, the consultant identified a previous use as a gasoline service station from 1943 until 1979. No documentation was available to determine if the underground storage tanks associated with that use had been properly removed when the station was demolished. Therefore, a Phase II report was recommended.

The Phase I report also identified the presence of suspect asbestos-containing materials on the property, but noted that they appeared to be in good condition. The Agency will require a comprehensive asbestos study and an operations and maintenance plan prior to the acquisition loan closing.

A Phase II Subsurface Soil Boring Investigation was completed on March 31, 2003 which confirmed that the underground storage tanks had been removed, and that there are no petroleum hydrocarbon impacts in the soils surrounding the former tanks. It was concluded that no further investigation or remedial action is required.

A seismic evaluation was completed in March 2003. It found that the development as constructed meets minimum standards.

The Agency will require an accessibility report on the commercial spaces prior to acquisition loan closing.

PHYSICAL NEEDS ASSESSMENT / SCOPE OF WORK

A physical needs inspection (PNA) was conducted on January 10, 2003 by Waarvik Innovations. The PNA found the project in excellent condition which it attributed to proactive maintenance and exemplary management.

Due to the age of the building some systems are nearing the end of their useful life and require repair or replacement. The budget for this work is estimated to be between $700,000 and $800,000. This work will be done during the acquisition period from funds currently held by HUD. The items needing repair include the following:

- The roof system will be replaced. This will require the removal of rooftop equipment (HVAC equipment, solar panels, etc).
- The HVAC equipment, including heat pumps located on the rooftops and fan coil units located within the apartment units, will be replaced.
- A few of the solar collector panels are showing cloudiness and will be replaced in conjunction with the roof. This is a functioning passive solar system which provides pre-tempered water for the domestic hot water system.
- Decks and deck rails will be waterproofed and repainted.
- One of the four sides of the building will be repainted.
- A replacement schedule will be developed for the unit interiors. It will include carpeting, kitchen cabinets and kitchen and bathroom flooring replacements. The borrower is conducting a unit-by-unit survey, and a final schedule will be developed from that study.
- The three hot water heating units will be replaced.
- Accessibility upgrades will be undertaken in the elevators and in the common areas.
- All dry rot identified in the termite and dry rot report issued in April 2003 will be repaired.
- The concrete flooring in the community room will be replaced.
- The lobby interior will be redecorated.
- Hardwire smoke detectors and GFI's will be installed as needed.

- The borrower is investigating possible upgrades of the emergency call system. This is an optional item, as the current system is fully functional.

EXIT STRATEGY FOR PRESERVATION ACQUISITION FUND LOAN:

There are two possible take out scenarios for this loan. Both scenarios anticipate full repayment of the Preservation Acquisition Loan. Sources for both scenarios include $1,450,000 from the City of Santa Clara, $500,000 from the Santa Clara Housing Trust Fund, $328,251 in current reserves, $710,749 in HUD-controlled residual receipts, use of the cash flow during the acquisition period, use of the property tax rebate, and the HAP contract renewal by HUD in November 2003.

501(c)(3) Bond Scenario. The first scenario involves an Agency 501(c)(3) loan of $11,900,000. The Agency loan will be written to the Section 8 contract rents and insured under the FHA/HUD Risk Share Program. This scenario requires that the Borrower receive a mark-to-market increase in their HAP rents of approximately $200 per unit (from $979 to $1180).

Under this scenario, if the project receives a large enough rent increase from HUD, the borrower will return to the Agency for a final commitment for a 501(c)(3) loan in the spring of 2004. The rehabilitation will be completed with available reserve funds, and the Borrower will close the permanent loan at the completion of the rehabilitation work in 2005.

Tax Exempt Bonds and 4% Tax Credit Scenario. The 4% tax credit scenario involves an Agency tax-exempt bond loan of $9,510,000, and tax credit equity of $2,668,000. The Agency loan will be underwritten to HAP rent levels and will be insured under the FHA/HUD Risk Share Program. This scenario requires that the Borrower receive an increase in their HAP rents of approximately $46 per unit (from $979 to $1025) when they go for their HAP contract renewal in November 2003.

If the project receives a rent increase from HUD that is too small to support the 501(c (3) loan in the first scenario, the borrower will return to the Agency for a final commitment for a tax-exempt loan in the spring of 2004, and compete for a CDLAC allocation. Once they have received a CDLAC allocation, they will complete the rehabilitation with available reserve funds, and the Borrower will close the permanent loan at the completion of the rehabilitation work in 2005.

ARTICLE XXXIV:

A satisfactory opinion letter will be required prior to acquisition loan closing.

DEVELOPMENT TEAM:

Borrower

Christian Church Homes of Northern California ("CCH"), a not–for–profit Corporation.

CCH was founded by ecumenical and community groups in 1961. To date they have developed 17 elderly facilities for 1,525 residents. Of these units, 1,081 have project-based Section 8 contracts. Included in these projects is South Lake Towers, a 130-unit expiring use senior development in Oakland that was purchased by the borrower with three loans from CalHFA in 2002.

CCH is currently developing three additional HUD 202 projects and one 9% tax credit project totaling 228 units.

CCH is currently negotiating with Forest City to purchase another expiring use Section 8 property located in Ontario (The Grove), and is in discussions with them regarding the purchase of three additional properties. CalHFA is currently processing an application for a Preservation Acquisition Loan for The Grove.

Management Agent

Christian Church Homes of Northern California ("CCH"), a not–for–profit Corporation.

CCH currently manages 40 properties in Northern California. CCH manages 15 properties that they own, and manages 25 properties owned by other entities. Thirty-six of the facilities they manage are reserved for seniors 62 years of age and older.

CCH has a staff of 350. There are 26 people on the corporate staff. They have a Director of Social Services and a team of 27 on-site service coordinators whose job is to link seniors with a wide array of supportive and social services.

Architect & Construction Management

Leslie B. Alspack of the Pound Company.

The Pound Company is based in Oakland and provides both construction management and project planning services. They have worked with CCH on other projects.

Project Summary

Plaza de las Flores

Date: 15-May-03

Project Profile:

Project:	Plaza de las Flores	*Appraiser:*	Chris Carneghi, MAI
Location:	233 Carroll Street	*Appraising Firm:*	Carneghi Bautovich
	Sunnyvale 94086	*Cap Rate:*	6.50%
County:	Santa Clara	*Market (as is):*	$12,730,000
Borrower:	Christian Church Homes	*Income (as is):*	$13,130,000
Program:	Preservation Acquisition Loan	*Total Value (as is):*	$13,000,000
CalHFA #:	02052A		

LTC/LTV:

Prop 46 & CalHFA/Cost	92.9%
Prop 46 & CalHFA/Value	105.0%
CalHFA Loan/Cost	65.0%
CalHFA Loan/Value	73.5%

Project Description:

Units	101
Handicap Units	10
Type	Rehabilitation
Buildings	1
Stories	1 &3
Gross Sq Ft	65,200
Land Sq Ft	97,139
Units/Acre	43
Total Parking	34
Covered Parking	34
Commercial Square footage:	11,815

Financing Summary:

Acquisition Loan	Amount	Per Unit	Rate	Term
CalHFA 1st Mortgage	$9,555,000	$94,604	4.00%	2
Prop 46 1st Mortgage	$4,095,000	$40,545	3.00% Deferred	2
Seller Replacement Reserve	$328,251	$3,250		
HUD/Seller Residual Receipts Reserve	$710,749	$7,037		

Unit Mix:

Type	Manager		50% AMI		60% AMI		80% AMI		Section 8		Total
	number	rent	number	rent	number	rent	number	rent	number	rent	
0 bedroom		0	0	0	0	0	0	0	0		0
1 bedroom	0	0	0	0	0	0	0	0	100	965	100
1 bedroom	0	0	0	0	0	0	0	0	0	0	0
2 Bedroom	1	0	0	0	0	0	0	0	0	0	1
4 bedroom	0	0	0	0	0	0	0	0	0	0	0
subtotal	1		0		0		0		100		101

Fees, Escrows, and Reserves:

Fees	Basis of Requirements	Amount	Security	
Acquisition Loan Fee	1.00% CalHFA Acquisition Loan	$95,550	Cash	at acquisition
Escrows				
Inspection fee	$1,500 x months of construction	$18,000	Cash	at acquisition
Reserves				
Seller Replacement Reserves	Current Reserves transferred with Property	$328,251	Cash	at acquisition
HUD Residual Receipts	Current Reserves controlled by HUD	$710,749	Cash	at acquisition

Sources and Uses

Plaza de las Flores

SOURCES:

Name of Lender / Source	Acquisition Amount	Percent of Total	Per Unit Amount	Residential 87.58%	Commercial 12.42%
CalHFA 1st Mortgage	9,555,000	65.0%	94,604	8,368,224	1,186,776
Prop 46 1st Mortgage	4,095,000	27.9%	40,545	3,586,382	508,618
Total Institutional Financing	**13,650,000**	**92.9%**	**135,149**	**11,954,606**	**1,695,394**
Equity Financing					
Seller Replacement Reserve	328,251	2.2%	3,250	287,481	40,770
HUD Residual Receipts Reserve	710,749	4.8%	7,037	622,471	88,278
Total Equity Financing	**1,039,000**	**7.1%**	**10,287**	**909,951**	**129,049**
TOTAL SOURCES	**14,689,000**	**100.0%**	**145,436**	**12,864,558**	**1,824,442**

USES:

	Acquisition	Per Sq Ft	Per Unit	Residential	Commercial
Acquisition	13,000,000	88.5%	128,713	11,385,339	1,614,661
Rehabilitation	0	0.0%	0	0	0
New Construction	0	0.0%	0	0	0
Architectural Fees	40,000	0.3%	396	35,032	4,968
Survey and Engineering	8,000	0.1%	79	7,006	994
Agency Impound Fees	231,498	1.6%	2,292	202,745	28,753
Permanent Financing	130,550	0.9%	1,293	114,335	16,215
Legal Fees	25,000	0.2%	248	21,895	3,105
Reserves	1,039,000	7.1%	10,287	909,951	129,049
Contract Costs	45,250	0.3%	448	39,630	5,620
Contingency	86,202	0.6%	853	75,495	10,707
Local Fees	1,000	0.0%	10	876	124
Other Costs	0	0.0%	0	0	0
PROJECT COSTS	**14,606,500**	**99.4%**	**144,619**	**12,792,305**	**1,814,195**
Developer Overhead/Profit	75,000	0.5%	743	65,685	9,315
Consultant/Processing Agent	7,500	0.1%	74	6,568	932
TOTAL USES	**14,689,000**	**100.0%**	**145,436**	**12,864,558**	**1,824,442**

Annual Operating Budget

Plaza de las Flores

		$ per unit
INCOME:		
Total Rental Income	1,158,000	11,465
Laundry	4,000	40
Commercial Income	164,794	1,632
Other Income	0	-
Gross Potential Income (GPI)	**1,326,794**	**13,137**
Less:		
Vacancy Loss	84,298	835
Total Net Revenue	**1,242,496**	**12,302**
EXPENSES:		
Payroll	182,237	1,804
Administrative	98,663	977
Utilities	57,400	568
Operating and Maintenance	143,040	1,416
Insurance and Business Taxes	51,335	508
Taxes and Assessments	150,215	1,487
Reserve for Replacement Deposits	32,825	325
Subtotal Operating Expenses	**715,715**	**7,086**
Financial Expenses		
CalHFA Acquisition Loan	382,200	3,784
		-
Total Financial	**382,200**	**3,784**
Total Project Expenses	**1,097,915**	**10,870**

Cash Flow	Plaza de las Flores	
RENTAL INCOME	**Year 1**	**Year 2**
Section 8 Increment Increase	*2.00%*	*2.00%*
Section 8 Increment Increase	64,800	66,096
Affordable Rent Increase	*2.00%*	*2.00%*
Affordable Rents (50% AMI rent of $911)	1,093,200	1,115,064
TOTAL RENTAL INCOME	**1,158,000**	**1,181,160**
OTHER INCOME		
Other Income Increase	*2.00%*	*2.00%*
Laundry	4,000	4,080
Commercial Income Increase	2.00%	2.00%
Commercial	164,794	168,090
TOTAL OTHER INCOME	**168,794**	**172,170**
GROSS INCOME	**1,326,794**	**1,353,330**
Vacancy Rate: Section 8 Increment	*3.00%*	*3.00%*
Vacancy Rate: Affordable	*3.00%*	*3.00%*
Vacancy Rate: Other Income	*30.00%*	*30.00%*
Less: Vacancy Loss	84,298	85,984
EFFECTIVE GROSS INCOME	**1,242,496**	**1,267,346**
OPERATING EXPENSES		
Annual Expense Increase	*3.50%*	*3.50%*
Expenses	532,675	551,319
Replacement Reserve	32,825	32,825
Annual Tax Increase	*2.00%*	*2.00%*
Taxes and Assessments	150,215	153,219
TOTAL EXPENSES	**715,715**	**737,363**
NET OPERATING INCOME	**526,781**	**529,983**
DEBT SERVICE		
CalHFA 1st Mortgage	382,200	382,200
Prop 46 1st Mortgage	0	0
Cash flow after CalHFA loans	**144,581**	**147,783**
DCR CalHFA loan	**1.38**	**1.39**
Debt Repayment Reserve	144,581	147,783
Cash Flow after Debt Repayment Reserve	**0**	**0**

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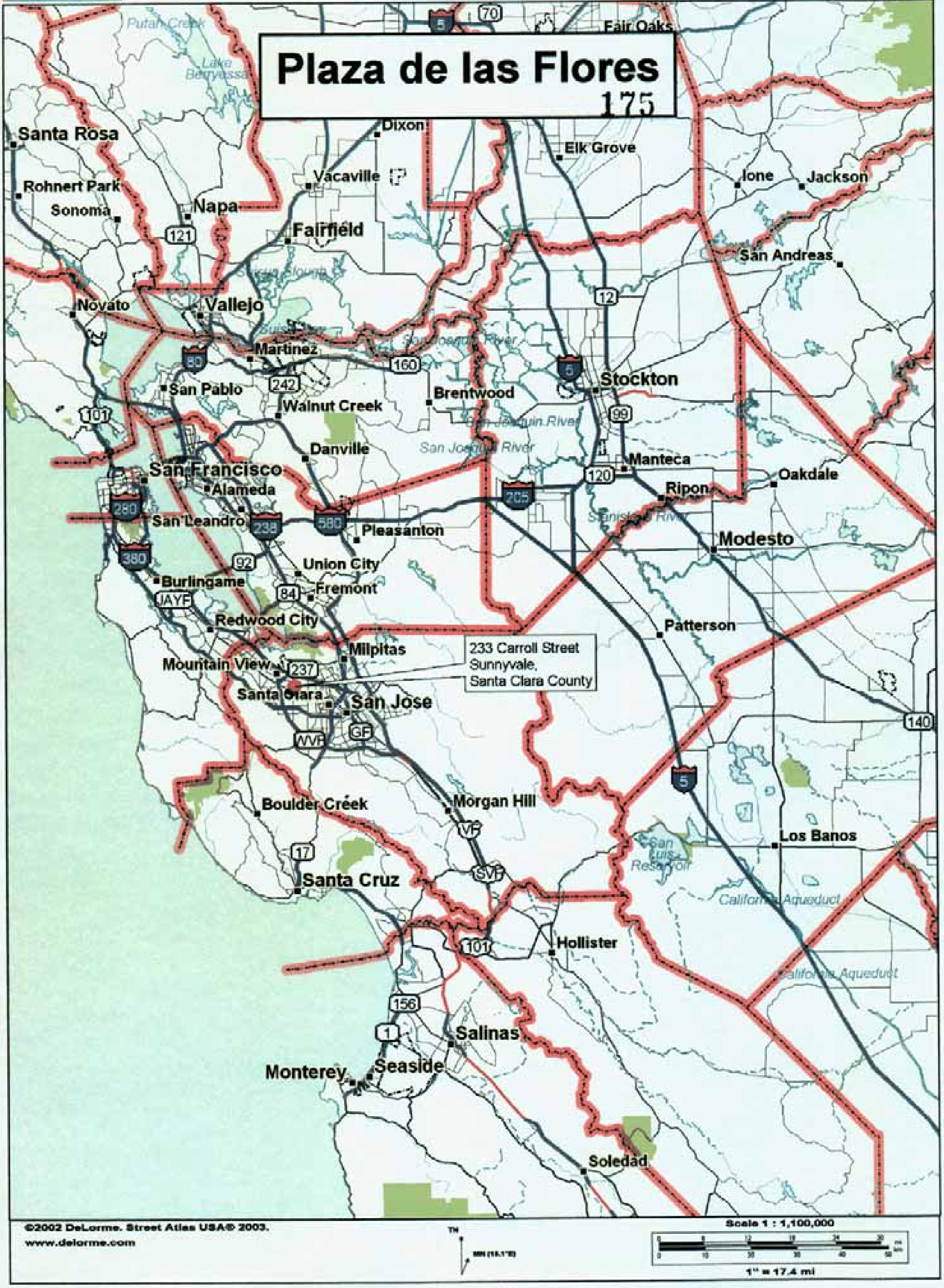
Plaza de las Flores
175
Fair Oaks
Dixon
Santa Rosa
Elk Grove
Vacaville
Rohnert Park
Ione
Jackson
Sonoma
Napa
Fairfield
San Andreas
Novato
Vallejo
Martinez
San Pablo
Stockton
Brentwood
Walnut Creek
San Joaquin River
Danville
Manteca
San Francisco
Alameda
Oakdale
Ripon
San Leandro
Pleasanton
Stanislaus River
Modesto
Union City
Burlingame
Fremont
Redwood City
Patterson
Milpitas
233 Carroll Street
Sunnyvale,
Santa Clara County
Mountain View
Santa Clara
San Jose
Boulder Creek
Morgan Hill
Los Banos
San Luis Reservoir
Santa Cruz
California Aqueduct
Hollister
Salinas
Monterey
Seaside
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Scale 1 : 1,100,000
1" = 17.4 mi

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Plaza de las Flores

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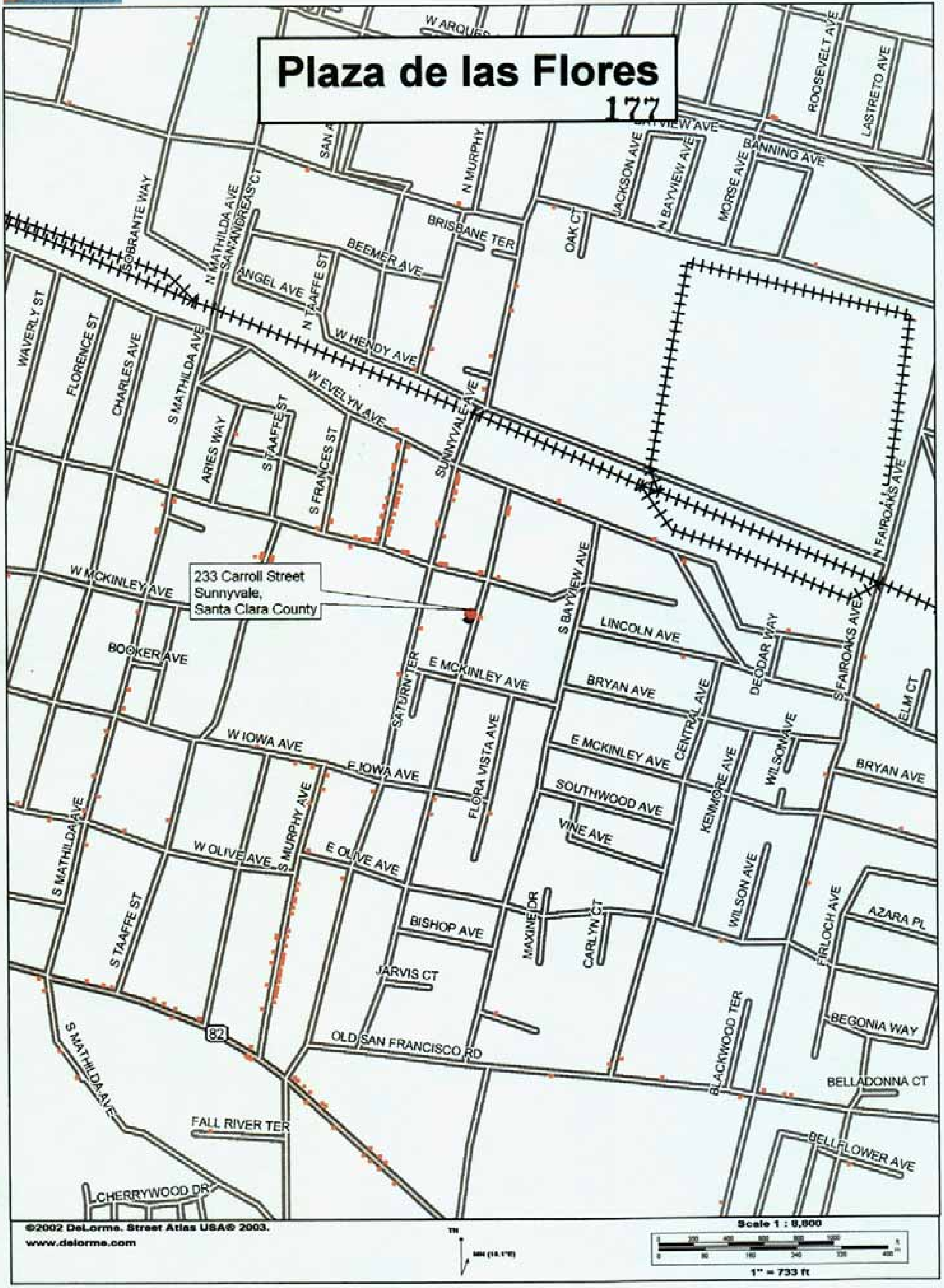

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RESOLUTION 03-22

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Christian Church Homes of Northern California ("CCH"), a not-for-profit corporation ("Borrower"), seeking a loan commitment under the Agency's Preservation Acquisition Fund Program in the mortgage amounts described herein, the proceeds of which are to be used to provide mortgage loans for a 101-unit multifamily housing development located in the City of Sunnyvale to be known as Plaza de las Flores (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated April 28, 2003 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

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

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNTS
02-052-A	Plaza de las Flores Sunnyvale/Santa Clara	101 CalHFA 1st Mortgage: Prop. 46 1st Mortgage:	 $9,555,000 $4,095,000

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

3. All other material modifications to the final commitment, including increases in mortgage amount of more than seven percent (7%), must be submitted to this Board for approval. "Material modifications" as used herein means modifications which, when

made in the discretion of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Programs of the Agency, change the legal, financial or public purpose aspects of the final commitment in a substantial or material way.

I hereby certify that this is a true and correct copy of Resolution 03-22 adopted at a duly constituted meeting of the Board of the Agency held on May 15, 2003, at Burbank, California.

ATTEST:________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Baywood Apartments
Oakland, Alameda County, CA
CalHFA # 03-028-N

SUMMARY:

This is a final commitment request for two acquisition loans and two permanent loans; a first acquisition loan in the amount of Four Million One Hundred Thousand Dollars ($ 4,100,000); a taxable second acquisition loan in the amount of One Million Dollars ($1,000,000) a first permanent loan in the amount of Four Million One Hundred Thousand Dollars ($4,100,000); and a taxable second permanent loan in the amount of One Million Four Hundred Fifty Thousand Dollars ($1,450,000). The first acquisition loan and the first permanent loan are a blend of Four Million Thirty-Five Thousand Dollars ($4,035,000) of tax-exempt financing and Sixty-Five Thousand Dollars ($65,000) of taxable HAT ("Earned Surplus") financing.

Security for the loans will be Baywood Apartments, a 77-unit apartment building located at 225 41st Street in the City of Oakland, in Alameda County. The property will be owned by Baywood Affordable LP, a limited partnership, whose general partners are Las Palmas Foundation, a Not-for-Profit corporation, and Bentall Residential, LLC, a Limited Liability Corporation.

Baywood Apartments was built in 1982 and the Agency holds a first mortgage on the property which matures in 18 years. The property has a 30 year Section 8 HAP contract which expires in 8 years. The Borrower has entered into a Purchase and Sale contract with the current owner, Q Investments, LLC, a limited liability corporation. This project is being refinanced under the Agency's Section 8 Portfolio Refinancing Guidelines.

LOAN TERMS:

Acquisition

First Mortgage	$4,100,000
Interest Rate	5.40 %
Term	2 year fixed, interest only
Financing	Blend of tax exempt and HAT funds
Second Mortgage	$1,000,000
Interest Rate	4.50 %
Term	2 year fixed, interest only
Financing	Taxable- HAT ("Earned Surplus")

Permanent

First Mortgage	$4,100,000
Interest Rate	5.40 %
Term	30-year fixed, fully amortized
Financing	Blend of Tax-exempt and HAT funds
Insurance	FHA Risk Share

Second Mortgage	$ 1,450,000
Interest Rate	4.50 %
Term	6 year fixed, fully amortized
Financing	Taxable - HAT ("Earned Surplus")

The Agency's permanent first mortgage loan will be insured under the FHA Risk Share program and will be subject to HUD Risk Share Approval.

AGENCY PORTFOLIO REFINANCING / HOUSING ASSISTANCE PAYMENT CONTRACT:

The Agency currently holds this loan in its portfolio. In 1980, the Agency made a 40 year, $3,729,338 loan at an interest rate of 11.50 %. The current balance on the Agency mortgage is approximately $3,291,061. Funds were advanced under the Agency loan in September 1981. The Agency loan was subject to a 6% equity dividend rate limitation on the original equity. "Surplus Cash" is the property of the Agency under the original loan documentation. The first mortgage is subject to prepayment prohibitions. The operating and replacement reserve balances are approximately $438,000. The Agency currently holds the reserves.

The project has a 30 year project-based Section 8 contract which covers all 77 units. The HAP contract expires in February 2011. There is a mismatch between the expiration of the HAP contract and the Agency's loan which matures in September 2021. The Agency is the Contract Administrator for the HAP contract. The HAP contract was issued prior to April 1980 and does not terminate upon refinancing.

This final commitment request fits within the Agency's Section 8 Loan Portfolio Refinancing Guidelines which were presented to the Agency's Board of Directors on September 12, 2002. No prepayment penalty will be required because of the mismatch between the term of the HAP contract and term of the Agency loan.

The assignments of the HAP contract to the Borrower, any required modification to the HAP contract, the general plan of financing, and the Borrower's Pledge of Rents to the Agency are all subject to the approval of the Department of Housing and Urban Development ("HUD"). CalHFA loan terms and conditions may be modified in the event that the terms of the HUD approvals impact the transaction.

The Borrower will be required to seek and accept any renewals of the project-based Section 8 contract for the term of the CalHFA regulatory agreement (55 years). Affordability will be restricted to 20% of the units at 50% AMI and 80% of the units at 60% AMI for the term of the regulatory agreement. The existing project reserves in the Reserve for Replacement and the Reserve for Operations plus accrued interest will be kept with the property for the term of the CalHFA regulatory agreement. All impounds at the time of the refinancing will be kept with the property.

The refinancing will be processed under the same statute authority as the original loan, which requires a tenant grievance procedure. The Agency will waive the limitation on distributions, and claims to "surplus cash". CalHFA will require a service plan for the tenants.

PROJECT DESCRIPTION:

Project Location

Baywood Apartments is located at 225 41st Street in the Piedmont Avenue neighborhood of Oakland, in Alameda County. The property is adjacent to a post office, and approximately one block from Piedmont Avenue. Piedmont Avenue is an older, well established boutique street with many retail businesses, restaurants and offices. Public services are easily reached by foot, car or bus. Kaiser Foundation Hospital is located within a few blocks of the property. Immediately surrounding the property are mid-rise apartments, condominium projects and single family homes. To the west of the property is a high density neighborhood of older mid-rise and high-rise multifamily complexes.

Site

The building is located on a flat, 22,485 square feet, .562 acre, site located mid block with a 177 foot frontage on 41st Street. There is separate pedestrian and vehicular access from 41st street.

The Zoning is R-70-High Density Residential with a General Plan designation of Urban Residential. The maximum density is 54 units with a parking requirement of one space per unit, with reduced parking permits available for age restricted buildings. The existing improvements are legal, non-conforming uses with respect to both density and limited parking.

Improvements

The building is a six story, "L" shaped, poured concrete building, built in 1981. The building foundation is a 16 inch concrete mat with drilled concrete caissons at the corners of the building. The building consists of a poured-in-place concrete frame, and the upper floors and roof deck are reinforced concrete. The exterior walls of the building are board formed concrete and stucco. Building windows are single pane with anodized aluminum frames. The building has a mansard roof at the perimeter of the building which is supported by light steel framing. The roof is flat, and covered with rolled asphalt membrane and a mineral sheet cap.

On the first floor there is an entrance lobby, a large general seating area, a planter area and an elevator lounge, two accessible restrooms, the management office, a large community room and kitchen, and a large patio garden area. The laundry room and trash room are located off the main lobby. There are also some apartments on the first floor. There are 18 parking spaces located on the first floor. Residents access the parking area through a door off the main lobby. The building is served by two elevators. The building is sprinklered, and both the parking and pedestrian entrances have security systems.

The landscaping consists of mature trees, shrubs and grass along 41st street. There is a large and attractive courtyard and garden area at the rear of the building which half of the units overlook. There are flower beds located throughout the site. The landscaping areas are irrigated by an in-ground sprinkler system. Site lighting is provided by municipal streetlights on 41st street and by light fixtures in the planting areas. A perimeter chain link fence with redwood slats surrounds the back of the building.

The apartments are accessed through double loaded corridors. There is a large lounge area and/or utility room on each floor located adjacent to the elevator. There are trash rooms and trash chutes on each floor. There are 5 large bonus rooms, one on each of the five residential floors. One of the bonus rooms is used as a library, another is a lounge, and three are used as maintenance and or storage rooms. The apartments are carpeted, with sheet vinyl flooring in the kitchens and baths. The walls and ceilings are painted drywall. Entry doors are solid core with lever handle locksets. Kitchen cabinets and countertops are constructed of wood, with particle board doors and are in good condition. The countertops have a plastic laminated finish. The appliances are all electric and include a stove/oven, refrigerator, disposal and fan/hood. Two-thirds of the appliances are original. The bathrooms have a water closet, a fiberglass bathtub and surround and a vanity cabinet with a sink. The bathroom fixtures are in good to fair condition. The units have electric baseboard heat and are individually metered. Each unit, with the exception of the studio units, has a large balcony that runs the width of the living room and bedroom, which is accessed by sliding glass doors. The building is located on a knoll and all of the units have attractive city views. The units are not air conditioned.

Unit Mix:

No. of Units	No. of Bedrooms	No. of Bathrooms	Unit Square Footage
5	0	1	593
67	1	1	603
5 (accessible)	1	1	753

Off Site Work

No off site work is planned.

Relocation

Rehabilitation work will take place over twelve months after the Acquisition Loan closing. Residential improvements will take place on a floor-by-floor basis. During unit work, tenants will be relocated to area hotels for an estimated stay of three days. The rehabilitation plan does not assume invasive construction that will result in longer term displacement of tenants.

There are two households that may be above tax credit income limits. If it is determined that they are over income, they will be offered incentives to voluntarily relocate. There will not be any involuntary relocation.

MARKET:

Market Overview

The Primary Market Area for the subject property includes parts of the Piedmont Avenue, Rockridge, Northlake, Downtown and San Antonio neighborhoods of Oakland. The Primary Market Area (PMA) extends approximately 1.9 miles north, 2.6 miles south, 1.3 miles west, and 2.2 miles east of the subject property.

In 2002 there were 199,423 residents, and 86,281 households in the PMA. The growth rate is projected at .9% per year. There were 15,536 senior households in the PMA representing 18% of the total population. The number of senior households is expected to increase at a rate of 1.1% annually. The median income for all households in 2002 was $48,418. In 2002, 48% of the seniors in the PMA had incomes of $15,000 or less, and 67% earned $25,000 or less. The average senior household had 1.5 persons.

Housing Demand

Forty-six percent of the senior households (7,527 households) in the PMA are renters; of these 4,622 have incomes which qualify for the development.

Apartment managers reported significant increases in demand in 1999 and 2000. Rental rates peaked in early 2001, and declined in the end of 2001 caused by the downturn in employment in the high tech industry. Rents for one bedroom units decreased 11% in Oakland from a high of $1,264 in June 2001 to $1,127 in December of 2002. The average occupancy rate in Oakland dropped from 99% in 2000 to 91.6% in the first quarter of 2003, indicating an imbalance in the market place.

The Piedmont Neighborhood has held onto its gains better than other sections of the City. In March of 2003, the occupancy rate was 97.3% for tax credit properties, and ranged between 94.5% and 100% in general occupancy properties.

The housing authority has a waiting list of 1,163 people and 13,037 pre-applications. The households on the list are chosen from qualified pre-applicants by a lottery. There are 250 households on the public housing waiting list. Both lists have been closed for several years.

Housing Supply

There are three senior tax credit properties in the PMA area, two of which are under construction, and hundreds of smaller apartments within a one mile radius, most of which are located in smaller buildings. There are no comparable market rate senior properties in the PMA.

Market Survey Systems surveyed 13 comparable properties in the PMA including all three senior tax credit properties and ten general occupancy. They extended their survey of general occupancy projects to a two-mile radius to capture properties of equivalent size to the subject property. They found:

- Baywood's size, which is large enough to support full-time staff, provides a competitive advantage over many of the smaller general occupancy properties.
- Rents at the tax credit properties ranged from $362 to $487 for studio units and from $385 to $595 for one bedroom units.
- Rents at the general occupancy properties ranged from $750 to $955 for studio units and $875 to $1346 for one bedroom units.
- Baywood's studio units are 84% larger than the tax credit properties, and 15% larger than the general occupancy properties.
- Baywood's one-bedroom units are larger than the average tax credit one-bedroom unit and only slightly smaller than the general occupancy units.
- All of the tax credit properties have reduced parking with ratios ranging from .25 to .44 spaces per unit.
- Half of the general occupancy units have reduced parking and charge between $50 and $75 dollars for parking privileges.
- Two-thirds of the tax credit properties offer community rooms with televisions and kitchens, a library and a computer room. Only 10% of the general occupancy properties have community rooms or clubhouses.

- No tax credit properties offer pools, spas or fitness centers. Seventy percent of the general occupancy properties offer fitness centers, pools or spas.
- Only one general occupancy property offers washers and dryers in the units and walk-in closets.
- 80% of the both types of properties have balconies.
- No tax credit property offers dishwashers. Fifty percent of the general occupancy properties offer dishwashers. No property offers air conditioning.
- Baywood is the only property which offers a landscaped interior courtyard, grab bars in the bathrooms, and a pull cord emergency response system for the residents.
- The market study recommended that tax credit properties offer a library, a computer center, and free internet access and e-mail accounts to the residents to improve their competitive position.

There are two tax-credit senior projects under construction in the PMA which are included in the survey above. There are no other pending comparable senior tax credit apartment projects identified in the PMA area. There are two pending acquisition and rehabilitation of existing HUD Section 8 projects that will remain subsidized under exiting HAP contracts. A third project has been proposed but is still in the planning stages.

The market study found a shortfall of 1,047 senior tax credit apartments in the PNA area after the rehabilitation of the existing project and the completion of the two tax-credit senior projects that are under construction.

CURRENT OPERATIONS:

Approximately 30% of the current residents are couples. Most of the residents have incomes between $8,000 and $12,000, with incomes ranging between $7,000 and $40,000. Residents pay 30% of their income as rent. The tenant portion of the rent ranges between $175 to $1000 with most tenants paying between $200 and $300 per month. Seven percent of the units have at least one employed person. There are currently 73 people on the waiting list. Sixty percent of the people on the waiting list live within three miles of the property, and all live in the Bay Area. Typically Baywood has two vacancies per year.

PROJECT FEASIBILITY:

Baywood is currently 100% occupied and has a waiting list. Its historical vacancy is less than 1%. The property is expected to remain stabilized at 99% occupancy because it offers Section 8 subsidies to all residents which allow them to pay only 30% of their income in rent.

If the HAP contract is not renewed at expiration, or any time during the term of the Agency 1st Permanent Mortgage, and Baywood were required to completely re-tenant the 76 rentable units to tax credit rents, it is projected that it will reach stabilized occupancy within six months. The absorption rate would increase if HUD offers tenant-based vouchers to the existing tenants, allowing them to remain in the property, and they elect to stay. At tax credit rent levels, the project is projected to maintain stabilized occupancy in the 95% range with a turn-over of approximately 15% per year.

Rent Differentials (Market versus Restricted versus HUD)

Unit Type	Subject	Market Rate	$ Difference	% Market	HUD Rents	% Market
Studio		**$935**			**$984**	
50%	$672		$263	72%		105%
One Bedroom		**$985**			**$1,145**	
50%	$713		$272	72%		116%
60%	$ 839		$146	85 %		

OCCUPANCY RESTRICTIONS:

CalHFA 20% of the units (15) will be restricted at 50% or less of AMI, and 80% of the units (61) will be restricted to 60% or less of AMI.

The CalHFA Regulatory Agreement will be for a term of 55 years.

TCAC 30% of the units (24) will be restricted to 50% or less of AMI and 70% of the units (52) will be restricted to 60% or less of AMI.

HUD 100% of the units (76) will be restricted to 50 % or less of AMI for the term of the HAP Agreement, which expires in February 2011, and for the period of all extensions of that agreement approved by HUD.

ENVIRONMENTAL:

A Phase I Environmental Assessment report was completed on March 31, 2003 by Barr and Clark. The report concludes that there are no adverse environmental conditions that warrant further investigation or remedial action.

A seismic evaluation was completed on March 14, 2003. The development meets the minimum standard. Minor remedial work is included in the scope of work.

PHYSICAL NEEDS ASSESSMENT / SCOPE OF WORK:

A Physical Needs Assessment was conducted at the property on March 5, 2003 by EMG which involved a walk-through of 100% of the units. The report found the property to have been constructed to industry standards at the time of construction, well maintained since it was first occupied and in overall good condition. The property has had an active capital expenditure program over the past three years primarily consisting of exterior painting, rebuilding the entrance, installing security systems and alarm upgrades, replacing the domestic hot water storage tanks, replacing the emergency generator, and completing extensive unit work. Only $250,000 or $3,246/unit of required repairs were identified in the PNA. These include:

- Required ADA accessibility improvements (striping the accessible parking stalls, creating an accessible path of travel from the parking garage to the lobby area, providing accessibility upgrades for the elevators, and minor modifications in the 5 accessible units).

- Replacing the roof membrane.
- Abandoning the dysfunctional roof-mounted solar equipment and storage tanks. As a part of the solar heater removal the borrower will provide a plumbing analysis to demonstrate sufficient domestic hot water capacity.
- Replacing the common area carpeting.
- Install automatic shut off valves on the gas meters.
- Providing smoke detectors and ground fault interrupters in all units.
- Replacing the control dispatcher on the elevator.
- Replacing the water closets in all units.
- Repairing balcony decks in 7 units, and minor repairs to 8 units.
- Installing emergency lighting and exit signs.
- Strapping the water heaters.
- Treating mold in 1 unit by removing the sheet rock and applying bleach.
- Initiating a pest program to eliminate the pigeon problem.

The borrower is planning on a more extensive program of repairs totaling $675,420 or $8,771/unit. The additional upgrades include:

- $25,000 in additional elevator repairs to extend the life of the elevator system.
- Replacing the cabinet doors, countertops, sinks, ranges, refrigerators and flooring in 60% of the units (46 units).
- Replacing valves, mirrors, medicine cabinets, light fixtures, hardware, flooring, vanity cabinets, countertops and sinks, and refinishing the tubs in 60% of the units (46 units).
- Replacing exhaust fans in 77 units.
- Replacing the air handling unit.
- Replacing one boiler.
- Replacing the heat exchanger for common area gas heating system.
- Demolishing the existing lobby and management offices and replacing them with a new leasing office, computer center and meeting area that more efficiently utilize the space available.
- Painting, carpeting and redecorating all five apartment corridors.
- Replacing the chair rail on all five apartment corridors.
- Installing new energy efficient lighting on all five apartment corridors.
- Refurbishing the community room by adding a partition wall, installing new kitchen cabinets, fixtures and appliances, new flooring, and replacing the sliding glass doors.
- Building a trellis patio cover to enhance the residents' enjoyment of the garden area.

ARTICLE XXXIV:

A satisfactory opinion letter will be required prior to acquisition loan closing.

DEVELOPMENT TEAM:

Borrower

Bentall Residential, LLC, and Las Palmas Foundation, a not-for-profit corporation.

Bentall Residential is a multi-family investor specializing in affordable housing projects. Ken Reiner is the President and Managing Member of Bentall Residential. Mr. Reiner previously worked with the Related Companies of California where he was the primary development partner for five (5) affordable housing projects totaling 2,174 units throughout California. All five of the developments were acquisition/rehabilitation projects financed with CalHFA.

Bentall Residential is an affiliate of Bentall Capital, a U.S. and Canadian-based fully-integrated real estate company with over 1,000 employees in North America. The company's 85 year history has extensive real estate experience in the areas of investment management, development, property services and merchant banking.

Las Palmas Foundation is a California, nonprofit 501(c)(3) charitable corporation dedicated to acquire, develop, rehabilitate, and support affordable housing. They are the managing general partner of 13 affordable senior and multifamily properties located throughout California. The 1,776 units consist of both new construction and acquisition/rehabilitation projects. They are the managing General Partner of Summercrest, a 372 unit family Section 8 property located in National City, which was acquired and rehabilitated with CalHFA financing in 2002.

Management Agent

John Stewart Company

John Stewart Company is a full service housing management, development and consulting organization employing over 850 people. They currently service a portfolio of 200 projects with over 20,000 units – home to 65,000 residents.

Architect

No new structures will be built as a part of the rehabilitation; therefore, an Architect is not required for Baywood.

Contractor

To be named.

A third party contractor will be used to complete and oversee the Baywood Rehabilitation. The borrower is currently in the process of interviewing contractors and will make be making its decision shortly.

Project Summary

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Date: 29-Apr-03

Project Profile:

Project: Baywood Apartments
Location: 225 41st Street
Oakland 94611
County: Alameda County
Borrower: Baywood Affordable, L.P.
GP: Bentall Residential, LLC
GP: Las Palmas Foundation
LP: Related Capital
Program: Preservation - Portfolio Refinance
CalHFA #: 03028-N

Appraiser: Catherine Sturgis Bright, MBA
Firm: Sturgis Bright & Associates
Cap Rate: 7.00%
Market: $7,550,000
Income: $7,150,000
Final Value: $7,300,000

LTC/LTV:
1st & 2nd /Cost 66.5%
1st Loan /Value 57.1%
1st & 2nd / Valu 76.9%

Project Description:

Units	77
Handicap Units	5
Type	Rehabilitation
Buildings	1
Stories	6
Gross Sq Ft	75,000
Land Sq Ft	24,394
Units/Acre	138
Total Parking	18
Covered Parking	18

Financing Summary:

Acquisition **	Amount	Per Unit	Rate	Term
CalHFA Acquisition - 1st Mortgage (blended)*	$4,165,000	$54,091	5.40%	2
CalHFA Acquisition - 2nd Mortgage (taxable)	$1,000,000	$12,987	4.50%	2
Permanent		**Per Unit**	**Rate**	**Term**
CalHFA - 1st Mortgage (blended)*	$4,165,000	$54,091	5.40%	30
CalHFA - 2nd Mortgage (taxable)	$1,450,000	$18,831	4.50%	6
Operating Income	$388,889	$5,051		
Seller Reserves	$400,000	$5,195		
Deferred Developer Equity	$0	$0		
Tax Credit Equity	$2,101,245	$27,289		

* The CalHFA 1st Acquisition and Permanent Mortgages are a blend of $4,035,000 tax exempt funds and $65,000 faxable funds
**The CalHFA 1st and 2nd Acquisition Mortgages are interest only

Unit Mix:

Type	Manager		50% AMI		60% AMI		Market		Total
	number	rent	number	rent*	number	rent*	number	rent*	
O bedroom	0	0	5	672	0	0	0	0	5
1 bedroom	1	0	10	663	52	839	0	0	63
1 bedroom	0	0	9	713	0	0	0	0	9
subtotal	1		24		52		0		
									77

*CalHFA is underwriting First Mortgages to the restricted rents
CalHFA is underwriting the 2nd Mortgages to the Section 8 rents of $984 (studios) and $1145 (one -bedrooms)

Fees, Escrows, and Reserves:

Fees	Basis of Requirements		Amount	Security
Loan fees	1.50%	of Loan Amounts	$84,225	Cash
Escrows				
Bond Origination Guarantee	1.00%	of Loan Amount	$41,650	Cash / LOC
Inspection fee	$1,500	x months of construction	$18,000	Cash
Construction Defect	2.50%	of Hard Costs	$25,147	Waived
Reserves at Perm Closing				
Initial Deposit to Replacement Reserve	$2,000	Per Unit	$154,000	Cash
Replacement Reserve Deposit	$300	Per Unit	$23,100	Operations
Transition/Operating Reserve	Balance of	Existing Reserves	$246,000	Cash

Sources and Uses

Baywood Apartments

SOURCES:

Name of Lender / Source	Amount	Percent of Total	$ per unit
CalHFA 1st Mortgage (blended)	4,100,000	48.6%	53,247
CalHFA - 2nd Mortgage (taxable)	1,450,000	17.2%	18,831
Total Institutional Financing	**5,550,000**	65.8%	**72,078**
Equity Financing			
Operating Income	388,889	4.6%	5,051
Seller Reserves	400,000	4.7%	5,195
Tax Credits	2,101,245	24.9%	27,289
Deferred Developer Equity	0	0.0%	0
Total Equity Financing	**2,890,134**	34.2%	**37,534**
TOTAL SOURCES	**8,440,134**	**100.0%**	**109,612**

USES:

Acquisition	5,500,250	65.2%	71,432
Rehabilitation	875,358	10.4%	11,368
New Construction	0	0.0%	0
Architectual Fees	100,000	1.2%	1,299
Survey and Engineering	0	0.0%	0
Const. Loan Interest & Fees	83,475	1.0%	1,084
Permanent Financing	106,225	1.3%	1,380
Legal Fees	100,000	1.2%	1,299
Reserves	400,000	4.7%	5,195
Contract Costs	17,500	0.2%	227
Construction Contingency	185,539	2.2%	2,410
Local Fees	10,000	0.1%	130
TCAC	36,201	0.4%	470
Other Costs	93,586	1.1%	1,215
PROJECT COSTS	**7,508,134**	**89.0%**	**97,508**
Developer Overhead/Profit	932,000	11.0%	12,104
Professional Fees	0	0.0%	0
TOTAL USES	**8,440,134**	**100.0%**	**109,612**

Annual Operating Budget

Baywood Apartments

		$ per unit
INCOME:		
Total Rental Income	1,040,883	13,518
Laundry	4,807	62
Other Income	0	-
Commercial/Retail	0	-
Gross Potential Income (GPI)	**1,045,689**	**13,580**
Less:		
Vacancy Loss	31,371	407
Total Net Revenue	**1,014,319**	**13,173**
EXPENSES:		
Payroll	105,145	1,366
Administrative	67,562	877
Utilities	53,026	689
Operating and Maintenance	79,831	1,037
Insurance and Business Taxes	53,400	694
Taxes and Assessments	0	-
Reserve for Replacement Deposits	23,100	300
Subtotal Operating Expenses	**382,064**	**4,962**
Financial Expenses		
Administrative	276,273	3,588
Utilities	276,208	3,587
Total Financial	**552,481**	**7,175**
Total Project Expenses	**934,545**	**12,137**

Cash Flow — Baywood Apartments — CalHFA # 03028-N

RENTAL INCOME	Bridge Year 1	Bridge Year 2	Year 1	Year 2	Year 3	Year 4	Year 5	
Market Rent Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	
Section 8 Increment	279,999	285,599	291,311	297,137	303,080	309,142	315,324	
Affordable Rent Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	
Affordable Rents	720,465	734,874	749,572	764,563	779,854	795,452	811,361	
TOTAL RENTAL INCOME	**1,000,464**	**1,020,473**	**1,040,883**	**1,061,700**	**1,082,934**	**1,104,593**	**1,126,685**	**1,**
OTHER INCOME								
Other Income Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	
Laundry	4,620	4,712	4,807	4,903	5,001	5,101	5,203	
Other	0	0	0	0	0	0	0	
TOTAL OTHER INCOME	**4,620**	**4,712**	**4,807**	**4,903**	**5,001**	**5,101**	**5,203**	
GROSS INCOME	**1,005,084**	**1,025,186**	**1,045,689**	**1,066,603**	**1,087,935**	**1,109,694**	**1,131,888**	**1,**
Vacancy Rate: Section 8 Increment	*10.00%*	*10.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	
Vacancy Rate : Affordable	*10.00%*	*10.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	
Less: Vacancy Loss	100,508	102,519	31,371	31,998	32,638	33,291	33,957	
EFFECTIVE GROSS INCOME	**904,576**	**922,667**	**1,014,319**	**1,034,605**	**1,055,297**	**1,076,403**	**1,097,931**	**1,**
OPERATING EXPENSES								
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	
Expenses	335,096	346,825	358,964	371,527	384,531	397,989	411,919	
Replacement Reserve	23,100	23,100	23,100	23,100	23,100	24,255	24,255	
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	**358,196**	**369,925**	**382,064**	**394,627**	**407,631**	**422,244**	**436,174**	
NET OPERATING INCOME	**546,379**	**552,742**	**632,255**	**639,978**	**647,666**	**654,159**	**661,757**	
DEBT SERVICE								
CalHFA - 1st Mortgage (blended)	221,400	221,400	276,273	276,273	276,273	276,273	276,273	
CalHFA - 2nd Mortgage (taxable)	45,000	45,000	276,208	276,208	276,208	276,208	276,208	
Cash flow after CalHFA loans	**279,979**	**286,342**	**79,774**	**87,496**	**95,185**	**101,678**	**109,276**	
DCR CalHFA A&B	**2.05**	**2.07**	**1.14**	**1.16**	**1.17**	**1.18**	**1.20**	
Cash into Rehab	192,217	196,672						
Cash flow after all debt	**87,762**	**89,671**	**79,774**	**87,496**	**95,185**	**101,678**	**109,276**	
DCR All Debt	**1.19**	**1.19**	**1.14**	**1.16**	**1.17**	**1.18**	**1.20**	

Cash Flow	Baywood Apartments			CalHFA #		03028-N			
RENTAL INCOME	**Year 9**	**Year 10**	**Year 11**	**Year 12**	**Year 13**	**Year 14**	**Year 15**	**Year 16**	**Year 17**
Market Rent Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Section 8 Increment	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Affordable Rents	878,243	895,808	913,724	931,998	950,638	969,651	989,044	1,008,825	1,029,001
TOTAL RENTAL INCOME	**878,243**	**895,808**	**913,724**	**931,998**	**950,638**	**969,651**	**989,044**	**1,008,825**	**1,029,001**
OTHER INCOME									
Other Income Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Laundry	5,632	5,744	5,859	5,976	6,096	6,218	6,342	6,469	6,598
Other	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**5,632**	**5,744**	**5,859**	**5,976**	**6,096**	**6,218**	**6,342**	**6,469**	**6,598**
GROSS INCOME	**883,875**	**901,552**	**919,583**	**937,975**	**956,734**	**975,869**	**995,386**	**1,015,294**	**1,035,600**
Vacancy Rate: Section 8 Increment	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	44,194	45,078	45,979	46,899	47,837	48,793	49,769	50,765	51,780
EFFECTIVE GROSS INCOME	**839,681**	**856,474**	**873,604**	**891,076**	**908,898**	**927,075**	**945,617**	**964,529**	**983,820**
OPERATING EXPENSES									
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Expenses	472,687	489,231	506,354	524,076	542,419	561,403	581,052	601,389	622,438
Replacement Reserve	25,468	25,468	25,468	25,468	26,741	26,741	26,741	26,741	26,741
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	**498,154**	**514,698**	**531,821**	**549,544**	**569,160**	**588,144**	**607,794**	**628,130**	**649,179**
NET OPERATING INCOME	**341,527**	**341,776**	**341,783**	**341,532**	**339,738**	**338,931**	**337,823**	**336,399**	**334,641**
DEBT SERVICE									
CalHFA - 1st Mortgage (blended)	276,273	276,273	276,273	276,273	276,273	276,273	276,273	276,273	276,273
CalHFA - 2nd Mortgage (taxable)								0	0
Cash flow after CalHFA loans	**65,253**	**65,503**	**65,509**	**65,259**	**63,465**	**62,658**	**61,550**	**60,126**	**58,368**
DCR CalHFA A&B	**1.24**	**1.24**	**1.24**	**1.24**	**1.23**	**1.23**	**1.22**	**1.22**	**1.21**
Cash into Rehab									
Cash flow after all debt	**65,253**	**65,503**	**65,509**	**65,259**	**63,465**	**62,658**	**61,550**	**60,126**	**58,368**
DCR All Debt	**1.24**	**1.24**	**1.24**	**1.24**	**1.23**	**1.23**	**1.22**	**1.22**	**1.21**

Cash Flow	Baywood Apartments	CalHFA #	03028-N					
RENTAL INCOME	**Year 21**	**Year 22**	**Year 23**	**Year 24**	**Year 25**	**Year 26**	**Year 27**	**Year 2[illegible]**
Market Rent Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Section 8 Increment	0	0	0	0	0	0	0	0
Affordable Rent Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Affordable Rents	1,113,824	1,136,101	1,158,823	1,181,999	1,205,639	1,229,752	1,254,347	1,279,434
TOTAL RENTAL INCOME	**1,113,824**	**1,136,101**	**1,158,823**	**1,181,999**	**1,205,639**	**1,229,752**	**1,254,347**	**1,279,434**
OTHER INCOME								
Other Income Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Laundry	7,142	7,285	7,431	7,580	7,731	7,886	8,044	8,204
Other	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**7,142**	**7,285**	**7,431**	**7,580**	**7,731**	**7,886**	**8,044**	**8,204**
GROSS INCOME	**1,120,967**	**1,143,386**	**1,166,254**	**1,189,579**	**1,213,370**	**1,237,638**	**1,262,391**	**1,287,638**
Vacancy Rate: Section 8 Increment	*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	56,048	57,169	58,313	59,479	60,669	61,882	63,120	64,382
EFFECTIVE GROSS INCOME	**1,064,918**	**1,086,217**	**1,107,941**	**1,130,100**	**1,152,702**	**1,175,756**	**1,199,271**	**1,223,256**
OPERATING EXPENSES								
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Expenses	714,262	739,261	765,135	791,915	819,632	848,319	878,010	908,740
Replacement Reserve	28,078	28,078	29,482	29,482	29,482	29,482	29,482	29,482
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	0	0	0	0	0	0	0	0
TOTAL EXPENSES	**742,340**	**767,339**	**794,617**	**821,397**	**849,114**	**877,801**	**907,492**	**938,223**
NET OPERATING INCOME	**322,578**	**318,878**	**313,324**	**308,703**	**303,588**	**297,955**	**291,779**	**285,034**
DEBT SERVICE								
CalHFA - 1st Mortgage (blended)	276,273	276,273	276,273	276,273	276,273	276,273	276,273	276,273
CalHFA - 2nd Mortgage (taxable)	0	0	0	0	0	0	0	0
Cash flow after CalHFA loans	**46,305**	**42,604**	**37,051**	**32,430**	**27,315**	**21,682**	**15,506**	**8,761**
DCR CalHFA A&B	**1.17**	**1.15**	**1.13**	**1.12**	**1.10**	**1.08**	**1.06**	**1.03**
Cash into Rehab								
Cash flow after all debt	**46,305**	**42,604**	**37,051**	**32,430**	**27,315**	**21,682**	**15,506**	**8,761**
DCR All Debt	**1.17**	**1.15**	**1.13**	**1.12**	**1.10**	**1.08**	**1.06**	**1.03**

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DeLORME

Street Atlas USA® 2003

Baywood Apartments

197

Scale 1 : 1,100,000

1" = 17.4 mi

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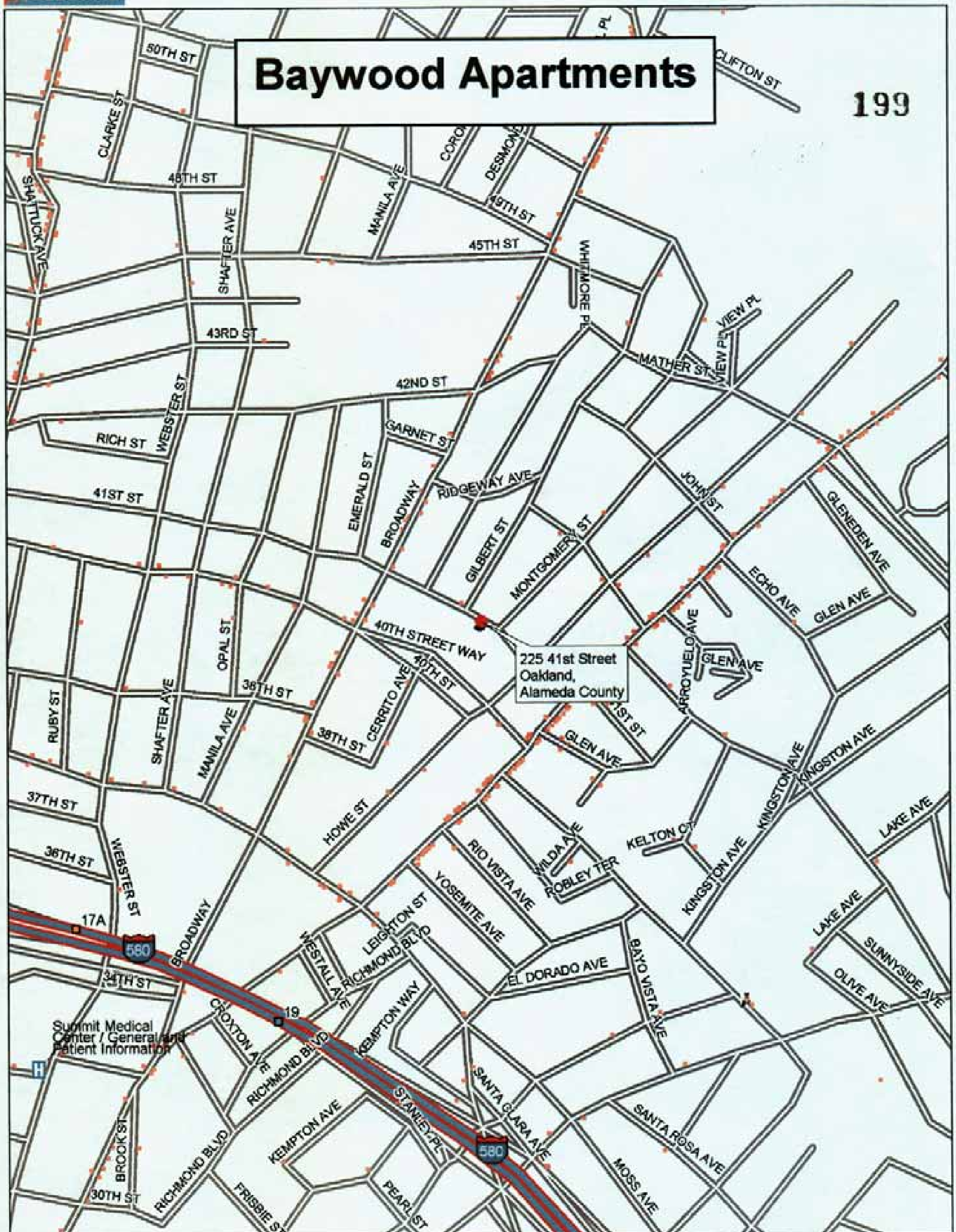

Scale 1 : 8,800
1" = 733 ft

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RESOLUTION 03-23

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Bentall Residential, LLC, and Las Palmas Foundation, a not-for-profit corporation ("Borrower"), seeking a loan commitment under the Agency's Tax-Exempt and Taxable Loan Programs in the mortgage amounts described herein, the proceeds of which are to be used to provide acquisition and permanent mortgage loans for a 77-unit multifamily housing development located in the City of Oakland to be known as Baywood Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated April 29, 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 and taxable bonds, to declare its reasonable official intent to reimburse prior expenditures for the Development with proceeds of a subsequent borrowing; and

WHEREAS, on April 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 the recommended terms and conditions set forth in the CHFA Staff Report, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNTS
03-028-N	Baywood Apartments Oakland/Alameda	77	
		Acquisition First Mortgage:	$4,100,000
		Acquisition Second Mortgage:	$1,000,000
		Permanent First Mortgage:	$4,100,000
		Permanent Second Mortgage:	$1,450,000

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

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

I hereby certify that this is a true and correct copy of Resolution 03-23 adopted at a duly constituted meeting of the Board of the Agency held on May 15, 2003, at Burbank, California.

ATTEST:____________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Villa Madera Family Housing
Oxnard, Ventura County, CA
CalHFA # 03-040-S

SUMMARY

Villa Madera Family Housing was originally presented and approved at the CalHFA Board of Directors meeting on September 12, 2003. The financing structure included state tax credits which were not awarded. Therefore, the financing had to be restructured. However, the project design has not changed.

This is a final commitment request for tax-exempt permanent loan financing in the amount of Three Million Eight Hundred Ten Thousand Dollars ($3,810,000), bridge loan financing in the amount of Three Million Seven Hundred Thirty-Five Thousand Dollars ($3,735,000), a Section 8 increment loan in the amount of Eight Hundred Eighty-Five Thousand Dollars ($885,000), and construction loan financing in the amount of Eleven Million One Hundred Fifty-Five Thousand Dollars ($11,155,000). The locality-based Section 8 contract is for a term of ten years and covers fourteen units in the project.

The construction loan will be financed from two funding sources: a tax-exempt loan in the amount of Eight Million Five Hundred Thousand Dollars ($8,500,000), and a taxable loan in the amount of Two Million Six Hundred Fifty-Five Thousand Dollars ($2,655,000). The security for the loans will be Villa Madera Family Housing, a 72-unit, new construction family project located in the Redevelopment Area in Oxnard.

LOAN TERMS

Construction

First Mortgage	$11,155,000
Interest Rate	3.00%, initial rate, variable
Term	18 Months, interest only
Financing	$8,500.000 - Tax-exempt
	$2,655,000 – Taxable

CalHFA construction financing is subject to the assignment by the borrower of tax credit equity and all rights under non-CalHFA financing commitments.

Permanent

First Mortgage	$3,810,000
Interest Rate	5.40%
Term	30 year fixed, fully amortized
Financing	Tax-exempt

Second Mortgage	$885,000
Interest Rate	5.40%
Term	10 year fixed, fully amortized
Financing	Tax-Exempt

CalHFA will require that the borrower seek and accept renewals of project based Section 8.

Bridge Mortgage	$3,735,000
Interest Rate	4.00%, simple interest
Term	3 year, annual payments of one-third principal plus accrued interest
Financing	Tax-exempt

LOCALITY INVOLVEMENT

The project has received two types of financing from the City of Oxnard Redevelopment Agency: a residual receipt loan in the amount of $1,300,000 for 35 years at 3%, and a $300,000 pre-development loan. Interest on the loan will accrue and be added to the amount of outstanding debt. The source of funding for the loans are "in-lieu fees" collected by the City of Oxnard ("Oxnard").

The project also received 14, Section 8 project-based assistance vouchers from the Oxnard Housing Authority Commission ("Housing Authority"). The borrower is negotiating with the Housing Authority to modify the program guidelines to conform with CalHFA's underwriting guidelines. Specifically, the borrower is requesting that the Housing Authority continue payments on vacant units for up to 60 days, and that units not be eliminated from the program if they are vacant for 120 days. These modifications will be a condition of the final commitment.

OTHER FINANCING

The sponsor applied to Housing and Community Development during the first round of 2003 for a residual receipt MHP loan in the amount of $3,130,854 for 55 years at 3%. In addition, the project has been awarded an AHP subsidy through Los Padres Bank for 30 years in the amount of $284,000.

PROJECT DESCRIPTION

Project Location

Villa Madera Family Housing is located at 1111 North Oxnard Boulevard in Oxnard, Ventura County. The area surrounding the project has been developed over the past 50 years and is now being rehabilitated as part of the Oxnard Redevelopment Area. The project is located in Oxnard at the northwest corner of Robert Avenue and A Street. To the north of the project is a used car dealership. To the east is vacant land from the Team Ford dealership that is proposed as a neighborhood retail center. To the south is a self-serve carwash, an older strip retail center and some older apartment buildings. To the west on the other side of the alley adjacent to the project are the back yards of a tract of older single family homes.

Bus routes that serve Oxnard are a short distance away on C Street. Within one mile of the project are community parks, grocery stores, a pharmacy and medical facilities, a grade-school, middle-school, high school, and the post office.

Site

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

Access to the site will be on an extension of A Street that currently dead ends into Robert Avenue. A Street will be extended and will be the physical separation between the commercial piece on the east side of the street and the project. The cost of the road improvement will be split equally between the project and the owner of the commercial space. A binding agreement, acceptable to the Agency, outlining this arrangement will be a condition of the final commitment and the construction loan closing. Garage access for those next to the alley will be through the alleyway, an off-site improvement paid for by the project.

Improvements

The 72-unit project will consist of 59 townhomes and 13 garden-style apartments in 13 residential, two-story, wood frame and stucco, craftsman-style buildings with composite shingle roofs. The project design includes nine different building plans. All of the units will have garages with automatic garage door openers and most garages will be attached to the units. There will be 100 garage spaces and 56 open parking spaces. Amenities include dishwashers, blinds, refrigerators and garbage disposals in all of the units. There will be no air conditioning in the units, and the units will be heated by a central forced air heating system.

There will also be a stand alone, one-story, air conditioned community center. The community center will include a leasing office, two other offices, a maintenance garage, a large multi-purpose room, a kitchen, a laundry room and bathrooms. The borrower will provide a full-time residential services coordinator who will coordinate an after school program with local agencies, including Interface Children Family Services and the Coalition for Community Development. These agencies will provide dance, safety awareness, self-defense classes, and drug and alcohol abuse prevention classes on-site. Other project amenities include three tot lots, a basketball court and several barbeque areas.

Unit Mix:

No. of Units	No. of Bedrooms	No. of Bathrooms	Unit Square Footage
17	2	1	870
43	3	1 ½	1,092
12	4	2	1,200

Off-Site Improvements

Off-site improvements total $342,134 and include the following: demolition, excavation, AC paving, site concrete, parking striping and bumpers, site utilities, electrical and landscape and irrigation.

MARKET

Market Overview

The Primary Market Area ("PMA") is defined by the boundaries of the City of Oxnard. The current population in Oxnard is 158,823 inhabitants and the median income for Oxnard is $47,695. The median income for Ventura County is $60,122. Within a five-mile radius of the project, 44% of the households fall within the income requirements of this project. Of that 44%, 42% of the households are renters, indicating a potential demand of 13,232 households.

The average sale price for a single family home in the neighborhood, within a one-mile radius of the project is $284,115 for 1,445 square feet of livable area on a 6,580 square foot lot built in 1954. The average home sales price increased approximately 16% in Ventura County between 2001 and 2002. Over 62% of all housing units are single family homes in Oxnard.

Housing Demand

The number of existing affordable rental units within a five-mile radius of the project is less than 2,000. There is a need for an estimated 935 additional affordable apartments in Oxnard. Three and four bedroom units are scarce in all rental housing product, apartments or single family dwellings. Demand for all types of housing in Ventura County and in Oxnard is high because the number of apartment units available is low.

Housing Supply

Two of four market rate projects were constructed in the late 1980's; the remaining two were constructed in 2000. The two newest projects, Alexan Parc Rose and Tierra Vista Apartment Homes have both two and three bedroom units, and the unit sizes are approximately 25% larger than the subject's. The two older market rate projects did not have three bedroom units, and their two bedroom units were generally comparable in size. At Alexan Parc Rose and Tierra Vista Apartment Homes, the two bedroom units have two bathrooms. Four bedroom units were not available in the market rate rental apartment market in Oxnard. The appraiser had to consider single family homes as the comparable for both three and four bedroom units to determine market rental information. Vacancy levels are at 0-2% for the three market rate projects - only Tierra Vista Apartment Homes has a 5% vacancy factor. Rental rates have remained steady in 2003 and none of the market rate complexes are offering rental concessions.

Market rate construction of high-end, single-family homes continues to occur at a rapid pace in Oxnard. One luxury apartment development is in the planning stages in the northern part of Oxnard near the 101 Freeway. There are four affordable housing projects with a total of 250 units (not including Villa Madera) in the planning stages. Three of the projects with a total of 130 units are family projects and the fourth is a 120-unit senior project.

PROJECT FEASIBILITY

The project offers fewer amenities than those offered in market rate projects. The project's units are generally smaller than in the new market rate product, with a half bathrooms less in the two and three bedroom units, no balcony or patio, and no community pool. New market rate apartment complexes include air conditioning; however, air conditioning is not considered a necessity in this community that is four miles from the beach. Generally, the market rate apartment projects are located at the north end of Oxnard; the affordable projects are closer to the central city area.

Market rate rents for comparable properties average $1,197 for a two-bedroom unit, $1,449 for a three-bedroom unit, and $1,554 for a four-bedroom unit.

Rent Differentials (Market versus Restricted)

Unit Type	Subject	Market Rate	$ Difference	% Market
Two Bedroom		**$1,197**		
20%	$214		$983	18%
35%	$492		$705	41%
50%	$783		$414	65%
60%	N/A		N/A	N/A
Three Bedroom		**$1,449**		
20%	$282		$1,167	19%
35%	N/A		N/A	N/A
50%	$900		$549	62%
60%	$1,094		$355	76%
Four Bedroom		**$1,554**		
20%	$319		$1,235	21%
35%	$528		$1,026	34%
50%	$997		$557	64%
60%	N/A		N/A	N/A

Estimated Lease-up Period

Based on the number of households in the PMA that qualify for affordable housing and the short supply of affordable units, the project is expected to rent up quickly. The appraiser estimates that the unit lease-up should take approximately three months. This estimated lease-up period is not expected to delay the permanent loan closing.

OCCUPANCY RESTRICTIONS

CalHFA:	20% of the units (14) will be restricted to 50% or less of median income.
City of Oxnard:	20% of the units (14) will be restricted to 50% or less of median income. 80% of the units (57) will be restricted to 60% or less of median income.
HCD/MHP:	11% of the units (8) will be restricted to 20% or less of median income. 21% of the units (15) will be restricted to 35% or less of median income. 42% of the units (30) will be restricted to 50% or less of median income. 25% of the units (18) will be restricted to 60% or less of median income.
AHP:	21% of the units (15) will be restricted to 50% or less of median income. 79% of the units (56) will be restricted to 60% or less of median income.
Section 8:	20% of the units (14) will be restricted to 50% or less of median income.
TCAC:	100% of the units (71) will be restricted to 60% or less of median income.

The CalHFA Regulatory Agreement will be for a term of 32 years.

ENVIRONMENTAL

The site was agricultural until 1965 when several car dealerships were constructed. A site-specific Phase I was completed on August 30, 2002 by (QA)2 Environmental. The Phase I references a workplan dated May 20, 2002 in which O.E. Associates proposed re-sampling the remote fill lines of the oil storage and gasoline tank located at 1111 Oxnard Boulevard. Open trench sites and open excavations were inadvertently backfilled with contaminated soils and pea stone by the demolition contractor. At the same time, O.E. Associates recommended taking soil samples from areas that had Total Petroleum Hydrocarbons "TRPH" concentrations exceeding 1000mg/kg as well as sampling the on-site well. The work recommended by O.E. Associates was approved by the Ventura County Environmental Health Department "VCHED". Eighteen tons of soil was removed from the trench sites and open excavations and transported off-site. A monitoring well, previously installed at the request of the VCEHD was sampled in October 2002. Samples levels were acceptable and the well was abandoned according to the requirements of both the State of California and Oxnard.

A Request for Site Closure report was prepared by O.E. Associates on January 8, 2003. O.E. Associates recommended the site be submitted for site closure because the assessment work had been completed and no other compounds had levels which would normally constitute an environmental health hazard. The Agency is requesting a third party review of all environmental reports. The final commitment will be conditioned on the review and approval of the third party review.

A seismic review was requested from URS and review and approval of the report by the Agency is a condition of the final commitment.

ARTICLE XXXIV

A satisfactory opinion letter acceptable to the Agency will be required prior to construction loan closing.

DEVELOPMENT TEAM

Borrower

The project will be owned by Mercy Housing California XVI, a California limited partnership with Mercy Properties, Inc., a Colorado nonprofit corporation as the General Partner. Mercy Housing California has developed and rehabilitated 77 projects in California with over 4,000 units during the past 34 years. All 77 projects are under the ownership of Mercy Housing. Five of these projects with a total of 364 units, were financed by CalHFA.

The Completion Guarantee required from the borrower is shown as a letter of credit. Subject to review and approval of the financial information provided by the borrower and compliance with the Agency's underwriting standards, staff may approve a corporate guarantee in lieu of a letter of credit from the general partner's parent corporation.

Management Agent

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

Architect

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

Contractor

Benchmark Contractors, Inc., was formed in 1984 and is a wholly-owned subsidiary of Morley Builders. Benchmark Contractor, Inc. specializes in the construction of affordable apartments and student housing using wood-framed structural systems. They have constructed ten affordable projects for seniors and families with a total of 601 units, and construct approximately $100 million of residential housing every year. They have a bonding capacity of $75,000,000 (single) and $300 million aggregate.

Project Summary

210

Date: 28-Apr-03

Project Profile:

Project:	Villa Madera			
Location:	1111 N. Oxnard Boulevard			
	Oxnard 93030	*Cap Rate:*	7.50%	
County:	Ventura	*Market:*	$9,675,000	
Borrower:	Mercy Housing Cal. XVI	*Construction:*		
GP:	Mercy Properties, Inc.	*As Restricted*	$12,700,000	
GP:	TBD			
LP:	TBD	***LTC/LTV:***	Construction	Permanent
Program:	Tax-Exempt	*Loan/Cost*	82.8%	31.2%
CalHFA #:	03-040-S	*Loan/Value*	87.8%	48.5%

Project Description:

Units	72
Handicap Units	2
Type	New Const.
Buildings	13
Stories	2
Gross Sq Ft	80,561
Land Sq Ft	186,001
Units/Acre	17
Total Parking	156
Covered Parking	100

Financing Summary:

	Amount	Per Unit	Rate	Term
CalHFA First Mortgage	$3,810,000	$52,917	5.40%	30
CalHFA Section 8	$885,000	$12,292	5.40%	10
CalHFA Loan to Lender	$0	$0	0.00%	-
MHP	$3,130,854	$43,484	3.00%	55
City of Oxnard & def. Int.	$1,658,500	$23,035	0.00%	35
AHP	$284,000	$3,944	0.00%	35
Borrower Contribution	$330,367	$4,588	0.00%	-
Contributions From Operations	$0	$0		-
Other	$0	$0		-
Deferred Developer Equity	$584,968	$8,125		-
Tax Credit Equity	$4,388,000	$60,944		
CalHFA Bridge	$3,735,000	$51,875	4.00%	3
CalHFA Construction Loan	$11,155,000	$154,931	3.00%	18 mths

Unit Mix:

Type	Manager		20% SMI		35% SMI		50% AMI		60% AMI		Totals
	number	rent	number	rent	number	rent	number	rent	number	rent	
1 bedroom			0	0	0	0	0	0	0	0	0
2 bedroom	1	0	3	214	0	0	13	783	0	0	17
3 bedroom			2	282	11	492	12	900	18	1094	43
4 bedroom			3	319	4	528	5	997	0	0	12
subtotal	1		8		15		30		18		
											72

Fees, Escrows, and Reserves:

		Basis of Requirements		Amount	Security
Permanent					
Fees	CalHFA Permanent Loan	0.50%	Total Permanent Loan	$19,050	Cash
	CalHFA Section 8	0.50%	Total Section 8	$4,425	Cash
	CalHFA Construction Loan	1.00%	Total Construction	$111,550	Cash
Escrows	Construction Defect	2.50%	of Hard Costs	$153,811	Letter of Credit
Reserves	Operating Expense Reserve	3 mths.	of Expenses	$104,665	Cash
	Annual Replacement Reserve	$200	per unit	$14,400	Operations
Construction					
Fees	CalHFA Construction Loan	1.00%	of Loan	$111,550	Cash
Guarantee	Bond Origination Guarantee	1.00%	of Construction loan	$85,000	Letter of Credit
	Completion Guarantee - Borrower	5.00%	of Loan	$557,750	Letter of Credit or Cash
	Performance Bond - Contractor	100.00%	of Loan	$11,155,000	Bond
	Payment Bond - Contractor	100.00%	of Loan	$11,155,000	Bond
Other	Inspection Fees	$1,500	x months of construction	$22,500	Cash

Construction Sources and Uses

Villa Madera

SOURCES:

Name of Lender / Source	**Amount**	**% of Total**	**$ Per Unit**
CalHFA	11,155,000	83%	154,931
AHP	284,000	2%	3,944
City Ln 1	1,300,000	10%	18,056
City Ln 2	300,000	2%	4,167
Other	0	0%	0
Other	0	0%	0
Total Institutional Financing	**13,039,000**	97%	181,097
Equity Financing			
Borrower Contribution	367,620	3%	5,106
Deferred Interest	58,500	0%	813
Total Equity Financing	**426,120**	3%	5,918
TOTAL SOURCES	**13,465,120**	100%	187,016

USES:

Acquisition	1,529,800	11%	21,247
Rehabilitation	0	0%	0
New Construction	7,886,063	59%	109,529
Architectual Fees	502,000	4%	6,972
Survey and Engineering	99,846	1%	1,387
Const. Loan Interest & Fees	676,850	5%	9,401
Permanent Financing	342,775	3%	4,761
Legal Fees	60,000	0%	833
Reserves	6,428	0%	89
Contract Costs	13,463	0%	187
Construction Contingency	889,014	7%	12,347
Local Fees	903,005	7%	12,542
TCAC/Other Costs	238,376	2%	3,311
PROJECT COSTS	13,147,620	98%	182,606
Developer Overhead/Profit	300,000	2%	4,167
Consultant/Processing Agent	17,500	0%	243
TOTAL USES	**13,465,120**	100%	187,016

Sources and Uses Villa Madera

SOURCES:

Name of Lender / Source	Amount	% of Total	$ per unit
CalHFA First Mortgage	3,810,000	25.3%	52,917
CalHFA Bridge			
CalHFA Section 8	885,000	5.9%	12,292
CalHFA Loan to Lender			
MHP	3,130,854	20.8%	43,484
City of Oxnard	1,658,500	11.0%	
Other Loans	614,367	4.1%	8,533
Total Institutional Financing	**10,098,721**	67.0%	**140,260**
Equity Financing			
Tax Credits	4,388,000	29.1%	60,944
Deferred Developer Equity	584,968	3.9%	8,125
Total Equity Financing	**4,972,968**	33.0%	**69,069**
TOTAL SOURCES	**15,071,689**	100.0%	**209,329**

USES:

Acquisition	1,529,800	10.2%	21,247
Rehabilitation			
New Construction	7,886,063	52.3%	109,529
Architectual Fees	502,000	3.3%	6,972
Survey and Engineering	99,846	0.7%	1,387
Const. Loan Interest & Fees	676,850	4.5%	9,401
Permanent Financing	342,775	2.3%	4,761
Legal Fees	60,000	0.4%	833
Reserves	203,233	1.3%	2,823
Contract Costs	170,103	1.1%	2,363
Construction Contingency	889,014	5.9%	12,347
Local Fees	903,005	6.0%	12,542
TCAC/Other Costs	120,846	0.8%	1,678
PROJECT COSTS	**13,383,535**	88.8%	**185,882**
Developer Overhead/Profit	1,653,154	11.0%	22,960
Consultant/Processing Agent	35,000	0.2%	486
TOTAL USES	**15,071,689**	100.0%	**209,329**

Annual Operating Budget

Villa Madera

		$ per unit
INCOME:		
Total Rental Income	798,861	11,095
Laundry	4,320	60
Other Income	0	-
Commercial/Retail	0	-
Gross Potential Income (GPI)	**803,181**	**11,155**
Less:		
Vacancy Loss	40,159	558
Total Net Revenue	**763,022**	**10,598**
EXPENSES:		
Payroll	133,837	1,859
Administrative	75,178	1,044
Utilities	38,055	529
Operating and Maintenance	48,325	671
Insurance and Business Taxes	15,731	218
Taxes and Assessments	2,000	28
Reserve for Replacement Deposits	14,400	200
Subtotal Operating Expenses	**327,526**	**4,549**
Financial Expenses		
Mortgage Payments (1st loan)	256,732	3,566
Mortgage Payments (Section 8)	114,729	1,593
Total Financial	**371,461**	**5,159**
Total Project Expenses	**698,987**	**9,708**

Cash Flow	Villa Madera				CalHFA Development Nu[mber]		
RENTAL INCOME	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**
HUD Section 8	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*
Section 8	134,745	136,766	138,818	140,900	143,013	145,159	147,336
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	664,116	680,719	697,737	715,180	733,060	751,386	770,171
TOTAL RENTAL INCOME	**798,861**	**817,485**	**836,555**	**856,080**	**876,073**	**896,545**	**917,507**
OTHER INCOME							
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	4,320	4,428	4,539	4,652	4,768	4,888	5,010
Other Income	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**4,320**	**4,428**	**4,539**	**4,652**	**4,768**	**4,888**	**5,010**
GROSS INCOME	**803,181**	**821,913**	**841,093**	**860,732**	**880,842**	**901,433**	**922,517**
Vacancy Rate : Section 8	*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	40,159	41,096	42,055	43,037	44,042	45,072	46,126
EFFECTIVE GROSS INCOME	**763,022**	**780,817**	**799,039**	**817,696**	**836,800**	**856,361**	**876,391**
OPERATING EXPENSES							
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	311,126	323,571	336,514	349,974	363,973	378,532	393,674
Replacement Reserve	14,400	15,120	15,876	16,670	17,503	18,378	19,297
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	2,000	2,040	2,081	2,122	2,165	2,208	2,252
TOTAL EXPENSES	**327,526**	**340,731**	**354,471**	**368,767**	**383,642**	**399,119**	**415,223**
NET OPERATING INCOME	**435,496**	**440,086**	**444,568**	**448,929**	**453,158**	**457,242**	**461,168**
DEBT SERVICE							
CalHFA - 1st Mortgage	256,732	256,732	256,732	256,732	256,732	256,732	256,732
CalHFA - Bridge Loan	1,323,265	1,323,265	1,323,265	0	0		
MHP-Annual Payment	13,150	13,150	13,150	13,150	13,150	13,150	13,150
CalHFA - Section 8	114,729	114,729	114,729	114,729	114,729	114,729	114,729
Cash Flow after Debt Service (no MHP)	**64,035**	**68,625**	**73,107**	**77,468**	**81,697**	**85,781**	**89,706**
Debt Coverage Ratio (no MHP)	**1.17**	**1.71**	**1.73**	**1.75**	**1.77**	**1.78**	**1.80**
CASH FLOW after debt service (All)	**50,885**	**55,475**	**59,957**	**64,318**	**68,547**	**72,631**	**76,556**
DEBT COVERAGE RATIO (All)	**1.13**	**1.14**	**1.16**	**1.17**	**1.18**	**1.19**	**1.20**

Cash Flow

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Ye
HUD Section 8	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.*
Section 8	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	850,125	871,378	893,162	915,491	938,379	961,838	985,884	1,010
TOTAL RENTAL INCOME	**850,125**	**871,378**	**893,162**	**915,491**	**938,379**	**961,838**	**985,884**	**1,010**
OTHER INCOME								
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.*
Laundry	5,530	5,668	5,810	5,955	6,104	6,257	6,413	6
Other Income	0	0	0	0	0	0	0	
TOTAL OTHER INCOME	**5,530**	**5,668**	**5,810**	**5,955**	**6,104**	**6,257**	**6,413**	**6**
GROSS INCOME	**855,655**	**877,046**	**898,972**	**921,446**	**944,483**	**968,095**	**992,297**	**1,017**
Vacancy Rate : Section 8	*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	42,783	43,852	44,949	46,072	47,224	48,405	49,615	50
EFFECTIVE GROSS INCOME	**812,872**	**833,194**	**854,024**	**875,374**	**897,258**	**919,690**	**942,682**	**966**
OPERATING EXPENSES								
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.*
Expenses	460,542	478,964	498,123	518,048	538,770	560,320	582,733	606
Replacement Reserve	23,456	24,629	25,860	26,119	26,380	26,644	26,910	27
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.*
Taxes and Assessments	2,438	2,487	2,536	2,587	2,639	2,692	2,746	2
TOTAL EXPENSES	**486,437**	**506,080**	**526,520**	**546,754**	**567,789**	**589,656**	**612,389**	**636**
NET OPERATING INCOME	**326,435**	**327,114**	**327,504**	**328,620**	**329,470**	**330,034**	**330,293**	**330**
DEBT SERVICE								
CalHFA - 1st Mortgage	256,732	256,732	256,732	256,732	256,732	256,732	256,732	256
CalHFA - Bridge Loan								
MHP-Annual Payment	13,150	13,150	13,150	13,150	13,150	13,150	13,150	13
CalHFA - Section 8								
Cash Flow after Debt Service (no MHP)	**69,703**	**70,382**	**70,772**	**71,888**	**72,738**	**73,302**	**73,561**	**73**
Debt Coverage Ratio (no MHP)	**1.27**	**1.27**	**1.28**	**1.28**	**1.28**	**1.29**	**1.29**	
CASH FLOW after debt service (All)	**56,553**	**57,232**	**57,622**	**58,738**	**59,588**	**60,152**	**60,411**	**60**
DEBT COVERAGE RATIO (All)	**1.21**	**1.21**	**1.21**	**1.22**	**1.22**	**1.22**	**1.22**	

Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	
HUD Section 8	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*	
Section 8	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	1,088,231	1,115,437	1,143,323	1,171,906	1,201,204	1,231,234	1,262,015	1,2
TOTAL RENTAL INCOME	**1,088,231**	**1,115,437**	**1,143,323**	**1,171,906**	**1,201,204**	**1,231,234**	**1,262,015**	**1,2**
OTHER INCOME								
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	
Laundry	7,079	7,256	7,437	7,623	7,814	8,009	8,209	
Other Income	0	0	0	0	0	0	0	
TOTAL OTHER INCOME	**7,079**	**7,256**	**7,437**	**7,623**	**7,814**	**8,009**	**8,209**	
GROSS INCOME	**1,095,310**	**1,122,693**	**1,150,760**	**1,179,529**	**1,209,018**	**1,239,243**	**1,270,224**	**1,3**
Vacancy Rate : Section 8	*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	54,766	56,135	57,538	58,976	60,451	61,962	63,511	
EFFECTIVE GROSS INCOME	**1,040,545**	**1,066,558**	**1,093,222**	**1,120,553**	**1,148,567**	**1,177,281**	**1,206,713**	**1,2**
OPERATING EXPENSES								
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	
Expenses	681,715	708,984	737,343	766,837	797,511	829,411	862,587	8
Replacement Reserve	28,003	28,283	28,566	28,852	29,140	29,431	29,726	
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	
Taxes and Assessments	2,972	3,031	3,092	3,154	3,217	3,281	3,347	
TOTAL EXPENSES	**712,690**	**740,298**	**769,001**	**798,842**	**829,868**	**862,124**	**895,660**	**9**
NET OPERATING INCOME	**327,854**	**326,260**	**324,221**	**321,710**	**318,699**	**315,157**	**311,053**	**3**
DEBT SERVICE								
CalHFA - 1st Mortgage	256,732	256,732	256,732	256,732	256,732	256,732	256,732	2
CalHFA - Bridge Loan								
MHP-Annual Payment	13,150	13,150	13,150	13,150	13,150	13,150	13,150	
CalHFA - Section 8								
Cash Flow after Debt Service (no MHP)	**71,123**	**69,528**	**67,489**	**64,979**	**61,967**	**58,425**	**54,321**	
Debt Coverage Ratio (no MHP)	**1.28**	**1.27**	**1.26**	**1.25**	**1.24**	**1.23**	**1.21**	
CASH FLOW after debt service (All)	**57,973**	**56,378**	**54,339**	**51,829**	**48,817**	**45,275**	**41,171**	
DEBT COVERAGE RATIO (All)	**1.21**	**1.21**	**1.20**	**1.19**	**1.18**	**1.17**	**1.15**	

Villa Madera Apartments

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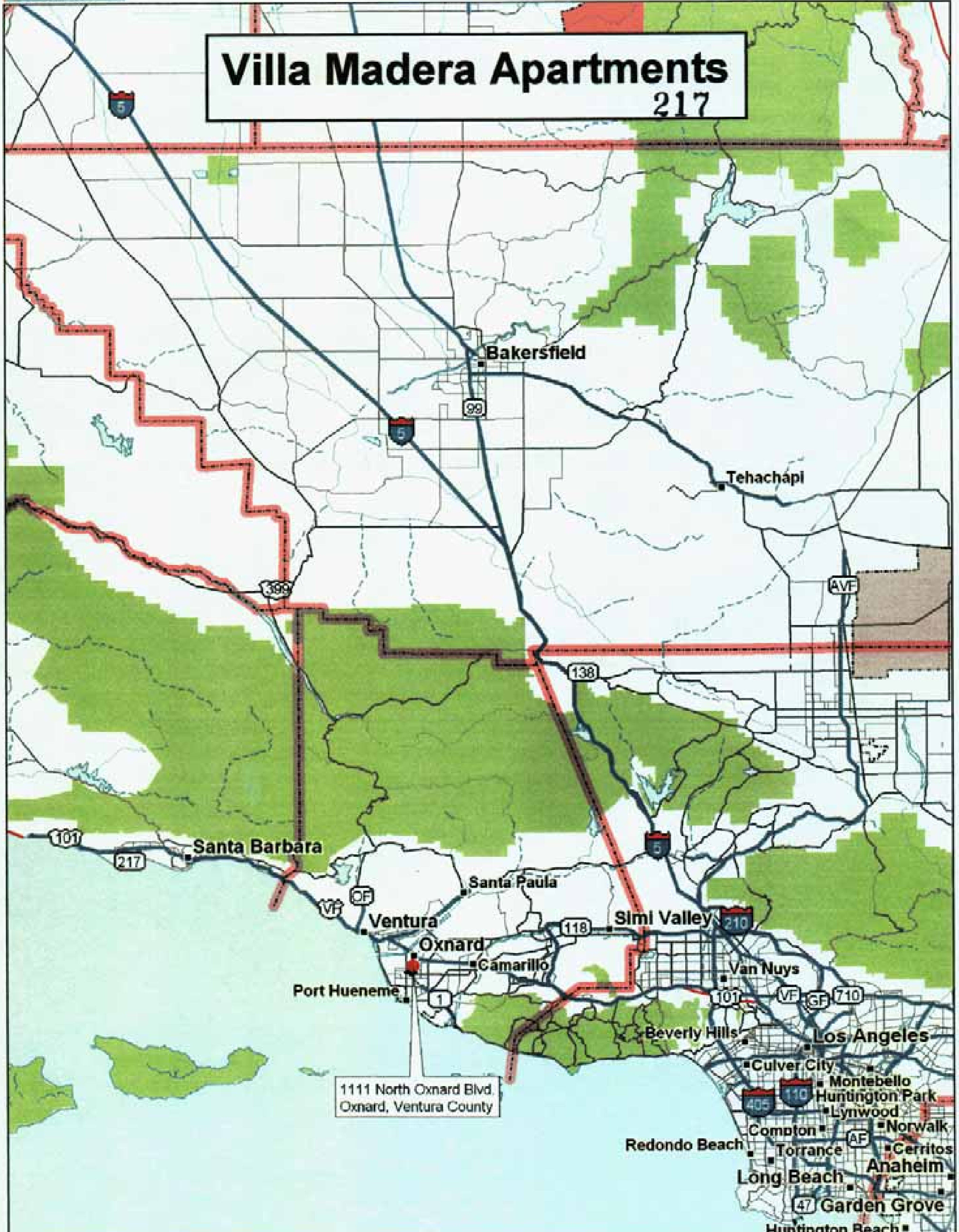

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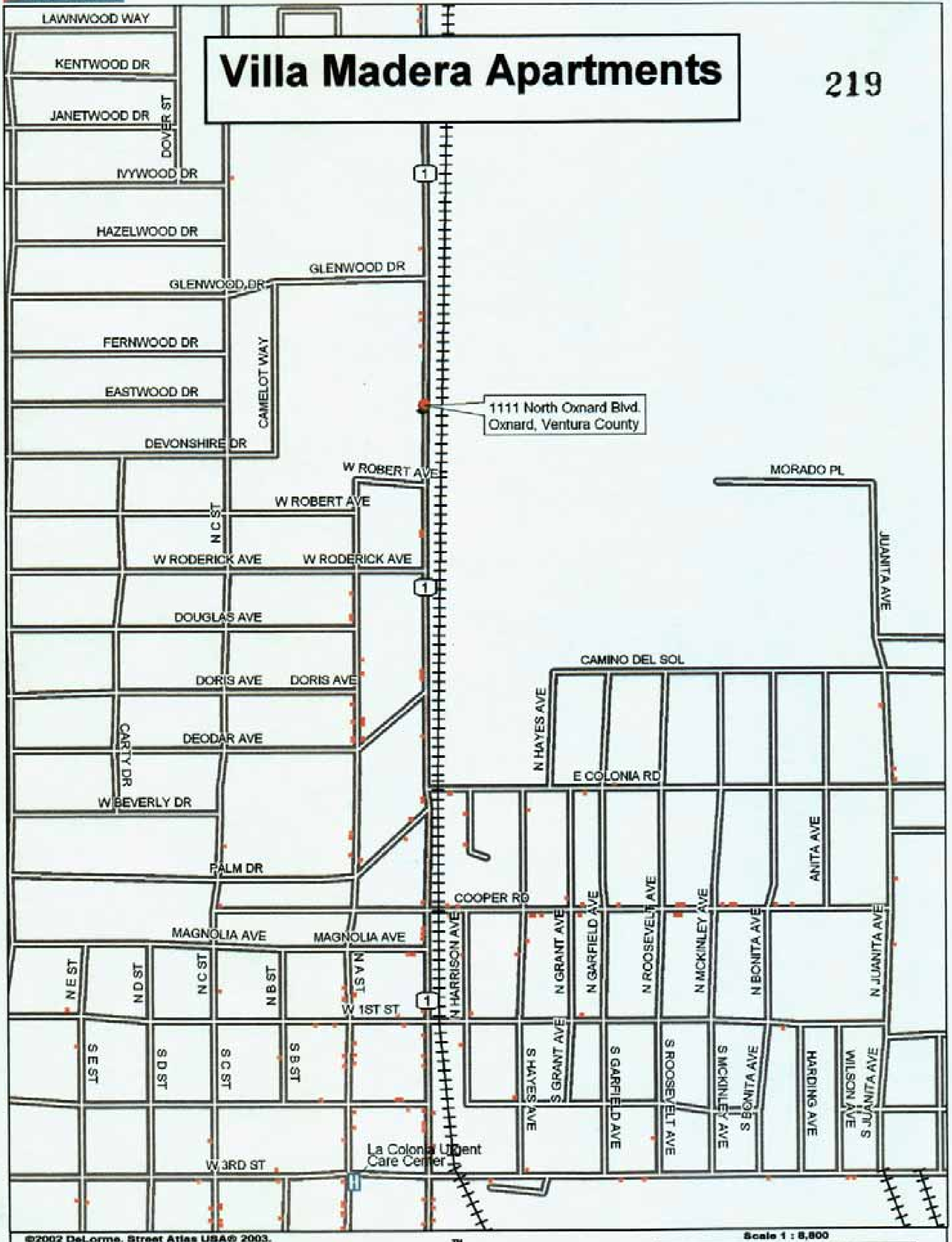
Villa Madera Apartments



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RESOLUTION 03-24

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Mercy Housing California XVI, a California limited partnership (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt and Taxable Loan Programs in the mortgage amounts described herein, the proceeds of which are to be used to provide construction, bridge and permanent mortgage loans on a 72-unit multifamily housing development located in the City of Oxnard to be known as Villa Madera Family Housing (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated April 28, 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 April 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 CHFA Staff Report, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNT
03-040-S	Villa Madera Family Housing Oxnard/Ventura	72	Construction First Mortgage: $11,155,000 Permanent First Mortgage: $ 3,810,000 Permanent Second Mortgage: $ 885,000 Bridge Mortgage: $ 3,735,000

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 03-24 adopted at a duly constituted meeting of the Board of the Agency held on May 15, 2003, at Burbank, California.

ATTEST: ________________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Oak Court Apartments
Palo Alto, Santa Clara County, CA
CalHFA # 03-022-N

SUMMARY

This is a final commitment request for tax-exempt, permanent loan financing in the amount of Two Million Six Hundred Thousand Dollars ($2,600,000), and direct construction loan financing in the amount of Eleven Million, Five Hundred Thousand Dollars, ($11,500,000). Security for the loans will be a newly-constructed, 53-unit family apartment community. The property will be owned by Oak Court Apartments, L.P., a limited partnership, whose general partner is PAHC Sheridan Apts., Inc., an affiliate of the sponsor, Palo Alto Housing Corporation.

Oak Court Apartments is a new construction family housing development of 53 units. It is two and three-story with townhouses over flats, over one level of podium parking. It contains a mix of one, two and three-bedroom units.

LOAN TERMS

Permanent

First Mortgage	$2,600,000
Interest Rate	5.40%
Term	30 year fixed, fully amortized
Financing	Tax-exempt

Construction

First Mortgage	$11,500,000
Interest Rate	3.00% Initial Rate; Variable
Term	18 Months, interest only
Financing	Tax-exempt

CalHFA financing is subject to satisfactory appraisal results. CalHFA construction financing is subject to assignment by the borrower of tax credit equity and all rights under non-CalHFA financing commitments.

LOCALITY INVOLVEMENT

The City of Palo Alto will be providing a land loan donation valued at $5,874,000 ($110,830 per unit), to the Palo Alto Housing Corporation, (PAHC). The land loan is for a term of 99 years, with an interest rate of 5%. No payments are due on the land loan, and the principal and interest will be forgiven if the project remains affordable for 99 years. PAHC will lease the land to the partnership under a 99-year ground lease. The ground lease will be subordinated to the CalHFA liens. No payments are due on the ground lease, and the principal and interest will be forgiven if the project remains affordable for 99 years

The City will be providing to the partnership a 3% residual receipts loan of $1,960,000 for a term of 55 years, pursuant to the Disposition, Development and Loan Agreement executed in February 2002.

OTHER FINANCING

Palo Alto Housing Corporation (PAHC) has applied for funds from the State of California Department of Housing and Community Development's Multi-Family Housing Program, (MHP), in the amount of $4,555,064. The expected loan term for the MHP funds is 55 years, with a 3% interest rate. There will be a required .42% payment, which is shown in the project cash flow. The award of these funds is expected in June.

Funds from the Federal Home Loan Bank's Affordable Housing Program (AHP), in the amount of $265,000 are committed. The loan term will be 30 years, with a 0% interest rate, and no required payments. Funds from the Housing Trust Fund of Santa Clara County, (HTF), are committed in the amount of $400,000. These funds have a term of 30 years, and an interest rate of 2%. Payments of the HTF loan will be on a residual receipts basis only. The City, MHP, AHP, and HTF financing will all be subordinated to the CalHFA first lien.

PROJECT DESCRIPTION

Project Location

Oak Court Apartments is located at 845 Ramona Street in Palo Alto, Santa Clara County. The site is in the midst of a prime residential area of the City of Palo Alto known as South of Forest Avenue (SOFA). The South of Forest Avenue area is a historical, diverse and eclectic location which combines stately Victorian homes and charming bungalows with boarding houses, new condominiums and many historic structures in the Professorville Historic District. It is a prime location of mostly single-family homes. Summerhill Homes is now building expensive new single-family homes, townhomes and condominiums in the immediate area of Oak Court Apartments.

There are many neighborhood amenities within walking distance from the project. The site is within a half-mile of the major transit hub in Palo Alto, which includes the commuter train station and all buses and shuttles that meet every train. The trains run from Gilroy to San Francisco on a regular schedule, while other buses and shuttles connect to locations throughout two counties. Free Stanford University and City shuttles meet the trains and other buses at the transit hub. The site is two blocks from the main downtown area of Palo Alto, and within walking distance of the Stanford Shopping Center and Town and Country Shopping Center. A large grocery store is two blocks away.

The Palo Alto Medical Clinic is easily within walking distance and will be more so when the pedestrian/bicycle underpass under the railroad tracks is complete in 2004. Stanford Hospital and the Lucille Packard Children's Hospital are very near. Rinconada Park, the Children's Library, the Children's Theater, the Junior Museum, the Scouting House, a municipal swimming pool, tennis courts and fields, and the large Lucie Stern Community Center with a theatre, event space and community meeting rooms are within easy walking or biking distance. Stanford University is easily accessible by foot, bicycle or shuttle. It is a major source of educational, cultural and sports events at little or no cost. City Hall, the Police Department, the Downtown Library and several churches are within three blocks. A new City park is in development across the street adjacent to a historic structure to be restored as a community building. Scott Park, already existing, is one block away. The site is within one-half mile of Addison Elementary School. Palo Alto High School is within walking distance. Private schools and day care are nearby, and a new childcare center across the street is almost complete.

Site

Ten acres of land became available when the Palo Alto Medical Foundation moved its multi-specialty medical clinic from the neighborhood to a more commercially suitable location on El Camino Real. A Coordinated Area Plan (CAP) was developed by a Community Working Group chosen by the City Council to determine appropriate land uses and zoning for the area. The CAP allowed various types of residential uses and mixed uses and identified 1.23 acres for an affordable housing development in the Attached Multi-Family (AMF) zone. The site is flat with adequate infrastructure, and contains several heritage trees to be preserved. In fact, Oak Court is named for the courtyard development around a heritage oak that is several hundred years old.

The project site is bounded by Ramona Street, Channing Avenue and Bryant Street, and continues mid-block to Homer Avenue. Oak Court Apartments will be in the SOFA residential neighborhood three blocks south of University Avenue, and one-half mile north of El Camino Real. University Avenue is the principal arterial connecting Palo Alto to Highway 101 and to the east bay via the Dumbarton Bridge. El Camino Real is a major arterial which runs north to San Francisco and south to San Jose.

Improvements

The site and surrounding neighborhood character were very important to the Palo Alto Housing Corporation, the City of Palo Alto and the neighbors. The resulting design of the 53-unit complex reflects the pattern and scale of the community. Individual two and three-story buildings allow the massing of Oak Court Apartments to fit well into the neighborhood. Front porches facing the street repeat a common neighborhood pattern. Varying roof shapes and façade treatments are similar to features in the area. Parking for 119 cars is underground in a secured, mechanically ventilated garage, which will be accessed via a key card. A podium supports the building a few steps above grade; this raised first floor, which hides the parking, is also characteristic of surrounding homes. The courtyard units face inward and surround a large heritage oak tree. A historic "boarding house" remains on the site and will be restored as one three-bedroom manager's unit over a community center and office.

The buildings will be wood framed with cement board siding and wood trim. They will present a classical three-part layering with a base, middle and top of seemingly different design and materials. Changes from horizontal to vertical siding, gables and hip roofs, rectangular elements along Ramona Street, earth tone colors, architectural "cupolas" containing all the plumbing and exhaust vents in one location, and front porches to the apartments mimic the neighborhood without simply replicating it. The roofing will be composition asphalt shingle.

The restored historic house will provide a recreation room equipped with a kitchenette, restroom, as well as offices, a storage area, and a Computer Learning Center for adults and children. The computers will be arranged around the perimeter of the room so that the space can also be used for small classes, counseling or other projects. A computer instructor will offer scheduled classes on computer use, as well as educational classes as needed. In other PAHC projects, English as a Second Language, bookkeeping and finances have been popular. The Site Manager will occupy the smaller office, sharing occasionally with the Family Service Coordinator, who will be at Oak Court Apartments part time. Another mid-sized room is intended to be flexible for various activities, such as confidential counseling, smaller projects or meetings. The Community Building, with an area of 1,210 square feet, is accessible to the physically disabled. Activities can expand from the community building outside, to make use of the courtyard, the benches under the oak tree, the play area, and tot lot. There will also be a laundry room in the courtyard with six washers and dryers. The laundry room will be located next to a tiled gathering area on the podium, near the elevator and lobby area in the courtyard.

The garden style development has one, two and three-bedroom units serving a variety of household sizes and incomes. The one-bedroom units are flats, and the two and three-bedroom units are a combination of flats and townhouses. Interior finishes will include carpeting in all the living areas, sheet vinyl flooring in the bathrooms, and vinyl composition tile in the kitchens and entryways. Windows will be covered with mini-blinds. The kitchens will feature gas ranges with ventilated hoods, dishwashers, disposals and laminate counter surfaces. The heating system is a gas-fired forced air furnace, with wall heaters only in the one-bedroom units. Many units face the courtyard; in addition, most have individual open space in the form of a balcony. Podium level units have individual small picket-fenced yards, which allow a sense of privacy and an opportunity for miniature gardens.

Unit Mix:

No. of Units	No. of Bedrooms	No. of Bathrooms	Unit Square Footage	Average Square Footage
9	1	1	557 - 566	562
18	2	1	878 - 909	893
26	3	2	999 – 1,218	1,133

Historic Rehabilitation

Oak Court Apartments is a new construction project. However, the City required that one historic "boarding house" remain on the site to be restored as part of the project in accordance with the Secretary of Interior Standards. The house will be moved from its present location on the site to the corner of Ramona Street and Channing Avenue, thus facing similar restored homes across Channing and creating a historic complex. The building will then accommodate one 3-bedroom unit intended for the site manager and the community facilities. The interior of the structure will be almost completely new material for this intended new use.

Shared Use Garage Ramp

A condition of City design approval requires the Oak Court Apartments project and the adjacent, yet-to-be-built, commercial development to share in the financing, construction and use of a single ramp to access each garage. The policy was to limit the number of curb cuts on the residential block and to provide some financial benefit to the affordable housing project. The ramp will be constructed by PAHC on the affordable housing site. If the commercial development proceeds, an underground connection from the Oak Court garage to the adjacent commercial garage will be constructed. If this occurs, ten of the thirteen tandem spaces at Oak Court will be replaced with twenty spaces in the commercial garage. These twenty spaces (a net gain of ten) will be reserved exclusively for Oak Court tenants and guests. Appropriate easements will govern access and use. A Shared Ramp Financing Agreement is being negotiated with the City of Palo Alto as a party.

Offsite Improvements

The project scope includes $151,800 in offsite improvements. The project has three sides of street frontage. The City is requiring that all sidewalks, curbs and gutters be replaced and that new street trees and curbside planters be fully landscaped and irrigated. A portion of the streets must be re-paved, and all other street frontage must receive new slurry sealer coating. The City also is requiring the developer to pay for Opticom transponder and tele-com devices for emergency vehicle automated stoplight intersection management.

High Costs of Development

This is a very expensive project to develop. Some of the reasons why this project costs nearly $290,000 per unit, excluding land costs, are as follows.

- The historic house rehabilitation will cost $650,000. This adds over $12,000 per unit to total costs. A historic architect consultant is required to handle moving and rehabilitating this structure. In addition, a second construction contract is required for the historic work.
- Design - The city design requirements which include exterior design features to fit into the character of the neighborhood add much to the cost per unit. The buildings, which are built to look like single family homes, have a lot of exterior exposure which requires many windows, finishes, doors and extra insulation. There are many stairways from the street level up to the units, in addition to balconies, front porches, and private open space which adds to the single family look of the complex. In addition, the many non-stacking unit types also add to the cost.
- Parking requirements - Palo Alto has fairly stringent parking requirements based on the number of bedrooms, so a family project with many three bedroom units requires 2.25 spaces per unit. Because the site has only 1.23 acres, underground parking was necessary to meet this requirement.
- Underground garage - The underground garage alone is estimated to cost $1,915,335, or approximately $36,000 per unit. The garage is fully excavated into the ground approximately twelve feet, which requires shoring. Also, the City is requiring that the garage be fully mechanically ventilated. Normally podium structures are not built for projects this small. The podium is only partially covered with residential construction to be in keeping with the desired look of the project. The City is also requiring that a masonry veneer cover the garage concrete and concrete block.
- High cost area and prevailing wage - In addition to the expensive features above, the project is in a high-cost area. Prevailing wage also adds to the cost per unit. Costs were $1,300,000 higher (or $24,500 per unit), after the contractor added in an estimate for prevailing wage rates.

- Hard costs for the new construction total approximately $147,000 per unit. These costs are based on initial bids from one sub-contractor per specialty. After re-bidding the job to several sub-contractors and value engineering, the hard costs are expected to be lower.

MARKET

Market Overview

In the market study completed by Bay Area Economics dated April 2003, the project's Market Area was defined as a group of census tracts in Santa Clara County, encompassing the cities of Palo Alto, Los Altos, Los Altos Hills, Mountain View, and Sunnyvale and parts of unincorporated Santa Clara County to include Stanford University. While this area extends into the hills above Palo Alto, most of the population of the market area lives within seven miles of the project site.

During the past decade, Palo Alto showed modest population growth, increasing from 55,900 persons in 1990 to 58,598 persons in 2000. The population of the Market Area showed less growth, from 182,198 residents in 1990 to 184,797 residents in 2000. In 2005, the year that Oak Court is expected to open, the City of Palo Alto's population is projected to reach 62,417 persons, while the population of the Market Area is projected to increase to 196,046 persons.

According to U.S. Census data, there were 25,216 households in Palo Alto and 75,099 households in the Oak Court Market Area in 2000. Households grew at a steady 0.4% in Palo Alto between 1990 and 2000, slightly more than in the Market Area, which added only 1,689 households (0.1%) during the same time period. In 2005, the year that Oak Court will be completed, the number of households in Palo Alto is projected to reach 26,563, while the number of households in the Market Area is projected to increase to 79,230. If the proportion of family households continues to increase at the same rate, family households will account for nearly 60% of both Palo Alto and Market Area households. Average household size has increased only slightly in the Palo Alto and in the Market Area from 1990 to 2000. Palo Alto's average household size increased from 2.24 persons to 2.30 persons, while the Market Area's average household size increased from 2.31 persons to 2.35 persons between 1990 and 2000.

The median annual household income in Palo Alto for 2002 was estimated at $111,655. The Oak Court Market Area estimated median annual household income was slightly lower than that of Palo Alto, at $103,280. An estimated 18.3 percent of Palo Alto households and 19.8 percent of Market Area households had incomes below $50,000 in 2002. Nearly 30 percent of all Market Area renter households are projected to have annual 2005 incomes below $60,000.

Housing Demand

As in many other Bay Area communities, rent levels in the Palo Alto housing market increased dramatically during the past decade, due to high demand and little growth in supply. According to RealFacts data, residential rental rates in Palo Alto increased 17.8% from 1997 through 2002. The current economic downturn has caused rent rates in 2003 (as of March) to decline from 2002 levels in all unit categories. Nevertheless, current residential rental rates in Palo Alto are still 9% higher than they were in 1997. Data from RealFacts also show that the average occupancy rate in Palo Alto continues to increase from 93.6% in 2001, to 94.1% in 2002, and 95.3% in 2003.

As of 2000, 57.2% of the households in Palo Alto owned their homes, whereas 42.8% of the population rented. In the Market Area, 55.4% of the households owned their homes, whereas 44.6% of the population rented.

The combined Market Area demand for Oak Court from turnover of existing households and growth in the number of households estimated by Bay Area Economics is well above the number of units being offered by Oak Court for every unit type and rent level. Capture rates needed to absorb the project from these two demand pools range from less than 1% for one-bedroom units at 60% of AMI to a 33% capture rate for three-bedroom units at 35% of SMI. Bay Area Economics has undertaken an alternative demand estimate using an analysis of rent burden, which addresses "pent up" demand for low-income renter households. Assuming that the ratio of overburdened households by income and size to total households has remained constant since 1990, demand ranges from 89 three-bedroom units at 35% of SMI rent to 1,667 one-bedroom units at the 50% of AMI rent level. The pool of demand shown by this analysis is substantially higher than would be indicated by normal turnover. Capture rates range from 0.2% for one-bedroom units at 50% of AMI to 9% for three-bedroom units at 35% of SMI.

Housing Supply

Sixty-five percent of Palo Alto's rental housing stock was constructed during the 1960s, with 7% built prior to 1960 and 7% built during the 1970s, 1980s, 1990s and 2000s respectively.

The proposed project site is located in an older, expensive residential neighborhood dominated by single family houses with little new development. A review of the surveyed projects indicates a rental market with high demand and limited supply, with vacancies of two to seven percent.

There are 14 existing affordable housing projects in Palo Alto with a total of 355 units, all of which are fully occupied. Furthermore, most of these complexes have closed their waiting lists. A closed waiting list indicates that the complex's manager does not expect any vacancies in the foreseeable future. There are about 328 affordable units in five projects planned for development throughout the Market Area in the next two years, including 53 inclusionary units within market rate developments. Although not all of the unit sizes are known, at least 209 of the affordable units will be efficiency studios or single-room occupancies which are inappropriate for families.

Discussions with staff at the City of Palo Alto indicate that there are currently 301 planned and proposed market rate rental units to be constructed as part of two separate developments. It should be noted that because of other planning efforts in Palo Alto, the exact number of units in each development is subject to change before construction.

PROJECT FEASIBILITY

According to the Market Study, units at Oak Court can be expected to achieve market rental rates similar to the comparable complexes surveyed. Oak Court has many amenities, such as covered parking, a community room, community playground and picnic area, and private balconies or patios that are comparable to other apartment complexes in Palo Alto. It does not, however, have a swimming pool or fitness center, amenities common among surveyed complexes. The unit sizes at Oak Court are also smaller than most of the comparable market-rate units, although 32 of the two and three bedroom units will be townhouses. The desirable location will mitigate some of the rent discount from the lack of amenities. It is in a pleasant residential neighborhood within a short walk of downtown Palo Alto, the University Avenue Multimodal transit station, as well as a number of public parks.

Market data from RealFacts in the Market Study are based on rent levels and occupancy rates at 14 complexes in Palo Alto with a total of 2,571 units. The overall average rent throughout Palo Alto is currently $1,779 per month, with an average unit size of 866 square feet. Average rents are $1,607 for one-bedrooms, $1,825 for two-bedrooms/one bathroom, $2,083 for two-bedrooms/two bathrooms and $2,810 for three bedroom/two bath units.

Rent Differentials (Market versus Restricted)

Unit Type	Subject	Market Rate	$ Difference	% Market
One Bedroom		**$1,225 - $1,245**		
35%	$359		$866	29%
50%	$902		$323	74%
60%	$1,100		$125	90%
Two Bedroom		**$1,668 - $1,727**		
35%	$422		$1,246	25%
50%	$1,034		$634	62%
60%	$1,272		$396	76%
Three Bedroom		**$1,998 - $2,436**		
35%	$488		$1,510	24%
50%	$1,170		$828	59%
60%	$1,444		$554	72%

Estimated Lease-up Period

Bay Area Economics estimates that Oak Court will absorb all of its units within six months or less of project opening. They also state that it is highly likely that the entire project will lease up prior to opening. A rent-up reserve during the construction loan period will be used to cover operating expenses if necessary prior to stabilization.

OCCUPANCY RESTRICTIONS

CalHFA: 20% (11) of the units will be restricted at 50% or less of AMI
The CalHFA Regulatory Agreement will be for a term of 32 years

Palo Alto: 90% of the units (47) will be restricted at 50% or less AMI
10% of the units (5) will be restricted at 60% or less AMI
The City restrictions per the DDA are not met with current AMI targeting
PAHC is requesting and expects to receive a modification

TCAC:	80% of the units (42) will be restricted at 60% or less AMI
MHP:	37% of the units (19) will be restricted at 35% or less SMI 44% of the units (23) will be restricted at 50% or less AMI 19% of the units (10) will be restricted at 60% or less AMI
AHP:	40% of the units (21) will be restricted at 40% or less AMI 50% of the units (26) will be restricted at 50% or less AMI 10% of the units (5) will be restricted at 60% or less AMI The AHP restrictions per the commitment letter are not met with current AMI targeting. PAHC is requesting and expects to receive a modification
HTF:	40% of the units (21) will be restricted at 40% or less AMI 50% of the units (26) will be restricted at 50% or less AMI 10% of the units (5) will be restricted at 60% or less AMI The HTF restrictions per the commitment letter are not met with current AMI targeting. PAHC is requesting and expects to receive a modification

ENVIRONMENTAL

CalHFA has received and reviewed the following environmental reports: 1) Human Health Risk Assessment dated April 2002, by Exponent, 2) Site Investigation Results from GeoSyntec Consultants dated April 2002, 3) Transmittal of Geotechnical Analysis Data letter dated February 2002 by Core Lab Petroleum Services, 4) Soil and Groundwater Quality Evaluation dated September 2001 by Lowney Associates, 5) Draft Covenant and Environmental Restriction from the San Francisco Regional Water Quality Control Board, (SFRWQCB) and 6) Review letter from the SFRWQCB dated July 2002.

The site is located on the northeastern side of Ramona Street between Channing and Homer Avenues in a residential neighborhood of downtown Palo Alto. The site was formerly part of the Palo Alto Medical Foundation facility, and a research building was located on the site adjacent to two private homes and a parking lot. The medical building has been demolished, while the two private homes remain. Prior to construction of the research building, the site was used solely for residential purposes. The vacant portion of the site is currently being used as a staging area for construction of surrounding properties.

GeoSyntec Consultants reviewed the results of prior reports by Terrasearch and Lowney. They concluded that the City of Paris Cleaners, which was formerly located immediately upgradient of the site at 248 Homer Avenue, was a potential source of the chlorinated solvents and petroleum hydrocarbons found at the site. GeoSyntec conducted a limited site investigation to further evaluate the distribution of chemicals in the soil and groundwater at the site, especially with respect to the possibility of an on-site source. They concluded that the distribution of chemicals observed in the soil, soil vapor and groundwater is consistent with the migration of these chemicals onto the site from an upgradient source.

The Human Health Risk Assessment by Exponent evaluated potential health risks associated with residual chemicals at the Oak Court property, assuming redevelopment of the site for residential purposes. Previous investigations indicate the presence of low levels of petroleum hydrocarbons and halogenated hydrocarbons in the soil, soil vapor and groundwater, the distribution of which suggests migration onto the site from an upgradient source. The results of Exponent's Risk Analysis indicate that residual chemicals in the subsurface would not pose an unacceptable health risk to construction workers during site development, nor to future residents, nor to workers at or visitors to the community center, under the conditions evaluated.

The letter from the SFRWQCB commented on their review of the Site Investigation Results letter from GeoSyntec Consultants and the Human Health Risk Assessment by Exponent. The letter confirms the existence of residual concentrations of chemicals in the site soil and/or groundwater, which have migrated onto the site from an upgradient source. The letter states that since the site is not considered to be a source for these chemicals, no further action other than restricting the use of groundwater is required on the part of the owners regarding the identified residual pollutants in soil and groundwater. The letter also states that based on the data submitted in the Human Health Risk Assessment the site appears at current contaminant levels suitable for the proposed residential development.

CalHFA has requested review of the above environmental reports by URS, its environmental consultant, and has requested recommendations concerning any additional testing or remediation that should be completed. An updated Phase I, final asbestos and lead based paint reports and a seismic risk evaluation will be required. A condition of the final commitment will be satisfactory review of these documents and any additional reports or tests required as a result of the URS review and recommendations.

PHYSICAL NEEDS ASSESSMENT / SCOPE OF WORK

Oak Court Apartments is a new construction project. However, the City required that one historic "boarding house" remain on the site to be restored as part of the project in accordance with the Secretary of Interior Standards. The house will be moved from its present location on the site to the corner of Ramona Street and Channing Avenue, thus facing similar restored homes across Channing and creating a historic complex. The building will then accommodate one three-bedroom unit intended for the site manager and the community facilities. The interior of the structure will be almost completely new material for this intended new use. The only items that are being retained are the framing and pitch of the old roof, windows and doors. The clapboard siding will be repaired and replaced where needed. Since the rehabilitation is essentially a gut rehab, a physical needs assessment will not be required.

A pre-demolition Asbestos Survey and Evaluation was completed in August 2000 by ProTech Consulting and Engineering for the three properties on site including 830, 832, and 840 Bryant Street. All asbestos and lead-based paint will either be removed from the buildings or encapsulated, before rehabilitation of the historic house and demolition of the other structures. If any asbestos or lead based paint remains in the historic house, an Operations and Maintenance Plan will be required.

ARTICLE XXXIV

A satisfactory opinion letter will be required prior to construction loan funding.

DEVELOPMENT TEAM

Borrower - Oak Court Apartments, L.P.

The property will be owned by Oak Court Apartments, L.P., a limited partnership, whose general partner is PAHC Sheridan Apts., Inc., an affiliate of the sponsor, Palo Alto Housing Corporation. PAHC was created in 1970, and currently owns and operates 19 properties in Palo Alto. PAHC is the primary affordable housing developer in the Palo Alto community. The housing developed by PAHC contains 633 units, and serves families, seniors and very-low income tenants in Single Room Occupancy facilities. PAHC has developed one other project with tax exempt bonds, Webster Wood Apartments, a 66-unit acquisition/preservation project. PAHC's most recent completed project is Alma Place, a 106-unit Single Room Occupancy development that serves low income wage earners in primarily the downtown area of Palo Alto. PAHC has a staff of 30 including the accounting and property management personnel. Other PAHC projects financed by CalHFA include Webster Wood Apartments and Oak Manor Townhomes. These projects are 68 and 33 units respectively and were financed in 1978 and 1993.

PAHC currently provides an extensive resident services program which began with their very-low-income single room occupancy (SRO) properties and was expanded to the family complexes. It currently includes four Computer Learning Centers, and three service coordinators. A Family Service Coordinator now focuses on services and community resources for families and has established ties with community resources to facilitate programs. The thrust of the program is to empower resident's access to the many amenities, services, educational opportunities and recreation available in a resource-rich community.

Currently a letter of credit or cash escrow in the amount of 5% of the construction loan amount is required from the borrower as a completion guaranty. After a credit analysis is completed, a corporate guarantee from the sponsor may be substituted for the letter of credit, at CalHFA's sole discretion.

Management Agent - Palo Alto Housing Corporation (PAHC)

PAHC's Property Management Division includes property supervisors, site managers, a property management administrator, a maintenance supervisor, and maintenance workers. PAHC currently manages 19 properties, ranging from a single-family home leased for shared housing, to a large HUD-subsidized family complex.

PAHC properties are funded and regulated by a number of agencies, including: the U.S. Department of Housing and Urban Development (HUD), the California Housing Finance Agency, the California Tax Credit Allocation Committee, the Affordable Housing Program of the Federal Home Loan Bank, the Section 8 Moderate Rehabilitation Program, the City of Palo Alto through its Housing Reserve Funds, Home Investment Partnerships Program (HOME), and Community Development Block Grant (CDBG) funds.

PAHC's management style values a personal relationship between management and tenant, and recognizes their special needs. Tenant involvement in management is encouraged. In one complex, residents serve on the Board of Directors. Maintenance is always performed in a timely manner, and neighborhood issues are addressed. PAHC's property management personnel counsel residents in conflict or health situations where immediate attention is essential. PAHC staff often contact other agencies to help residents with health, financial, or even emotional issues.

Architect - Pyatok Architects Inc. and Garavaglia Architecture

Pyatok is the principal architect for the new construction of the 52 units. Pyatok was established in 1985 by Michael Pyatok, FAIA, who has 34 years of experience in the field of architecture. Staffed with 24 architects and planners, the firm focuses on community planning, affordable housing and higher density, mixed-use developments. It has won over 50 design awards in the past decade. Other CalHFA projects designed by Pyatok include Swan's Marketplace for EBALDC and International Boulevard Family Housing Apartments for Resources for Community Development, both in Oakland.

Garavaglia is the architect for the rehabilitation of the historic boarding house which will contain the community building and the manager's unit. Garavaglia was established in 1986 and is staffed with seven architects and planners. Garavaglia's area of expertise includes building renovations and upgrades, and historic preservation.

Contractor - Segue Construction Inc.

Segue, founded in 1992, is a service-oriented general contractor with an emphasis on construction of affordable multi-family apartment dwellings for Bay Area non-profit housing developers. Segue's cofounders, Paul Broeker and Kirk Wallis have 26 and 27 years of experience, respectively, in the industry working as engineers, general contractors and developers. Segue's objectives are to maximize the value of the construction dollar on every project, while providing extraordinary service throughout the negotiated contract process in addition to removing the risk of construction budget overruns and related costly delays for redesign. Segue recognizes the importance of estimating accuracy.

CalHFA staff called three non-profit housing developers for references: BRIDGE Housing, Mid-Peninsula Housing Coalition, and the Housing Authority of Santa Clara County. All three developers have had great experiences with Segue, and stated that Segue completed their projects on time and within budget. Segue is posting a 100% performance and payment bond for this project at 1% of the contract price. According to Kirk Wallis, Segue has the ability to bond up to forty million per job with an aggregate up to one hundred million; approximately 70% of their work is bonded. Other CalHFA projects constructed by Segue include Capital Avenue Apartments for JSM Enterprises, and Monte Vista Apartments and Grayson Creek Apartments for BRIDGE Housing.

Another contractor will be hired to do the rehabilitation work on the historic boarding house. This contractor has not yet been chosen.

Project Summary

235 Date: 15-May-03

Project Profile:

Project :	Oak Court Apartments				
Location:	845 Ramona St.	**Appraisal not yet completed**			
	Palo Alto 94301	*Cap Rate:*	7.00%	**Estimate**	
County:	Santa Clara	*Market:*	$11,300,000	**Estimate**	
Borrower:	Oak Court Apartments, LP	*Construction:*			
GP:	PAHC Sheridan Apts., Inc.	*As Restricted*	$13,000,000	**Estimate**	
GP:					
LP:	not yet determined	***LTC/LTV:***	**Construction**	**Permanent**	
Program:	Tax-Exempt	*Loan/Cost*	76%	17%	
CHFA # :	03-022-N	*Estimated Loan/Value*	88%	23%	

Project Description:

Units	53
Handicap Units	3
Bldge Type	New Const.
Buildings	8
Stories	3
Gross Sq Ft	55,238
Land Sq Ft	53,428
Units/Acre	43
Total Parking	119
Covered Parking	119

Financing Summary:

	Amount	Per Unit	Rate	Term
CalHFA First Mortgage	$2,600,000	$49,057	5.40%	30
CalHFA HAT	$0	$0	0.00%	-
CalHFA Loan to Lender	$0	$0	0.00%	-
HCD - MHP	$4,555,064	$85,945	3.00%	55
City of Palo Alto	$1,960,000	$36,981	3.00%	55
FHLB - AHP	$265,000	$5,000	0.00%	30
Housing Trust Fund SCC	$400,000	$7,547	2.00%	30
Borrower Contribution	$0	$0		-
Deferred Developer Equity	$577,500	$10,896		-
Tax Credit Equity	$4,840,509	$91,330		
CalHFA Bridge	$0	$0	0.00%	-
CalHFA Construction Loan	$11,500,000	$216,981	3.00%	18 months
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			3	359	4	902	2	1100	0	0	9
2 bedroom			8	422	8	1034	2	1272	0	0	18
3 bedroom	1	0	8	488	11	1170	6	1444	0	0	26
4 bedroom			0	0	0	0	0	0	0	0	0
subtotal	1		19		23		10		0		
											53

* net rent

Fees, Escrows, and Reserves:

Permanent		**Basis of Requirements**		**Amount**	**Security**
Fees	CalHFA Permanent Loan	0.50%	Total Loans	$13,000	Cash
Escrows	Construction Defect	2.50%	of Hard Costs	$238,275	Letter of Credit
Reserves	Operating Expense Reserve	10.00%	of Gross Income	$56,200	Letter of Credit
	Initial Deposit to Replacement Reserve	0.00%	of Gross Income	$0	Cash
	Annual Replacement Reserve Deposit	$350	per unit	$18,550	Operations

Construction		**Basis of Requirements**		**Amount**	**Security**
Fees	CalHFA Construction Loan	1.00%	of Total Loans	$115,000	Cash
	Inspection fee	$1,500	x months of construction	$21,000	Cash
Guarantees	Bond Origination Guaranty	1.00%		$115,000	Letter of Credit
	Completion Guaranty--Borrower	5.00%		$575,000	Letter of Credit or Cash Escrow
	Performance Bond--Contractor	100.00%		$11,500,000	Bond
	Payment Bond--Contractor	100.00%		$11,500,000	Bond
Reserves	Rent-up Reserve	0.25	Year Operating Expense	$59,400	Cash

Construction Sources and Uses

Oak Court Apartments

SOURCES:

Name of Lender / Source	Amount	$ per unit	% of Sources
CalHFA	11,500,000	216,981	80%
FHLB - AHP	265,000	5,000	2%
City of Palo Alto	1,960,000	36,981	14%
0	0	0	0%
TC Equity		0	0%
0	0	0	0%
Total Institutional Financing	**13,725,000**	**258,962**	96%
Equity Financing			
Tax Credit Equity	645,000	12,170	4%
0	0	0	0%
Total Equity Financing	**645,000**	**12,170**	4%
TOTAL SOURCES	**14,370,000**	**271,132**	100%

USES:

	Amount	$ per unit	% of Uses
Acquisition	151,800	2,864	1%
Rehabilitation	650,000	12,264	5%
New Construction	10,431,689	196,824	73%
Architectual Fees	736,000	13,887	5%
Survey and Engineering	75,000	1,415	1%
Const. Loan Interest & Fees	752,492	14,198	5%
Permanent Financing	31,500	594	0%
Legal Fees	35,000	660	0%
Reserves	74,167	1,399	1%
Contract Costs	25,000	472	0%
Construction Contingency	671,770	12,675	5%
Local Fees	100,000	1,887	1%
TCAC/Other Costs	263,655	4,975	2%
PROJECT COSTS	13,998,073	264,115	97%
Developer Overhead/Profit	371,927	7,017	3%
Consultant/Processing Agent	0	0	0%
TOTAL USES	**14,370,000**	**271,132**	100%

Sources and Uses
Oak Court Apartments

SOURCES:

Name of Lender / Source	Amount	$ per unit	% of Sources
CalHFA First Mortgage	2,600,000	49,057	17%
CalHFA Bridge	0	0	0%
CalHFA HAT	0	0	0%
CalHFA Loan to Lender	0	0	0%
HCD - MHP	4,555,064	85,945	30%
Other Loans	2,625,000	49,528	17%
Total Institutional Financing	**9,780,064**	**184,530**	**64%**
Equity Financing			
Tax Credits	4,840,509	91,330	32%
Deferred Developer Equity	577,500	10,896	4%
Total Equity Financing	**5,418,009**	**102,227**	**36%**
TOTAL SOURCES	**15,198,073**	**286,756**	**100%**

USES:

	Amount	$ per unit	% of Uses
Acquisition	151,800	2,864	1%
Rehabilitation	650,000	12,264	4%
New Construction	10,431,689	196,824	69%
Architectual Fees	736,000	13,887	5%
Survey and Engineering	75,000	1,415	0%
Const. Loan Interest & Fees	637,492	12,028	4%
Permanent Financing	146,500	2,764	1%
Legal Fees	35,000	660	0%
Reserves	74,167	1,399	0%
Contract Costs	25,000	472	0%
Construction Contingency	671,770	12,675	4%
Local Fees	100,000	1,887	1%
TCAC/Other Costs	263,655	4,975	2%
PROJECT COSTS	**13,998,073**	**264,115**	**92%**
Developer Overhead/Profit	1,200,000	22,642	8%
Consultant/Processing Agent	0	0	0%
TOTAL USES	**15,198,073**	**286,756**	**100%**

Annual Operating Budget

Oak Court Apartments

		$ per unit
INCOME:		
Total Rental Income	558,180	10,532
Laundry	3,816	72
Other Income	0	-
Commercial/Retail	0	-
Gross Potential Income (GPI)	**561,996**	**10,604**
Less:		
Vacancy Loss	27,090	511
Total Net Revenue	**534,906**	**10,093**
EXPENSES:		
Payroll	84,000	1,585
Administrative	53,180	1,003
Utilities	47,000	887
Operating and Maintenance	48,070	907
Insurance and Business Taxes	56,000	1,057
Taxes and Assessments	5,000	94
Reserve for Replacement Deposits	18,550	350
Subtotal Operating Expenses	**311,800**	**5,883**
Financial Expenses		
Mortgage Payments (1st loan)	175,198	3,306
Total Financial	**175,198**	**3,306**
Total Project Expenses	**486,998**	**9,189**

Cash Flow — Oak Court Apartments — CalHFA Development Numb

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		558,180	572,135	586,438	601,099	616,126	631,529	647,318
TOTAL RENTAL INCOME		**558,180**	**572,135**	**586,438**	**601,099**	**616,126**	**631,529**	**647,318**
OTHER INCOME								
Other Income Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry		3,816	3,911	4,009	4,109	4,212	4,317	4,425
Other Income		0	0	0	0	0	0	0
TOTAL OTHER INCOME		**3,816**	**3,911**	**4,009**	**4,109**	**4,212**	**4,317**	**4,425**
GROSS INCOME		**561,996**	**576,046**	**590,447**	**605,208**	**620,338**	**635,847**	**651,743**
Vacancy Rate : Market		*0*	*0*	*0*	*0*	*0*	*0*	*0*
Vacancy Rate : Affordable		*4.82%*	*4.82%*	*4.82%*	*4.82%*	*4.82%*	*4.82%*	*4.82%*
Less: Vacancy Loss		27,090	27,767	28,462	29,173	29,902	30,650	31,416
EFFECTIVE GROSS INCOME		**534,906**	**548,279**	**561,986**	**576,035**	**590,436**	**605,197**	**620,327**
OPERATING EXPENSES								
Annual Expense Increase		*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses		288,250	299,780	311,771	324,242	337,212	350,700	364,728
Replacement Reserve		18,550	18,550	18,550	18,550	18,550	19,478	19,478
Annual Tax Increase		*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments		5,000	5,100	5,202	5,306	5,412	5,520	5,631
TOTAL EXPENSES		**311,800**	**323,430**	**335,523**	**348,098**	**361,174**	**375,698**	**389,837**
NET OPERATING INCOME		**223,106**	**224,849**	**226,462**	**227,937**	**229,262**	**229,499**	**230,490**
DEBT SERVICE								
CalHFA - 1st Mortgage		175,198	175,198	175,198	175,198	175,198	175,198	175,198
CASH FLOW after debt service		**47,908**	**49,651**	**51,265**	**52,739**	**54,065**	**54,301**	**55,293**
DEBT COVERAGE RATIO		**1.27**	**1.28**	**1.29**	**1.30**	**1.31**	**1.31**	**1.32**
MHP Payment	**4,555,064**	**19,131**	**19,131**	**19,131**	**19,131**	**19,131**	**19,131**	**19,131**
DEBT COVERAGE RATIO WITH MHP		**1.15**	**1.16**	**1.17**	**1.17**	**1.18**	**1.18**	**1.19**

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		714,518	732,381	750,690	769,457	788,694	808,411	828,621	849
TOTAL RENTAL INCOME		**714,518**	**732,381**	**750,690**	**769,457**	**788,694**	**808,411**	**828,621**	**849**
OTHER INCOME									
Other Income Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2*
Laundry		4,885	5,007	5,132	5,260	5,392	5,527	5,665	5
Other Income		0	0	0	0	0	0	0	
TOTAL OTHER INCOME		**4,885**	**5,007**	**5,132**	**5,260**	**5,392**	**5,527**	**5,665**	**5**
GROSS INCOME		**719,402**	**737,387**	**755,822**	**774,718**	**794,086**	**813,938**	**834,286**	**855**
Vacancy Rate : Market		*0*	*0*	*0*	*0*	*0*	*0*	*0*	
Vacancy Rate : Affordable		*4.82%*	*4.82%*	*4.82%*	*4.82%*	*4.82%*	*4.82%*	*4.82%*	*4*
Less: Vacancy Loss		34,678	35,545	36,433	37,344	38,278	39,235	40,215	41
EFFECTIVE GROSS INCOME		**684,725**	**701,843**	**719,389**	**737,374**	**755,808**	**774,703**	**794,071**	**813**
OPERATING EXPENSES									
Annual Expense Increase		*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4*
Expenses		426,680	443,748	461,498	479,957	499,156	519,122	539,887	561
Replacement Reserve		20,451	20,451	20,451	20,451	20,451	21,474	21,474	21
Annual Tax Increase		*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2*
Taxes and Assessments		6,095	6,217	6,341	6,468	6,597	6,729	6,864	7
TOTAL EXPENSES		**453,227**	**470,416**	**488,290**	**506,877**	**526,205**	**547,325**	**568,225**	**589**
NET OPERATING INCOME		**231,498**	**231,427**	**231,099**	**230,497**	**229,604**	**227,378**	**225,846**	**223**
DEBT SERVICE									
CalHFA - 1st Mortgage		175,198	175,198	175,198	175,198	175,198	175,198	175,198	175
CASH FLOW after debt service		**56,300**	**56,229**	**55,901**	**55,299**	**54,406**	**52,180**	**50,648**	**48**
DEBT COVERAGE RATIO		**1.32**	**1.32**	**1.32**	**1.32**	**1.31**	**1.30**	**1.29**	
MHP Payment	**4,555,064**	**19,131**	**19,131**	**19,131**	**19,131**	**19,131**	**19,131**	**19,131**	**19**
DEBT COVERAGE RATIO WITH MHP		**1.19**	**1.19**	**1.19**	**1.19**	**1.18**	**1.17**	**1.16**	

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		914,643	937,509	960,947	984,970	1,009,595	1,034,835	1,060,705
TOTAL RENTAL INCOME		**914,643**	**937,509**	**960,947**	**984,970**	**1,009,595**	**1,034,835**	**1,060,705**
OTHER INCOME								
Other Income Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry		6,253	6,409	6,570	6,734	6,902	7,075	7,252
Other Income		0	0	0	0	0	0	0
TOTAL OTHER INCOME		**6,253**	**6,409**	**6,570**	**6,734**	**6,902**	**7,075**	**7,252**
GROSS INCOME		**920,896**	**943,918**	**967,516**	**991,704**	**1,016,497**	**1,041,909**	**1,067,957**
Vacancy Rate : Market		*0*	*0*	*0*	*0*	*0*	*0*	*0*
Vacancy Rate : Affordable		*4.82%*	*4.82%*	*4.82%*	*4.82%*	*4.82%*	*4.82%*	*4.82%*
Less: Vacancy Loss		44,390	45,500	46,638	47,803	48,999	50,224	51,479
EFFECTIVE GROSS INCOME		**876,506**	**898,418**	**920,879**	**943,901**	**967,498**	**991,686**	**1,016,478**
OPERATING EXPENSES								
Annual Expense Increase		*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses		631,591	656,855	683,129	710,454	738,872	768,427	799,164
Replacement Reserve		22,548	22,548	22,548	22,548	22,548	23,675	23,675
Annual Tax Increase		*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments		7,430	7,578	7,730	7,884	8,042	8,203	8,367
TOTAL EXPENSES		**661,569**	**686,981**	**713,407**	**740,886**	**769,462**	**800,305**	**831,207**
NET OPERATING INCOME		**214,937**	**211,437**	**207,472**	**203,014**	**198,036**	**191,380**	**185,271**
DEBT SERVICE								
CalHFA - 1st Mortgage		175,198	175,198	175,198	175,198	175,198	175,198	175,198
CASH FLOW after debt service		**39,739**	**36,240**	**32,274**	**27,817**	**22,838**	**16,183**	**10,074**
DEBT COVERAGE RATIO		**1.23**	**1.21**	**1.18**	**1.16**	**1.13**	**1.09**	**1.06**
MHP Payment	**4,555,064**	**19,131**	**19,131**	**19,131**	**19,131**	**19,131**	**19,131**	**19,131**
DEBT COVERAGE RATIO WITH MHP		**1.11**	**1.09**	**1.07**	**1.04**	**1.02**	**0.98**	**0.95**

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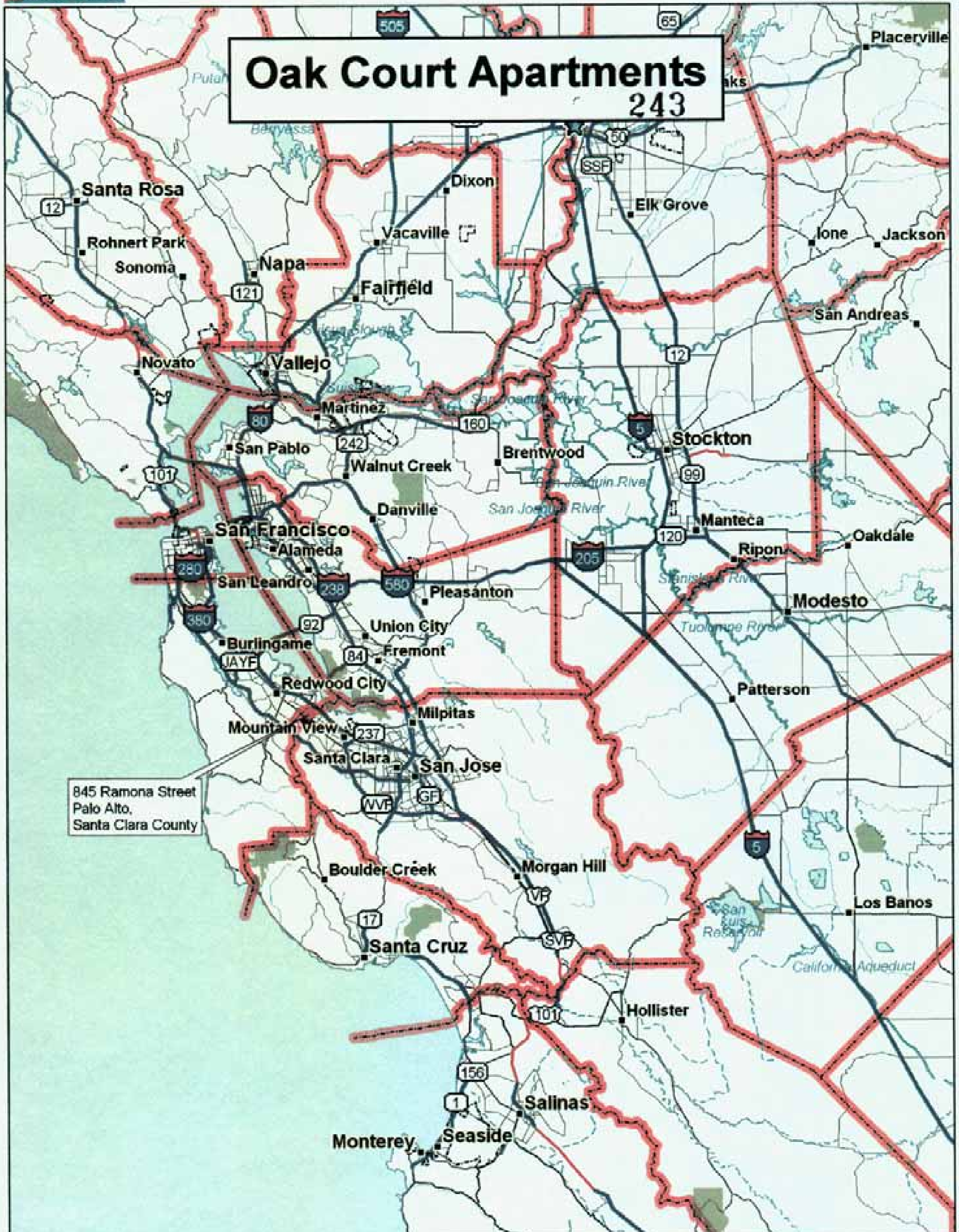

Scale 1 : 1,100,000

1" = 17.4 mi

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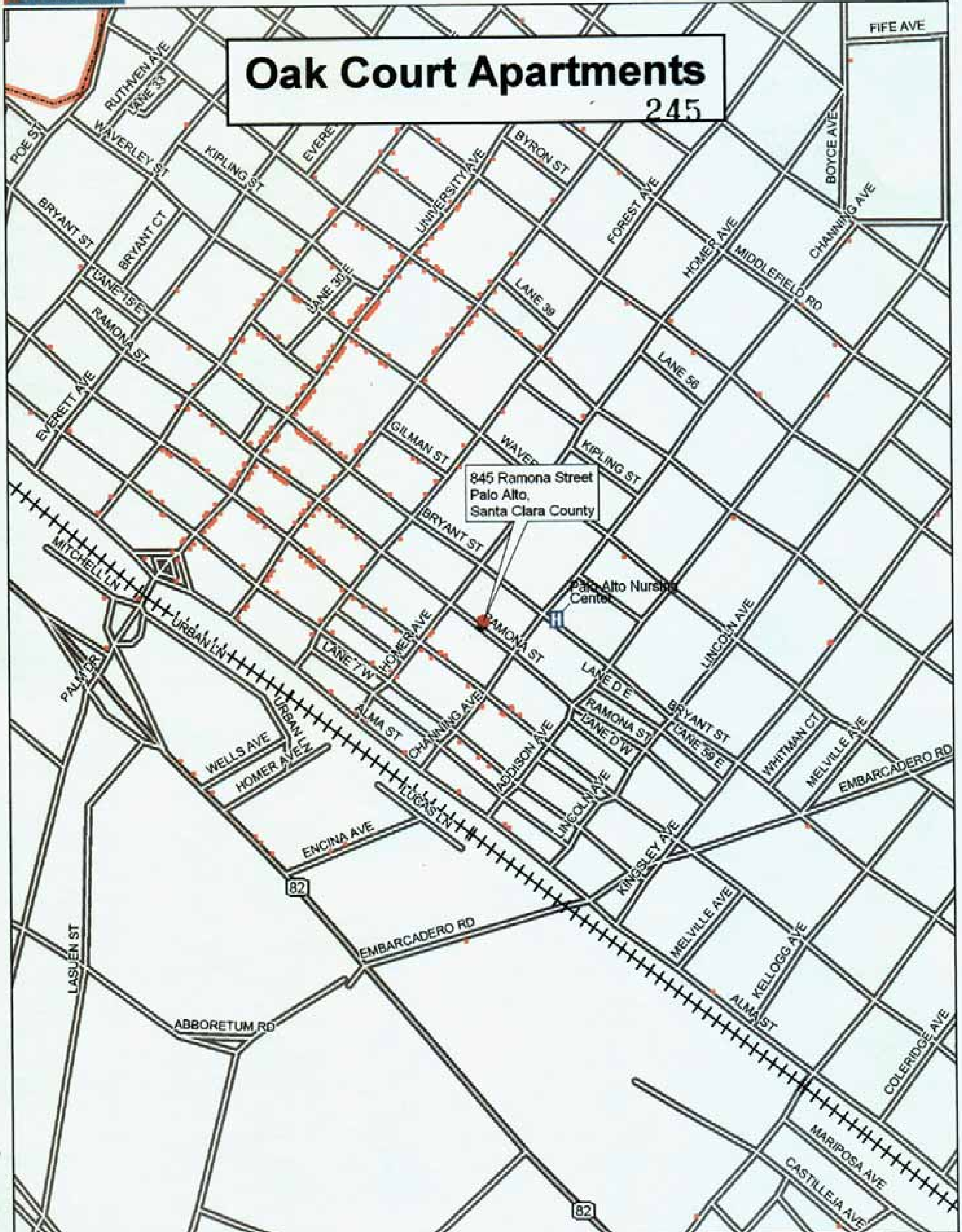
Oak Court Apartments

245



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1" = 733 ft

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RESOLUTION 03-25

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Oak Court 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 construction and permanent mortgage loans on a 53-unit multifamily housing development located in the City of Palo Alto to be known as Oak Court Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated May 15, 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 April 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 CHFA Staff Report, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNT
03-022-N	Oak Court Apartments Palo Alto/Santa Clara	53	
		Construction First Mortgage:	$11,500,000
		Permanent First Mortgage:	$ 2,600,000

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 03-25 adopted at a duly constituted meeting of the Board of the Agency held on May 15, 2003, at Burbank, California.

ATTEST: ______________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Mission Gateway
Union City, Alameda County, CA
CalHFA # 03-035-N

SUMMARY

This is a final commitment request for tax-exempt, permanent loan financing in the amount of Six Million Five Hundred Seventy-Five Thousand Dollars ($6,575,000), and lender loan financing in the amount of Eighteen Million, Five Hundred Fifteen Thousand Dollars ($18,515,000). Security for the loans will be a 121-unit, newly constructed family apartment community. The property will be owned by MP Mission Associates, a limited partnership, whose general partner is Mid-Peninsula Coastside, Inc., a wholly owned non-profit affiliate of Mid-Peninsula Housing Coalition.

The Mission Gateway development will provide 121 units of attractive affordable housing, including one, two, three and four bedroom units, plus 3,000 square feet of neighborhood commercial space on a 4.3 acre site. The development will consist of 2 and 3 story elements on concrete podiums, above parking submerged a half story below grade.

LOAN TERMS

Permanent

First Mortgage	$6,575,000
Interest Rate	5.4%
Term	30 year fixed, fully amortized
Financing	Tax-exempt
Insurance	FHA Risk Share

The Agency's permanent first mortgage loan will be insured under the FHA Risk Share program, and the final commitment will be conditioned upon HUD final approval of Risk Share.

Loan to Lender

Loan Amount	$18,515,000
Interest Rate	3%, fixed
Term	18 Months, interest only
Financing	Tax-exempt

LOCALITY INVOLVEMENT

The Redevelopment Agency of the City of Union City will be providing a land loan donation valued at $6,100,000, and a 3% residual receipts loan of $2,750,000 for a term of 40 years, pursuant to the Disposition, Development and Loan Agreement executed in November 2002.

OTHER FINANCING

Mid-Peninsula Housing Coalition (MPHC) has applied for funds from the State of California Department of Housing and Community Development's Multi-Family Housing Program, (MHP), in the amount of $7,000,000. The expected loan term for the MHP funds is 55 years, with a 3% interest rate. There will be a required .42% payment, which is shown in the project cashflow. The award of these funds is expected in June.

MPHC has also applied for funds in the amount of $1,000,000 from the Federal Home Loan Bank's Affordable Housing Program (AHP). These funds are expected to be awarded in June also. The expected loan term for the AHP funds is 32 years, with a 0% interest rate, and no required payments. The City, MHP and AHP financing will all be subordinated to the CalHFA first lien.

PROJECT DESCRIPTION

Project Location

Mission Gateway will be located at the north end of the Union City border along Mission Boulevard. It will establish a gateway to the Decoto District and provide a significant architectural landmark for commuters heading south and north on Mission Boulevard, also known as Highway 238. The project is bound by Whipple Road to the south, which is three miles from Interstate 880.

The area immediately around the project is a mix of single and multi-family residential uses. In close proximity are many commercial establishments on the Mission corridor. There are also gas stations across Whipple Road on the south, and diagonally across Mission Boulevard at Tamarack on the north. Numerous schools and parks are nearby. There are two Alameda County Transit bus routes that run down Mission Boulevard, with a bus stop right in front of the north end of the project at Tamarack.

There are many shopping areas in the vicinity of the site. There are grocery stores less than one-quarter mile in either direction on Mission Boulevard. The Fariway Shopping Center is one mile north on Mission. It contains grocery and drug stores as well as numerous retail stores, restaurants and offices. The Union Square marketplace is 1.2 miles away on De Coto Road, at the intersection of Alvarado-Niles Road. It contains more than 35 businesses.

The Tiburcio Vasquez Health Center is less than a half mile away. This is the flagship of a group of six clinics, and is located within a modern, newly renovated two story structure. They provide comprehensive primary care and psychosocial services to more than 2,000 patients and provide an average of 15,000 visits per year – establishing them as a major healthcare provider in the Southern Alameda County region. The South Alameda County Red Cross office is three blocks south along Mission Boulevard. At this facility they provide classes, training and counseling, and it serves as an emergency center in case of disasters.

There are many parks and schools close by. The closest is Bernard-White Middle School, which is a one-quarter mile walk away. Emanuela Guy, Jr. Elementary School is also one-quarter mile away. James Logan High School is exactly one mile away. The parks in the region include El Rancho Verde Park, which is two-tenths of a mile away. Taper Park, Garin Regional Park, and Airway Greens Park are all within two miles of the project. Hayward Municipal Golf Course is two miles north on Mission Boulevard.

Site

Mission Gateway is a partnering effort between the Redevelopment Agency of the City of Union City and MPHC to create new housing and business opportunities. The parcels for the development were identified during the redevelopment process for the Mission Boulevard area as possible affordable housing sites and the Redevelopment Agency selected MPHC to assist in the land assemblage and community efforts. The Redevelopment Agency has title to the land and will be donating the property, pursuant to the executed Development and Disposition Agreement, at the close of the construction financing. The parcels have been blighted for a number of years, with abandoned buildings and non-conforming uses. Prior to the transfer of ownership the Redevelopment Agency will relocate the tenants on the property and clean the site of all environmental hazards.

The parcels are irregularly shaped with 764 feet of frontage along Mission Boulevard, and are separated by Dry Creek which runs through the project. The larger 3.62 acre parcel to the north with Tamarack Drive as its northern boundary, and the smaller triangular shaped parcel to the south with Whipple Road as its southern boundary, will be connected by an improved sidewalk. Included in the project scope will be the restoration of Dry Creek which has been poorly maintained for many years.

Improvements

The Mission Gateway development will provide 121 units of attractive affordable housing including 16 one-bedroom, 58 two-bedroom, 36 three-bedroom and 11 four-bedroom units plus 3,000 square feet of neighborhood commercial space on a 4.3 acre site, on the west side of Mission Boulevard between Whipple Road and Tamarack Drive.

The development will consist of two and three story structures on concrete podiums, above parking submerged a half story below grade. There will be a total of four wood-framed buildings, with stucco siding and clay tile roofs. The three residential buildings will be built on top of the podium parking structures and will be accessed by one elevator per building from the garage to the podium level. The project will have 284 parking spaces, 67 of which will be on grade for visitors, and 217 of which will be in the garage for residents. Eighteen of the on-grade parking spaces will be for retail use. Between the structures on the podiums there will be extensive open space and landscaping.

The community building, with the manager's unit on the second floor, is the fourth building, and will be built on a slab at grade. Mission Gateway will have more than 4,000 square feet of community space, including community rooms with a kitchen, a children's art room, a computer lab, and a management office. Other site amenities will include a laundry room in each building, an on-grade pool, and play area for children including a tot-lot and basketball court.

The 3,000 square feet of *neighborhood retail space* will be built out to shell condition. It is expected that this space will contain a beautician's office, an insurance company, and a combination video store and delicatessen. No adult videos will be rented and no liquor will be sold at the video/deli. The costs of the commercial space are approximately $650,000, or less than 2% of the total development costs, and will be borne by the Redevelopment Agency.

A part time service coordinator will provide links to community resources and educational classes such as financial literacy, English as a second language, high school equivalency and job search strategies as needed. An after school homework club and summer enrichment activities for the children who live at the property will be provided. Other activities will be designed to take into account the specific needs and desires of the residents.

The apartments will be flats and townhomes with exterior staircases accessing the upper units. Interior finishes will include carpeting in all the bedrooms, sheet vinyl flooring in the bathrooms, and vinyl composition tile in the kitchens. Windows will be covered with mini-blinds. The kitchens will feature gas ranges with ventilated hoods, dishwashers, disposals and laminate counter surfaces. The heating system is a forced air hydronic furnace which uses hot water to heat the air. Ceiling fans will be provided in the living rooms and bedrooms. Many units will have rear windows facing the creek.

Unit Mix:

No. of Units	No. of Bedrooms	No. of Bathrooms	Unit Square Footage
16	1	1	610
58	2	1	788 - 909
36	3	2	1,169 – 1,220
11	4	2	1,283

Offsite Improvements

The project scope includes replanting of natural vegetation and upgrading the surroundings with lighting and security fencing to prevent loitering and criminal activity. There will be an upgraded public walking/bike path along Dry Creek. The partnership will pay for these costs in the estimated amount of $30,000. The pathway along the creek is owned and controlled by the Alameda County Flood Control District even though the area is not in a floodplain.

The project scope also includes undergrounding the utilities along Mission in front of the site. This cost of approximately $1,000,000 will be paid for by the Union City Redevelopment Agency.

MARKET

Market Overview

Mission Gateway is located in Union City along Mission Boulevard. Union City, with a current population of approximately 69,000, is situated in western Alameda County, about 21 miles southeast of Oakland. The market area for the Mission Gateway project, as defined in the March 2003 Market Study completed by Laurin Associates, includes all of Union City and a portion of southern Hayward. It is roughly a polygon shape bordered by Union City Boulevard to the west, Thornton Avenue to the south, the City boundary to the east, and Industrial Parkway West to the north. The market area has a current population of approximately 157,000. Between 1990 and 2003, Union City had an annual growth rate of 2.3%, while the Mission Gateway Market Area had an annual growth rate of 1.5%.

Union City had approximately 19,000 households in 2003, while the Mission Gateway Market Area had approximately 48,700 households. Household growth in Union City increased by 1.8% annually between 1990 and 2003, while household growth in the Mission Gateway Market Area increased 1.1% annually during the same period. Average household size in Union City was 3.58 persons in 2003, while average household size in the Mission Gateway Market Area was 3.20 in 2003.

The Market Area's 2003 median income is estimated at $64,857 compared to the HUD designated Area Median Income for Alameda County of $76,600.

Housing Demand

The Mission Gateway Market Area renter rate as of 2003 is 31.9%, compared to the renter rate of 27.8% in Union City. The home ownership rates are 68.1% and 72.2% in the Mission Gateway Market Area and Union City respectively. According to the 2000 Census, 38.8% of the renter households in Union City, and 40.5% of the households in Alameda County, were paying more than 30% of their gross income towards rent,

According to the market study there is a current demand for 5,154 family rental units in the Mission Gateway Market Area targeting households with incomes between 35% SMI and 60% AMI. The project will need to capture between 1.5% and 3.3% (depending on unit size) of the existing demand to fill the project.

Housing Supply

According to the 2000 Census, 75.9% of the housing units in Union City were single family, 19.2% were multifamily, and 4.9% were mobile homes. According to the 2000 Census, the overall vacancy rate for owner and rental housing units was 1.2% in Union City. Laurin and Associates surveyed twelve market rate complexes with 2,025 units and two income restricted projects with 155 units. The vacancy rate in the market rate complexes was 2.5%, and there were no vacancies in the affordable projects.

According to the Union City Planning Department there are no pending or proposed multifamily developments planned with the exception of the subject.

PROJECT FEASIBILITY

The subject property offer many amenities such as dishwashers and disposals in the kitchen, secured parking, a laundry room, a pool, and basketball and volleyball courts on site. These amenities are similar to the market rate projects surveyed in the area. The subject will provide ceiling fans instead of central air, which is a feature that five of the twelve market rate complexes offer. In general the subject has comparable or better amenities than the comparable market rate projects. The subject's unit sizes are comparable with market rate projects in the area.

Market rate rents for comparable properties in the Union City Market Area range as follows: from $980 to $1,260 for a one-bedroom unit; $1,212 to $1,350 for a two-bedroom unit; and $1,595 to $2,000 for a three-bedroom unit. The four bedroom unit rent below is based on surveys of single family homes in the area, and the average rent per square foot for market rate units in the market area.

Rent Differentials (Market versus Restricted)

Unit Type	Subject	Market Rate	$ Difference	% Market
One Bedroom		**$1,157**		
35%	$356		$801	31%
40%	NA		NA	NA
50%	$711		$446	61%
60%	$861		$296	74%
Two Bedroom		**$1,437**		
35%	$424		$1,013	30%
40%	$670		$767	47%
50%	$850		$587	59%
60%	$1,030		$407	72%
Three Bedroom		**$1,823**		
35%	$485		$1,338	27%
40%	$769		$1,054	42%
50%	$977		$846	54%
60%	$1,185		$638	65%
Four Bedroom		**$1,939**		
35%	$612		$1,327	32%
40%	NA		NA	NA
50%	$1,088		$851	56%
60%	$1,320		$619	68%

Estimated Lease-up Period

Presuming that a comprehensive marketing program is initiated, models are available for preview, and the on site manager will be available to assist in the rent-up while the project is being completed, Laurin Associates estimates that the complex can reach 95% occupancy in approximately eight months. Since the construction term is three months longer than the expected completion date, a rent-up reserve for five months is required in the form of a letter of credit at permanent loan closing.

OCCUPANCY RESTRICTIONS

CalHFA:	20% (24) of the units will be restricted at 50% or less of AMI The CalHFA Regulatory Agreement will be for a term of 32 years.
Redevelopment Agency:	40% of the units (48) will be restricted at 40% or less AMI 8% of the units (10) will be restricted at 50% or less AMI 52% of the units (62) will be restricted at 90% or less AMI
TCAC:	80% of the units (96) will be restricted at 60% or less AMI
MHP:	35% of the units (42) will be restricted at 35% or less SMI 5% of the units (6) will be restricted at 40% or less AMI 30% of the units (36) will be restricted at 50% or less AMI 30% of the units (36) will be restricted at 60% or less AMI
AHP:	35% of the units (42) will be restricted at 35% or less SMI 5% of the units (6) will be restricted at 40% or less AMI 30% of the units (36) will be restricted at 50% or less AMI 30% of the units (36) will be restricted at 60% or less AMI

ENVIRONMENTAL

A Phase I Environmental Assessment report was completed by Brown and Caldwell in May 2001 for the City of Union City, and encompasses a larger area than just the Mission Gateway site. Currently there are several retail stores, a mobile home park, and several single family homes on the two subject parcels. One retail store on the site, the Fast Stop Market, is listed on the leaking underground storage tank database. The monitoring well located there was used for petroleum hydrocarbon leak detection monitoring of the property's former USTs. As of the date of this Phase I, the Fast Stop Market site was under investigation. In addition to the monitoring well at the Fast Stop site, there is a groundwater supply well on the subject parcel at 33315 – 33345 Mission Boulevard. Brown and Caldwell recommends properly abandoning these wells in accordance with state and local requirements prior to redevelopment.

The site has been used for agriculture and surface soil sampling is recommended. Former wastewater leach lines are present on site, on a lot which was formerly used to store automobiles. Brown and Caldwell recommended assessing whether fuels and oils may have been discharged into the leach lines by sampling the soil along the lines for petroleum hydrocarbons.

A Soil and Groundwater Sampling Investigation was completed in November 2001 by Brown and Caldwell. On the site of the former auto sales dealer there were numerous abandoned vehicles, two mobile homes and one commercial building. A former leach line is present on this property, which appears to have been used for domestic wastewater. Brown and Caldwell sampled the soil along the line to determine whether fuels and oils from the property's vehicle maintenance activities may have been discharged into the leach line. The site vicinity was extensively used for agriculture prior to the 1950's; thus residual pesticides may be present in the surface soil. Brown and Caldwell sampled the soil at the former auto sales dealer site.

Three deep and three shallow borings were advanced for soil collection at the former auto sales dealer site, and were analyzed for pesticides, lead, arsenic, TPH, VOC, BTEX, petroleum oil and grease, and automotive metals. Two pesticides, lead and arsenic were detected in the surface soils, but at concentrations below the EPA Preliminary Reduction Goal, (PRG), and below the acceptable levels for residential soil. TPH-D, petroleum oil and grease were found in the subsurface soils, in addition to automotive metals at concentrations below residential soil PRG's. Except for the petroleum oil and grease, no chemicals of concern were detected above regulatory action levels in soil samples collected from borings adjacent to the former leach line at the site of the former auto sales dealer. Brown and Caldwell concludes that the excavation of soil impacted with petroleum oil and grease may be warranted during future construction on the property.

Prior to the transfer of ownership the City will relocate the tenants on the property, and clean the site of all environmental hazards. A new Phase I will be completed after the City accomplishes these tasks. Final asbestos reports, a seismic risk evaluation and NEPA review will also be ordered. A condition of the final commitment will be satisfactory review of these documents by CalHFA and its environmental consultant, URS. A condition of the Lender Loan closing will be that the site is clear of all environmental hazards, as evidenced by an updated Phase I and a Phase II investigation if necessary.

ARTICLE XXXIV

A satisfactory opinion letter will be required prior to Loan to Lender funding.

DEVELOPMENT TEAM

Borrower - MP Mission Associates

The property will be owned by MP Mission Associates, a limited partnership, whose general partner is Mid-Peninsula Coastside, Inc., a wholly owned non-profit affiliate of Mid-Peninsula Housing Coalition, ("MPHC"). MPHC was founded in 1970 as a private non-profit developer of low income rental housing on the San Francisco Bay Area Peninsula, an area that includes some of the country's highest median home prices and apartment rents. MPHC has developed over 80 affordable family and senior projects, and has never had a project in default.

CalHFA has a long history with MPHC, and has financed twelve MPHC developments totaling 1,133 units beginning in 1982. These projects include acquisition/rehabilitation, preservation and new construction developments. Projects financed over the past few years include Runnymeade Gardens, Gateway Apartments, Riverwood Grove Apartments, Homestead Park and Country Hills.

Mid-Peninsula has provided supportive services to its residents throughout its history as part of its overall mission. In 1993 MPHC established its own Services Department, and in 2000 it created its second major affiliated partner, the Mid-Peninsula Housing Services Corporation ("MPHSC"). The goal of MPHSC is to help individuals and families meet their own needs that extend beyond that of basic shelter by assisting them in achieving self-sufficiency and a higher quality of life.

MPHSC has established a number of on-site programs to achieve this goal including in-home health care information and referral; nutrition and health education; addiction referral and support; community development activities; access to benefits, vocational and employment support; and other resources. MPHSC usually works with service partners and community agencies that provide specialized services to residents who may need them to live independently. A services coordinator also oversees MPHSC's Educational Program which is available to residents from age six. After school programs, summer enrichment programs and a computer based educational program are available for children and adults.

Management Agent - Mid-Peninsula Housing Management Corporation

MPHC's non-profit affiliate, Mid-Peninsula Housing Management Corporation ("MPHMC") will manage Mission Gateway. Established in 1981, MPHMC currently manages nearly 70 affordable housing developments in Northern California with well over 5,000 units. MPHMC's management plan for the development will be drawn based on MPHMC's Manual of Policies and Procedures and will reflect the requirements of the Low-Income Housing Tax Credit and other financing programs.

Architect - Dahlin Group Inc.

Founded in 1976 by Doug Dahlin, AIA, Dahlin Group Inc. is led by a management team of nine principals and employs over 100 professionals, including architects, planners, designers, illustrators and administrators. Mr. Jim Yee, Senior Project Manager at Dahlin, with 25 years experience as a designer, will be working on the Mission Gateway project. He has personally designed 13 affordable housing projects with nearly 1,100 units.

Contractor - J.R. Roberts Corp.

J. R. Roberts Corp. is a general building and engineering firm headquartered in Citrus Heights, California. J. R. Roberts Corp., founded in 1980, is the largest locally owned general contractor in the Sacramento region, and is ranked within the top 200 contractors in the nation by Engineering News Record magazine. In its 23 years of business, J. R. Roberts Corp. has constructed and managed numerous projects throughout the western part of the United States, with a total value of almost three billion dollars, utilizing a management staff of professional architects and engineers. In the past five years J. R. Roberts Corp. has completed six affordable multi-family housing developments with over 900 units, and fourteen market rate multi-family housing developments with nearly 2,500 units.

Project Summary

258

Date: 15-May-03

Project Profile:

Project : Mission Gateway
Location: 33000 Mission Blvd,
Union City 94587
County: Alameda
Borrower: MP Mission Associates
GP: Mid-Peninsula Coastside, Inc.
LP: 0
Program: Tax Exempt
CalHFA # : 03-035-N

All appraisal numbers are estimates only

Cap Rate:	8.00%	**Estimate**
Market:	$0	
Income:	$0	
Final Value:	$19,300,000	**Estimate**

LTC/LTV:

Loan/Cost	18.8%	
Loan/Value	34.1%	**Estimate**

Project Description:

Units	121
Handicap Units	6
Bldg Type	Flats & Townhomes
Number of Buildings	4
Stories	3
Gross Sq Ft	120,000
Land Sq Ft	4.3 acres
Units/Acre	28
Total Parking	284
Covered Parking	217

Financing Summary:

	Amount	Per Unit	Rate	Term
CalHFA First Mortgage	$6,575,000	$54,339	5.40%	30
HCD- MHP	$7,000,000	$57,851	3.00%	55
Union City Redevelopment Agency Land Donation	$6,100,000	$50,413	0.00%	-
Union City Redevelopment Agency	$2,750,000	$22,727	3.00%	40
FHLB - AHP	$1,000,000	$8,264	0.00%	30
Deferred Developer Fee	$988,209	$8,167		
Sponsor Equity		$0		-
Investor Contribution	$10,545,510	$87,153		-
CalHFA - Lender Loan - Tax-exempt	$18,515,000	$153,017	3.00%	18 months

Unit Mix:

Type	35% AMI		40% AMI		50% AMI		60% AMI		Manager		Total
	number	rent*	number	rent*	number	rent*	number	rent*	number	rent*	
1 bedroom	7	356	0	0	4	711	5	861	0	0	16
2 bedroom	15	424	3	670	21	850	18	1030	1	0	58
3 bedroom	14	485	3	769	8	977	11	1185	0	0	36
4 bedroom	6	612	0	0	3	1088	2	1320	0	0	11
subtotal	42		6		36		36		1		
											121

* net rent

Fees, Escrows, and Reserves:

Fees	Basis of Requirements	Amount	Security
Loan fees	1.00% Lender Loan & 0.50% of Perm	$218,025	Cash
Escrows			
Bond Origination Guarantee	1.00% of Loan Amount	$185,150	Letter of Credit
Inspection fee	$1,500 x months of construction	$19,500	Cash
Construction Defect	2.50% of Hard Costs	$435,450	Letter of Credit
Reserves			
Rent-up Reserve	42.00% of Total Expenses	$230,685	Letter of Credit
Operating Expense Reserve	10.00% of Gross Income	$113,056	Cash
Annual Replacement Reserve Deposit	$350 per unit	$42,350	Operations

Sources and Uses

Mission Gateway

SOURCES:

Name of Lender / Source	Amount	% of Sources	$ per unit
CalHFA First Mortgage	6,575,000	19%	54,339
HCD- MHP	7,000,000	20%	57,851
Union City Redevelopment Agency Land Donatic	6,100,000	17%	50,413
Union City Redevelopment Agency	2,750,000	8%	22,727
Other Loans	1,000,000	3%	8,264
Total Institutional Financing	**23,425,000**	**67%**	**193,595**
Equity Financing			
Tax Credits	10,545,510	30%	87,153
Deferred Developer Equity	988,209	3%	8,167
Total Equity Financing	**11,533,719**	**33%**	**95,320**
TOTAL SOURCES	**34,958,719**	**100%**	**288,915**

USES:

		% of Uses	
Acquisition	6,403,500	18%	52,921
Rehabilitation	0	0%	0
New Construction	19,682,323	56%	162,664
Architectual Fees	738,336	2%	6,102
Survey and Engineering	75,000	0%	620
Const. Loan Interest & Fees	1,432,125	4%	11,836
Permanent Financing	248,025	1%	2,050
Legal Fees	70,000	0%	579
Reserves	176,873	1%	1,462
Contract Costs and Marketing	150,000	0%	1,240
Construction Contingency	1,911,742	5%	15,800
Local Fees	1,772,188	5%	14,646
TCAC/Other Costs	219,516	1%	1,814
PROJECT COSTS	**32,879,628**	**94%**	**271,732**
Developer Overhead/Profit	2,059,091	6%	17,017
Construction Management	20,000	0%	165
TOTAL USES	**34,958,719**	**100%**	**288,915**

Annual Operating Budget

Mission Gateway

		$ per unit
INCOME:		
Total Rental Income	1,121,844	9,271
Laundry	8,712	72
Other Income	0	-
Commercial/Retail	0	-
Gross Potential Income (GPI)	**1,130,556**	**9,343**
Less:		
Vacancy Loss	56,528	467
Total Net Revenue	**1,074,028**	**8,876**
EXPENSES:		
Payroll	191,440	1,582
Administrative	91,460	756
Utilities	96,000	793
Operating and Maintenance	63,000	521
Insurance and Business Taxes	65,000	537
Taxes and Assessments	0	-
Reserve for Replacement Deposits	42,350	350
Subtotal Operating Expenses	**549,250**	**4,539**
Financial Expenses		
Mortgage Payments (1st loan)	443,048	3,662
Total Financial	**443,048**	**3,662**
Total Project Expenses	**992,298**	**8,201**

Cash Flow   Mission Gateway   CalHFA 03

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		1,121,844	1,149,890	1,178,637	1,208,103	1,238,306	1,269,264	1,300,995
TOTAL RENTAL INCOME		**1,121,844**	**1,149,890**	**1,178,637**	**1,208,103**	**1,238,306**	**1,269,264**	**1,300,995**
OTHER INCOME								
Other Income Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry		8,712	8,930	9,153	9,382	9,616	9,857	10,103
Other Income		0	0	0	0	0	0	0
TOTAL OTHER INCOME		**8,712**	**8,930**	**9,153**	**9,382**	**9,616**	**9,857**	**10,103**
GROSS INCOME		**1,130,556**	**1,158,820**	**1,187,790**	**1,217,485**	**1,247,922**	**1,279,120**	**1,311,098**
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		56,528	57,941	59,390	60,874	62,396	63,956	65,555
EFFECTIVE GROSS INCOME		**1,074,028**	**1,100,879**	**1,128,401**	**1,156,611**	**1,185,526**	**1,215,164**	**1,245,543**
OPERATING EXPENSES								
Annual Expense Increase		*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses		506,900	527,176	548,263	570,194	593,001	616,721	641,390
Replacement Reserve		42,350	42,350	42,350	42,350	42,350	44,468	44,468
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		**549,250**	**569,526**	**590,613**	**612,544**	**635,351**	**661,189**	**685,858**
NET OPERATING INCOME		**524,778**	**531,353**	**537,788**	**544,067**	**550,175**	**553,975**	**559,686**
DEBT SERVICE								
CalHFA - 1st Mortgage		443,048	443,048	443,048	443,048	443,048	443,048	443,048
CASH FLOW after debt service		**81,730**	**88,305**	**94,740**	**101,020**	**107,127**	**110,928**	**116,638**
DEBT COVERAGE RATIO		**1.18**	**1.20**	**1.21**	**1.23**	**1.24**	**1.25**	**1.26**
MHP pymt	**7,000,000**	**29,400**	**29,400**	**29,400**	**29,400**	**29,400**	**29,400**	**29,400**
DEBT COVERAGE RATIO - MHP		**1.11**	**1.12**	**1.14**	**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		1,436,055	1,471,957	1,508,755	1,546,474	1,585,136	1,624,765	1,665,384	1,707,
TOTAL RENTAL INCOME		**1,436,055**	**1,471,957**	**1,508,755**	**1,546,474**	**1,585,136**	**1,624,765**	**1,665,384**	**1,707,**
OTHER INCOME									
Other Income Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.*
Laundry		11,152	11,431	11,717	12,010	12,310	12,618	12,933	13,
Other Income		0	0	0	0	0	0	0	
TOTAL OTHER INCOME		**11,152**	**11,431**	**11,717**	**12,010**	**12,310**	**12,618**	**12,933**	**13,**
GROSS INCOME		**1,447,207**	**1,483,387**	**1,520,472**	**1,558,484**	**1,597,446**	**1,637,382**	**1,678,317**	**1,720,**
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		72,360	74,169	76,024	77,924	79,872	81,869	83,916	86,
EFFECTIVE GROSS INCOME		**1,374,847**	**1,409,218**	**1,444,449**	**1,480,560**	**1,517,574**	**1,555,513**	**1,594,401**	**1,634,**
OPERATING EXPENSES									
Annual Expense Increase		*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.*
Expenses		750,336	780,349	811,563	844,026	877,787	912,898	949,414	987,
Replacement Reserve		46,691	46,691	46,691	46,691	46,691	49,025	49,025	49,
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		**797,027**	**827,040**	**858,254**	**890,717**	**924,478**	**961,924**	**998,440**	**1,036,**
NET OPERATING INCOME		**577,820**	**582,178**	**586,194**	**589,843**	**593,096**	**593,589**	**595,961**	**597,**
DEBT SERVICE									
CalHFA - 1st Mortgage		443,048	443,048	443,048	443,048	443,048	443,048	443,048	443,
CASH FLOW after debt service		**134,772**	**139,130**	**143,147**	**146,795**	**150,048**	**150,542**	**152,913**	**154,**
DEBT COVERAGE RATIO		**1.30**	**1.31**	**1.32**	**1.33**	**1.34**	**1.34**	**1.35**	
MHP pymt	**7,000,000**	**29,400**	**29,400**	**29,400**	**29,400**	**29,400**	**29,400**	**29,400**	**29,**
DEBT COVERAGE RATIO - MHP		**1.22**	**1.23**	**1.24**	**1.25**	**1.26**	**1.26**	**1.26**	

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		1,838,272	1,884,229	1,931,335	1,979,618	2,029,108	2,079,836	2,131,832	2,1
TOTAL RENTAL INCOME		**1,838,272**	**1,884,229**	**1,931,335**	**1,979,618**	**2,029,108**	**2,079,836**	**2,131,832**	**2,1**
OTHER INCOME									
Other Income Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	
Laundry		14,276	14,633	14,998	15,373	15,758	16,152	16,555	
Other Income		0	0	0	0	0	0	0	
TOTAL OTHER INCOME		**14,276**	**14,633**	**14,998**	**15,373**	**15,758**	**16,152**	**16,555**	
GROSS INCOME		**1,852,548**	**1,898,861**	**1,946,333**	**1,994,991**	**2,044,866**	**2,095,988**	**2,148,387**	**2,2**
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		92,627	94,943	97,317	99,750	102,243	104,799	107,419	1
EFFECTIVE GROSS INCOME		**1,759,920**	**1,803,918**	**1,849,016**	**1,895,242**	**1,942,623**	**1,991,188**	**2,040,968**	**2,0**
OPERATING EXPENSES									
Annual Expense Increase		*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	
Expenses		1,110,680	1,155,108	1,201,312	1,249,364	1,299,339	1,351,312	1,405,365	1,4
Replacement Reserve		51,477	51,477	51,477	51,477	51,477	54,051	54,051	
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		**1,162,157**	**1,206,584**	**1,252,789**	**1,300,841**	**1,350,816**	**1,405,363**	**1,459,415**	**1,5**
NET OPERATING INCOME		**597,763**	**597,334**	**596,228**	**594,401**	**591,807**	**585,825**	**581,552**	**5**
DEBT SERVICE									
CalHFA - 1st Mortgage		443,048	443,048	443,048	443,048	443,048	443,048	443,048	4
CASH FLOW after debt service		**154,715**	**154,286**	**153,180**	**151,353**	**148,759**	**142,777**	**138,505**	**1**
DEBT COVERAGE RATIO		**1.35**	**1.35**	**1.35**	**1.34**	**1.34**	**1.32**	**1.31**	
MHP pymt	**7,000,000**	**29,400**	**29,400**	**29,400**	**29,400**	**29,400**	**29,400**	**29,400**	
DEBT COVERAGE RATIO - MHP		**1.27**	**1.26**	**1.26**	**1.26**	**1.25**	**1.24**	**1.23**	

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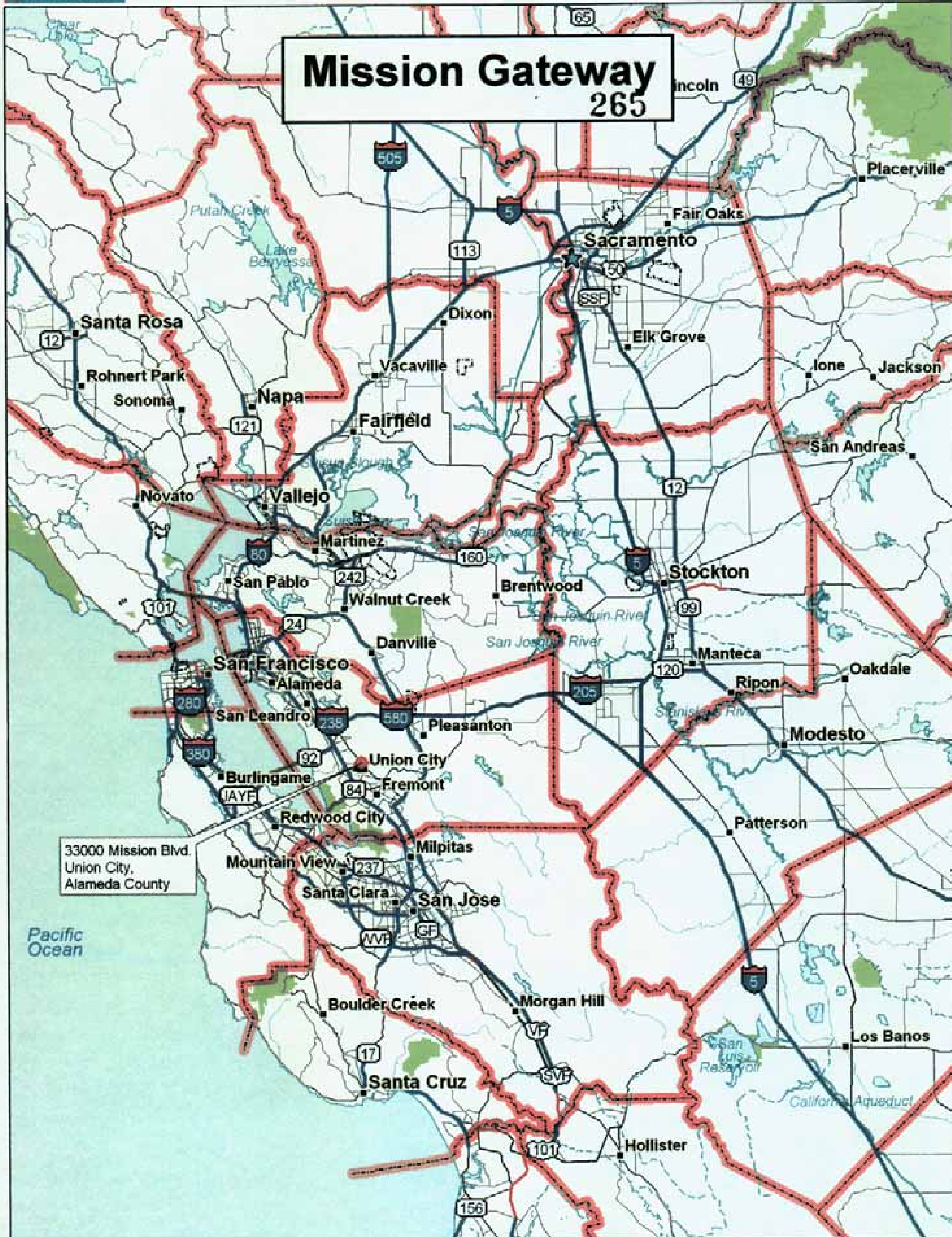

Scale 1 : 1,100,000

1" = 17.4 mi

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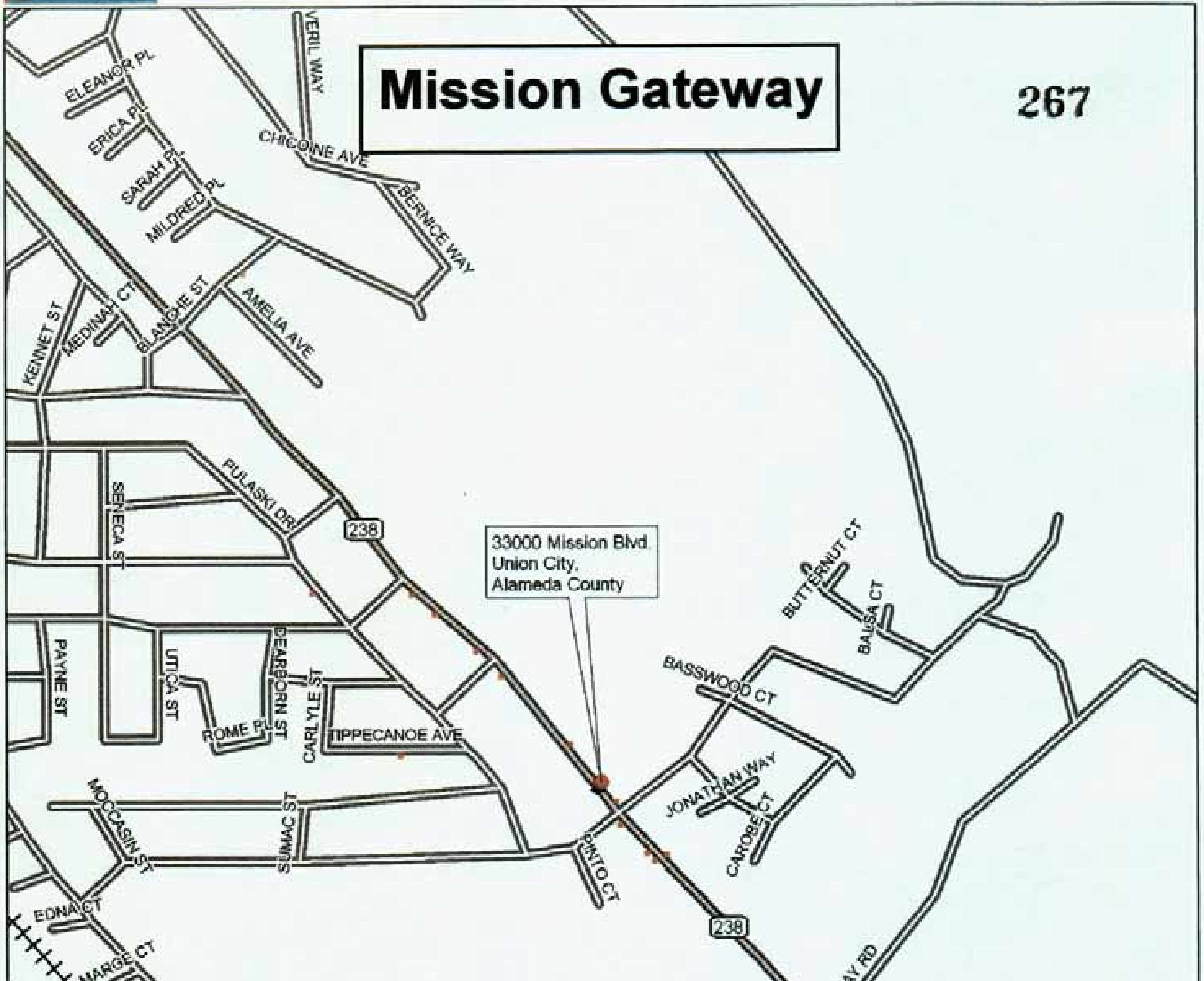

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1" = 733 ft

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RESOLUTION 03-26

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from MP Mission Associates, a limited partnership, (the "Borrower"), seeking a loan commitment under the Agency's Loan-to-Lender and Tax-Exempt Loan Programs in the mortgage amounts described herein, the proceeds of which are to be used to provide financing for a 121-unit multifamily housing development located in the City of Union City to be known as Mission Gateway (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated May 15, 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 April 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 set forth in the CHFA Staff Report, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNT
03-035-N	Mission Gateway Union City/Alameda	121	First Mortgage: $ 6,575,000 Loan-to-Lender: $18,515,000

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 03-26 adopted at a duly constituted meeting of the Board of the Agency held on May 15, 2003, at Burbank, California.

ATTEST:____________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Linden Manor Apartments
Riverside, Riverside County, CA
CalHFA # 03-018-S

SUMMARY

This is a final commitment request for tax-exempt permanent loan financing in the amount of Three Million Eight Hundred Sixty Thousand Dollars ($3,860,000); taxable permanent loan financing in the amount of Five Hundred Fifty-Six Thousand Dollars ($556,000), and a Housing and Urban Development ("HUD") Interest Reduction Payment ("IRP") loan in an amount not to exceed Nine Hundred Seventy-Five Thousand Dollars ($975,000). Security for the permanent loans will be an existing 192-unit family apartment community in Riverside, Riverside County, California. The IRP loan will be secured by way of assignment of an Interest Reduction Payment Agreement by and between the project owner and HUD.

These loans will be combined to refund existing bonds issued through CSCDA in 1998.

The property will be owned by Riverside Gardens Preservation Limited Partnership, a California limited partnership, whose managing general partner is Housing Corporation of America, a Utah non-profit corporation, and whose administrative general partner is Riverside Gardens Preservation, L.L.C., a California limited liability company.

Linden Manor, constructed in 1970, consists of 17, two-story walk-up buildings of wood frame and stucco construction. The property was acquired by the current ownership entity in 1998, at which time it was rehabilitated through the utilization of Low Income Housing Tax Credits. The property has an Interest Reduction Payment ("IRP") Agreement with HUD which provides to the project a monthly annuity payment through June 2012. Linden Manor was the first "236 de-coupling" loan structure approved by HUD. The California Housing Finance Agency ("CalHFA" or "Agency") currently acts as IRP administrator.

LOAN TERMS

Permanent

Tax Exempt	$3,860,000
Interest Rate	5.4%
Term	30 year fixed, fully amortized
Financing	Tax-exempt
Insurance	FHA Risk Share
Taxable	$556,000
Interest Rate	6.5%
Term	30 year fixed, fully amortized
Financing	Taxable
Insurance	FHA Risk Share

The Agency's permanent first mortgage loan(s) will be insured under the FHA Risk Share program.

Interest Reduction Payment Loan

IRP Loan (not to exceed)	$975,000
Interest Rate	5.4%
Term (subject to adjustment)	8 year, fixed, fully amortized
Financing	Tax-exempt

INTEREST REDUCTION PAYMENT AGREEMENT

An Interest Reduction Payment Agreement ("IRP") dated April 16, 1998, was entered into between the California Housing Finance Agency ('Mortgagee") and the Secretary of Housing and Urban Development Acting By and Through the Federal Housing Commissioner (the "Commissioner") wherein the Commissioner and Mortgagee have agreed that the Mortgagee will assume certain regulatory and oversight responsibilities for the Commissioner.

PROJECT DESCRIPTION

Project Location

Linden Manor Apartments is located at 1245 W. Linden Street in Riverside, Riverside County, California. The immediate area surrounding the subject is an older suburban area consisting primarily of residential uses with much of the development being built during the 1960's and 1970's. The majority of single-family residential development within a one-mile radius of the subject consists of tract homes in the $100,000 to $150,000 price range.

Site

The subject consists of a single parcel located adjacent to Interstate 215/Highway 60, at the northeast corner of Linden Street and Iowa Avenue. The site consists of 7.70 gross acres, or 335,412 square feet. The site is generally square in shape with a triangular shaped corner of the square missing (along Linden Street and Iowa Avenue) for the right-of-way for Interstate 215. Ingress and egress is available to the site via curb cuts along the north side of Linden Street. The site is generally level in topography, with on-site drainage basins and gutters. The site is within the jurisdiction of the city of Riverside and is provided all municipal services. All utilities are available to the site.

Improvements

The improvements consist of 17, two-story walk-up buildings of wood frame construction with stucco, wood-siding accents, and wood trim, containing a gross building area of approximately 177,500 square feet. There are 192 units consisting of 56 one-bedroom/one bath, 104 two-bedroom/one bath, and 32 three-bedroom/two bath units. The property was built in approximately 1970, was rehabilitated in 1998, and is in good condition. On-site parking is provided for 329 vehicles, of which 190 spaces are covered carports. The project does not meet zoning requirements (one garage per unit) however the parking is consistent with local market standards. Project amenities include pools, spas, leasing area, tot-lot, clubhouse or computer center, and laundry rooms. The overall quality of the project is considered to be average for the neighborhood and its age.

Each kitchen features gas range/oven, garbage disposal, and dishwasher. Additionally each unit features wood cabinets with laminated plastic countertops and vinyl flooring in the kitchen area. The bathrooms in each unit feature combination tub/showers with fiberglass enclosures. Additionally each bathroom features a commode, wood cabinet with built-in porcelain sink and laminated plastic countertops, a wall-mounted medicine cabinet with vinyl mirror, and vinyl flooring. All units feature forced air central heating and air conditioning. None of the units have a patio, balcony, or exterior storage area for tenants.

Unit Mix:

No. of Units	No. of Bedrooms	No. of Bathrooms	Unit Square Footage
56	1	1	585
104	2	1	765
32	3	2	1,050

PROJECT FEASIBILITY

Market rate rents for comparable properties average $650 for a one-bedroom unit: $800 for a two-bedroom unit; and $1,050 for a three-bedroom unit.

Rent Differentials (Market versus Restricted)

Unit Type	Subject	Market Rate Average	$ Difference	% Market
One Bedroom		**$650**		
50%	$435		$215	67%
60%	$531		$119	82%
Two Bedroom		**$800**		
50%	$467		$333	58%
60%	$582		$218	73%
Three Bedroom		**$1,050**		
50%	$510		$540	49%
60%	$668		$382	64%

OCCUPANCY RESTRICTIONS

CalHFA 20% of the units will be restricted at 50% or less of AMI

The CalHFA Regulatory Agreement will be for a term of 30 years.

TCAC 100% of the units are restricted at 60% or less of AMI

The TCAC Regulatory is for a period of 30 years ending in 2030

IRP A requirement of the Interest Reduction Payment Agreement is that

20% of the units be restricted at 50% or less of AMI
80% of the units be restricted at 60% or less of AMI

The IRP Agreement Expires in June 2012

CONDEMNATON

The State of California Department of Transportation ("Caltrans") is in the process of a multi-million dollar conversion along California State Highway 60 (the "Freeway") to widen the Freeway, alter ramps, rebuild bridges, and relocate utilities. That project will involve relocating the utilities currently in the Iowa Street Bridge next to Linden Manor (the "Utilities") so that those Utilities go under the Freeway. A portion of that Utility relocation and Freeway widening will affect Riverside Gardens Preservation Limited Partnership ("Owner") and the project.

The impact on Linden Manor relative to the Freeway widening and Utility work is currently unknown. The temporary loss of a portion of available parking, followed by the simultaneous loss of two adjacent bridges over the Freeway at Linden and Iowa Streets, will significantly restrict public access to Linden Manor, which may affect the historically high occupancy rates. The Owner is currently engaging experienced condemnation appraisers and attorneys to protect the development and its various interests.

The final loan commitment will be conditioned upon an acceptable business interruption plan with sufficient reserves, if necessary, as required by the Agency.

ENVIRONMENTAL

A Phase I Environmental Assessment report was completed on December 27, 2001. The report identified asbestos-containing ceiling tiles and wallboard/joint compound which is in good condition and could be maintained in place if an Operations and Maintenance ("O&M") Program is developed and maintained. A properly designed O&M Program is sufficient to maintain the project in accordance with current regulatory standards and sound business practice. The report concludes that there are no other adverse environmental conditions that warrant further investigation or remedial action.

A seismic evaluation is in process.

PHYSICAL NEEDS ASSESSMENT / SCOPE OF WORK

The property was rehabilitated in 1998 pursuant to the requirements of the Low Income Housing Tax Credit program. The property is in good physical condition, and no additional work is required at this time.

ARTICLE XXXIV

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

DEVELOPMENT TEAM

Borrower

Riverside Gardens Preservation Limited Partnership, a California limited partnership

Managing General Partner: Housing Corporation of America, a Utah non-profit Corporation
Housing Corporation of America ("HCA"), a 501(c)(3) Utah corporation, was founded in 1988. Its purpose is to preserve and provide quality affordable housing. HCA's portfolio consists of over 2,400 units of low income and affordable apartments in the states of California, Utah, Colorado, Missouri and Tennessee.

Administrative General Partner: Riverside Gardens Preservation, L.L.C., a California limited liability company. The sole member of the limited liability company is Orion Capital Group, LLC. Mr. Steven J. Stogel is managing member of both limited liability companies. Mr. Stogel has over twenty year's experience in the development and ownership of market rate and affordable apartment communities. In the past 20 years Mr. Stogel has developed over 8,000 rental apartment units.

Management Agent

Related Management

Related Management Company, L.P. was formed in 1974 to specialize in the management of residential properties. The company at present directly manages 114 apartment complexes consisting of approximately 18,500 units. Developments are located in the states of New York, New Jersey, Connecticut, Pennsylvania, Illinois, Rhode Island, Georgia, Alabama, Florida, and California. Related has extensive experience with and works closely on a regular basis with HUD as well as numerous local housing authorities, development agencies, and community organizations.

Project Summary

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Date: 29-Apr-03

Project Profile:

Project:	Linden Manor Apartments		
Location:	1245 Linden Street		
	Riverside 92507	*Cap Rate:*	9.00%
County:	Riverside	*Market:*	$11,100,000
Borrower:	Riverside Gardens Preservation Ltd Ptnrshp	*Income:*	$11,100,000
MGP:	Housing Corporation of America	*Final Value*	$11,100,000
AGP:	Riverside Gardens Preseration LLC		
LP:	Related Capital	***LTC/LTV:***	
Program:	Tax Exempt / Taxable	*Loan/Cost*	68.4%
CHFA #:	03-018-S	*Loan/Value*	39.8%

Project Description:

Units	192
Handicap Units	4
Bldge Type	Existing
Buildings	17
Stories	2
Gross Sq Ft	177,500
Land Sq Ft	335,412
Units/Acre	25
Total Parking	329
Covered Parking	190

Financing Summary:

	Amount	Per Unit	Rate	Term
CalHFA First Mortgage	$3,860,000	$20,104	5.40%	30
CalHFA Taxable	$556,000	$2,896	6.50%	30
IRP Loan (Not To Exceed)	$975,000	$5,078	5.40%	8
Loan	$0	$0	0.00%	-
Loan	$0	$0	0.00%	-
AHP	$0	$0	0.00%	-
Grants	$0	$0	0.00%	-
Developers Equity	$0	$0		-
Project Reserves	$252,815	$1,317		-
Deferred Developer Equity	$0	$0		-
Tax Credit Equity	$0	$0		-
Other	$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	11	435	45	531	0	0	56
2 bedroom	0	0	0	0	21	467	83	582	0	0	104
3 bedroom			0	0	7	510	25	668	0	0	32
4 bedroom			0	0	0	0	0	0	0	0	0
subtotal	0		0		39		153		0		
											192

* net rent

Fees, Escrows, and Reserves:

Fees	Basis of Requirements	Amount	Security
Loan fees	1.50% of Loan Amount	$80,865	Cash
Escrows			
Reserves			
Existing Replacement Reserve Deposit	0.00% of Gross Income	$252,815	Cash
Annual Replacement Reserve Deposit	$250 per unit	$48,000	Operations

Sources and Uses — Linden Manor Apartments

SOURCES:

Name of Lender / Source	**Amount**	**Pct of Total**	**$ per unit**
CalHFA First Mortgage	3,860,000	68.4%	20,104
CalHFA Taxable	556,000	9.9%	2,896
CalHFA HAT			
IRP - Tax Exempt	975,000	17.3%	5,078
Other Loans			
Total Institutional Financing	**5,391,000**	**95.5%**	**28,078**
Reserves	252,815	4.5%	1,317
Developer Equity			
Tax Credits			0
Deferred Developer Equity			0
Total Equity Financing	**252,815**	4.5%	**1,317**
		0.0%	
TOTAL SOURCES	**5,643,815**	**100.0%**	**29,395**

USES:

Bond Refunding	5,242,900	92.9%	27,307
Rehabilitation			
New Construction			
Architectual Fees			
Survey and Engineering			
Const. Loan Interest & Fees			
Permanent Financing	90,600	1.6%	472
Legal Fees	37,500	0.7%	195
Reserves	252,815	4.5%	1,317
Contract Costs	12,500	0.2%	65
Contingency			0
Local Fees			0
TCAC/Other Costs	7,500	0.1%	39
PROJECT COSTS	**5,643,815**	**100.0%**	**29,395**
Developer Overhead/Profit			0
Consultant/Processing Agent			0
TOTAL USES	**5,643,815**	**100.0%**	**29,395**

Annual Operating Budget — Linden Manor Apartments

		$ per unit
INCOME:		
Total Rental Income	1,284,756	6,691
Laundry	18,432	96
Other Income	0	-
Commercial/Retail	0	-
Gross Potential Income (GPI)	**1,303,188**	**6,787**
Less:		
Vacancy Loss	65,159	339
Total Net Revenue	**1,238,029**	**6,448**
EXPENSES:		
Payroll	245,973	1,281
Administrative	126,000	656
Utilities	104,237	543
Operating and Maintenance	152,624	795
Insurance and Business Taxes	98,750	514
Taxes and Assessments	10,436	54
Reserve for Replacement Deposits	48,000	250
Subtotal Operating Expenses	**786,020**	**4,094**
Financial Expenses		
Mortgage Payments (1st loan)	260,101	1,355
Total Financial	**260,101**	**1,355**
Total Project Expenses	**1,046,121**	**5,449**

Cash Flow — Linden Manor Apartments — CHFA # 03-018-S

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Market Rent Increase							
Market Rents	0	0	0	0			
Affordable Rent Increase	*2.25%*	*2.25%*	*2.25%*	*2.25%*	*2.25%*	*2.25%*	*2.25%*
Affordable Rents	1,284,756	1,313,663	1,343,220	1,373,443	1,404,345	1,435,943	1,468,252
TOTAL RENTAL INCOME	**1,284,756**	**1,313,663**	**1,343,220**	**1,373,443**	**1,404,345**	**1,435,943**	**1,468,252**
OTHER INCOME							
Other Income Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Laundry	18,432	18,801	19,177	19,560	19,951	20,350	20,757
Other Income	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**18,432**	**18,801**	**19,177**	**19,560**	**19,951**	**20,350**	**20,757**
GROSS INCOME	**1,303,188**	**1,332,464**	**1,362,397**	**1,393,003**	**1,424,297**	**1,456,294**	**1,489,009**
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	65,159	66,623	68,120	69,650	71,215	72,815	74,450
EFFECTIVE GROSS INCOME	**1,238,029**	**1,265,840**	**1,294,277**	**1,323,353**	**1,353,082**	**1,383,479**	**1,414,559**
OPERATING EXPENSES							
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Expenses	727,584	753,049	779,406	806,685	834,919	864,142	894,387
Replacement Reserve	48,000	48,000	48,000	48,000	48,000	50,400	50,400
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	10,436	10,645	10,858	11,075	11,296	11,522	11,753
TOTAL EXPENSES	**786,020**	**811,694**	**838,264**	**865,760**	**894,216**	**926,064**	**956,539**
NET OPERATING INCOME	**452,009**	**454,146**	**456,013**	**457,593**	**458,866**	**457,415**	**458,020**
DEBT SERVICE	1	2	3	4	5	6	7
CHFA - 1st Mortgage	260,101	260,101	260,101	260,101	260,101	260,101	260,101
CHFA - Taxable	42,168	42,168	42,168	42,168	42,168	42,168	42,168
CHFA - Bridge Loan	0	0	0	0	0		
CHFA - HAT Loan	0	0	0	0	0		
Total Debt Service	302,269	302,269	302,269	302,269	302,269	302,269	302,269
CASH FLOW after debt service	**149,740**	**151,877**	**153,744**	**155,324**	**156,597**	**155,146**	**155,751**
DEBT COVERAGE RATIO	**1.50**	**1.50**	**1.51**	**1.51**	**1.52**	**1.51**	**1.52**

Cash Flow

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Ye
Market Rent Increase								
Market Rents	0	0	0	0	0	0	0	
Affordable Rent Increase	*2.25%*	*2.25%*	*2.25%*	*2.25%*	*2.25%*	*2.25%*	*2.25%*	*2.*
Affordable Rents	1,604,922	1,641,032	1,677,956	1,715,710	1,754,313	1,793,785	1,834,145	1,875
TOTAL RENTAL INCOME	**1,604,922**	**1,641,032**	**1,677,956**	**1,715,710**	**1,754,313**	**1,793,785**	**1,834,145**	**1,875**
OTHER INCOME								
Other Income Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.*
Laundry	22,469	22,918	23,376	23,844	24,321	24,807	25,303	25
Other Income	0	0	0	0	0	0	0	
TOTAL OTHER INCOME	**22,469**	**22,918**	**23,376**	**23,844**	**24,321**	**24,807**	**25,303**	**25**
GROSS INCOME	**1,627,390**	**1,663,950**	**1,701,332**	**1,739,553**	**1,778,634**	**1,818,592**	**1,859,448**	**1,901**
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	81,370	83,198	85,067	86,978	88,932	90,930	92,972	95
EFFECTIVE GROSS INCOME	**1,546,021**	**1,580,753**	**1,616,265**	**1,652,576**	**1,689,702**	**1,727,663**	**1,766,476**	**1,806**
OPERATING EXPENSES								
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.*
Expenses	1,026,329	1,062,251	1,099,429	1,137,909	1,177,736	1,218,957	1,261,620	1,305
Replacement Reserve	52,920	52,920	52,920	52,920	52,920	55,566	55,566	55
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.*
Taxes and Assessments	12,721	12,976	13,235	13,500	13,770	14,045	14,326	14
TOTAL EXPENSES	**1,091,971**	**1,128,146**	**1,165,585**	**1,204,329**	**1,244,426**	**1,288,568**	**1,331,513**	**1,375**
NET OPERATING INCOME	**454,050**	**452,606**	**450,680**	**448,246**	**445,276**	**439,094**	**434,963**	**430**
DEBT SERVICE	11	12	13	14	15	16	17	18
CHFA - 1st Mortgage	260,101	260,101	260,101	260,101	260,101	260,101	260,101	260
CHFA - Taxable	42,168	42,168	42,168	42,168	42,168	42,168	42,168	42
CHFA - Bridge Loan								
CHFA - HAT Loan								
Total Debt Service	302,269	302,269	302,269	302,269	302,269	302,269	302,269	302
CASH FLOW after debt service	**151,781**	**150,337**	**148,411**	**145,977**	**143,007**	**136,825**	**132,694**	**127**
DEBT COVERAGE RATIO	**1.50**	**1.50**	**1.49**	**1.48**	**1.47**	**1.45**	**1.44**	

Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27
Market Rent Increase							
Market Rents	0	0	0	0	0	0	0
Affordable Rent Increase	*2.25%*	*2.25%*	*2.25%*	*2.25%*	*2.25%*	*2.25%*	*2.25%*
Affordable Rents	2,004,874	2,049,983	2,096,108	2,143,270	2,191,494	2,240,802	2,291,221
TOTAL RENTAL INCOME	**2,004,874**	**2,049,983**	**2,096,108**	**2,143,270**	**2,191,494**	**2,240,802**	**2,291,221**
OTHER INCOME							
Other Income Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Laundry	27,389	27,937	28,495	29,065	29,647	30,240	30,844
Other Income	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**27,389**	**27,937**	**28,495**	**29,065**	**29,647**	**30,240**	**30,844**
GROSS INCOME	**2,032,263**	**2,077,920**	**2,124,603**	**2,172,336**	**2,221,141**	**2,271,042**	**2,322,065**
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	101,613	103,896	106,230	108,617	111,057	113,552	116,103
EFFECTIVE GROSS INCOME	**1,930,649**	**1,974,024**	**2,018,373**	**2,063,719**	**2,110,084**	**2,157,490**	**2,205,962**
OPERATING EXPENSES							
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Expenses	1,447,739	1,498,409	1,550,854	1,605,134	1,661,313	1,719,459	1,779,640
Replacement Reserve	58,344	58,344	58,344	58,344	58,344	61,262	61,262
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	15,507	15,817	16,134	16,457	16,786	17,121	17,464
TOTAL EXPENSES	**1,521,590**	**1,572,571**	**1,625,332**	**1,679,934**	**1,736,443**	**1,797,842**	**1,858,366**
NET OPERATING INCOME	**409,059**	**401,453**	**393,041**	**383,784**	**373,640**	**359,648**	**347,596**
DEBT SERVICE	21	22	23	24	25	26	27
CHFA - 1st Mortgage	260,101	260,101	260,101	260,101	260,101	260,101	260,101
CHFA - Taxable	42,168	42,168	42,168	42,168	42,168	42,168	42,168
CHFA - Bridge Loan							
CHFA - HAT Loan							
Total Debt Service	302,269	302,269	302,269	302,269	302,269	302,269	302,269
CASH FLOW after debt service	**106,790**	**99,184**	**90,772**	**81,515**	**71,371**	**57,379**	**45,327**
DEBT COVERAGE RATIO	**1.35**	**1.33**	**1.30**	**1.27**	**1.24**	**1.19**	**1.15**

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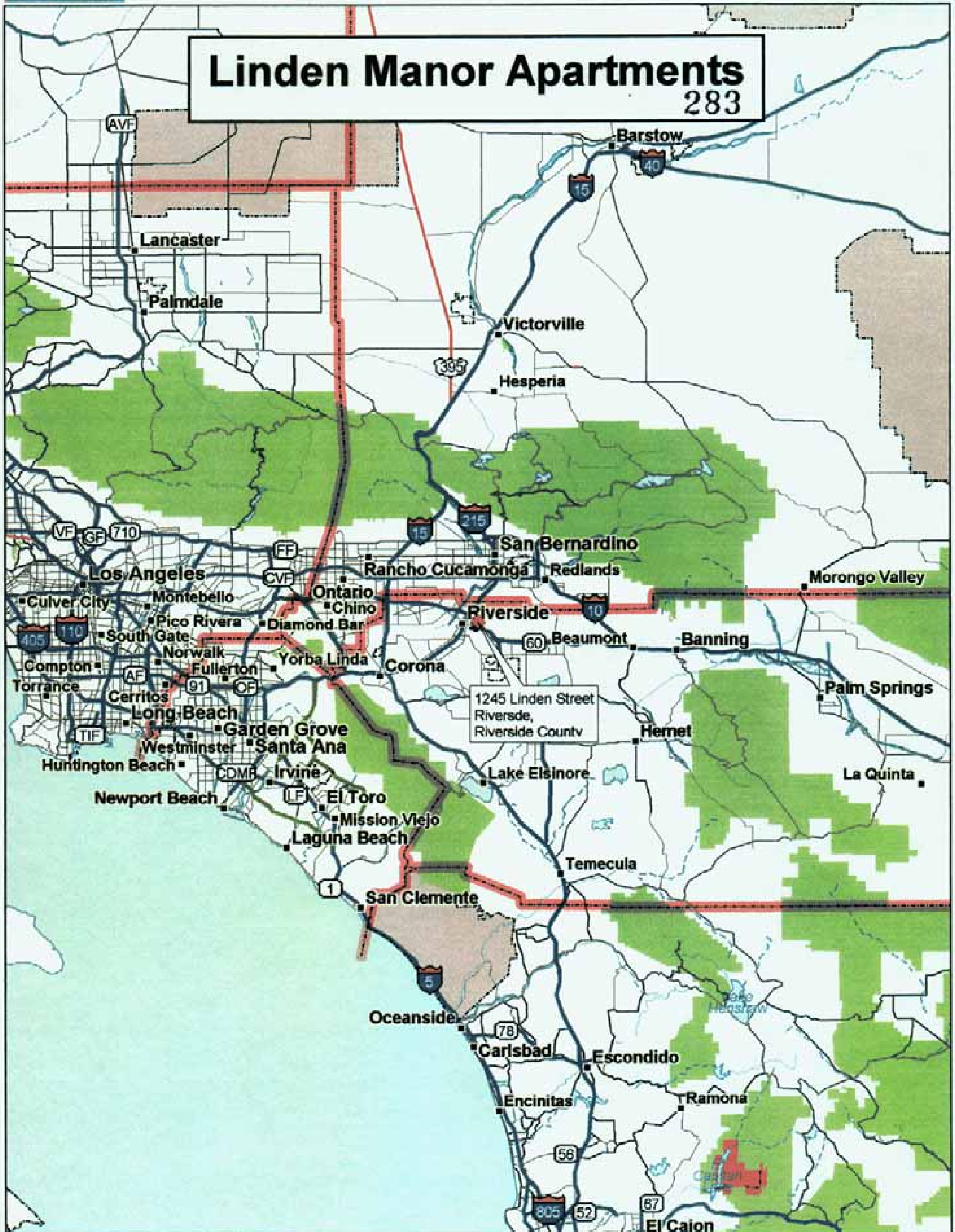

Scale 1 : 1,100,000

1" = 17.4 mi

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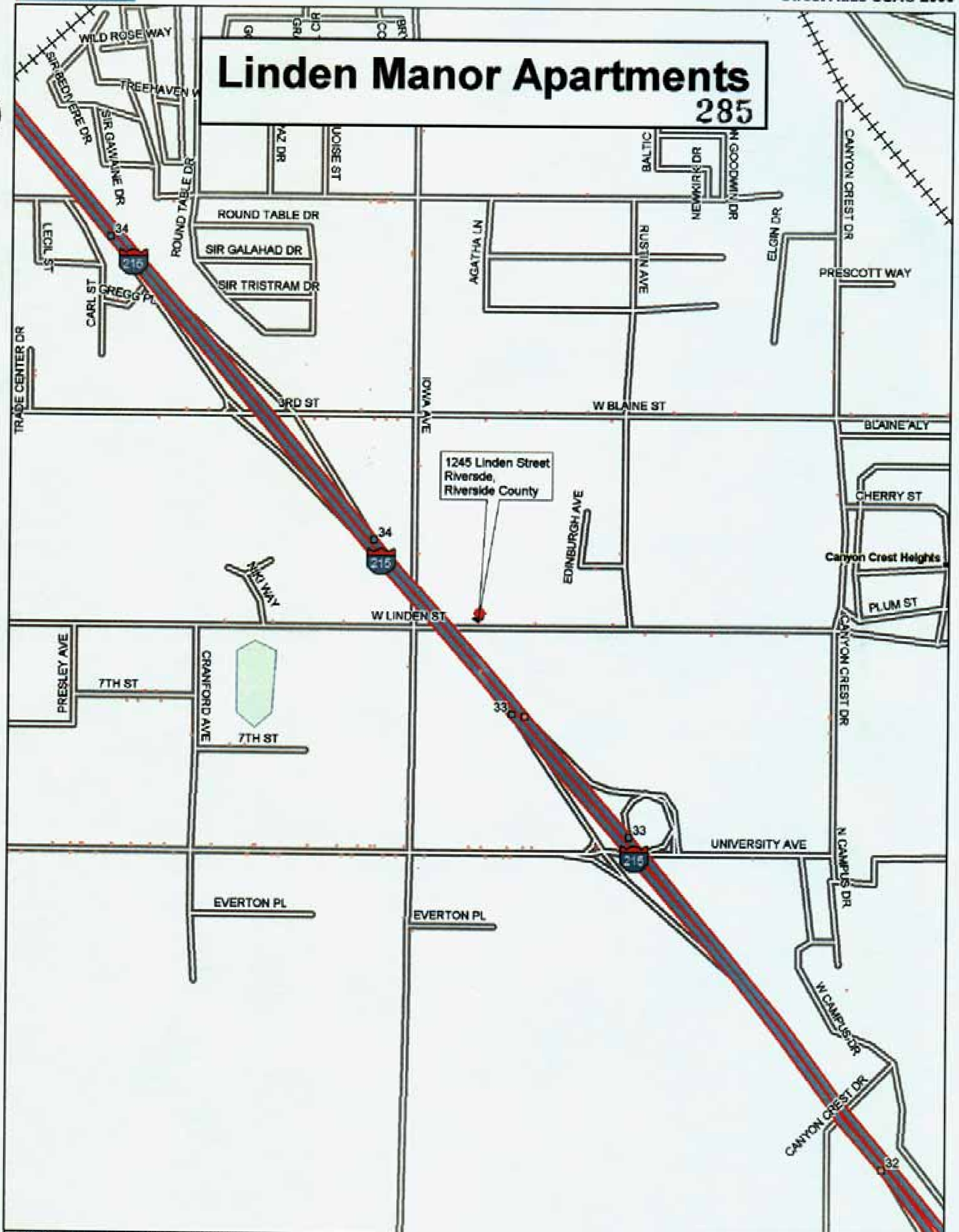
Linden Manor Apartments



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1" = 800 ft

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RESOLUTION 03-27

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Riverside Gardens Preservation Limited Partnership, a California limited partnership ("Borrower"), seeking a loan commitment under the Agency's Tax-Exempt and Taxable Loan Programs in the mortgage amounts described herein, the proceeds of which are to be used to provide mortgage loans for a 192-unit multifamily housing development located in the City of Riverside to be known as Linden Manor Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated April 29, 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 and taxable bonds, to declare its reasonable official intent to reimburse prior expenditures for the Development with proceeds of a subsequent borrowing; and

WHEREAS, on April 29, 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 the recommended terms and conditions set forth in the CHFA Staff Report, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNTS
03-018-S	Linden Manor Apartments	192	
	Riverside/Riverside	Permanent Tax-Exempt:	$3,860,000
		Permanent Taxable:	$ 556,000
		Interest Reduction Payment Loan:	$ 975,000

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

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

I hereby certify that this is a true and correct copy of Resolution 03-27 adopted at a duly constituted meeting of the Board of the Agency held on May 15, 2003, at Burbank, California.

ATTEST:____________________
Secretary

State of California

MEMORANDUM

To: **CalHFA Board of Directors** **Date:** April 28, 2003

Linn G. Warren
Director of Multifamily Programs
From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: EARTHQUAKE INSURANCE WAIVER PROGRAM

Earthquake insurance has been required on all CalHFA multifamily projects since approximately 1990 and in some instances prior to that time. The insurance has served to provide two levels of protection for the Agency. The first provides funds necessary to rebuild or repair a damaged project so that project cash flow will continue to service our loan. The second to ensures damaged affordable housing project can rebuild and continue as affordable. The Agency currently requires a full seismic review of all projects financed to ensure that health, safety and damage mitigation thresholds are met.

The changing nature of the affordable housing industry and of the Agency itself in recent years has compelled staff to revaluate insurance requirements. Insurance costs of all types have increased dramatically and indications are this trend will continue. Gap financing for projects has become increasing critical as project costs and land value have risen, dramatically increasing the demand for CalHFA financing. An additional and sometimes overlooked change is the strengthening of the Uniform Building Code (UBC) in response to the 1994 Northridge Earthquake and other seismic events.

The cost of earthquake insurance is high. As of this writing, the pooled coverage (all Agency projects are insured with a single agent, with exceptions granted when equivalent coverage is obtained) cost is 21cents for each $100 of replacement value. The policy also provides coverage for flood and business interruption. For an average 100 unit project with per unit replacement cost of $125,000, the annual insurance premium is approximately $26,000. The impact on a project can be substantial in the form of less available debt, weakened cash flow or the need to obtain additional gap financing as the example below illustrates.

A 140 unit senior project in San Francisco the Agency could not finance (due to earthquake insurance costs) would have benefited from the waiver of insurance. The annual insurance premium was estimated to be $55,320.

Category	With Insurance	W/O Insurance	Difference
Effective Gross Income	1,906,743	1,906,743	n/a
Expenses	835,492	780,172	55,320
NOI	1,071,251	1,126,571	55,320
Max Loan at 1.10 DCR	11,800,000	12,400,000	600,000

Viewed from the perspective of the borrower, the benefit of using Agency financing (in this case a 5.50% rate for 20 years) is offset by the increased insurance cost, hence another lender can offer a rate as high as 6.12% to achieve the same loan amount of $11.8 million. Alternatively, by using the lower expenses, the debt coverage ratio for the $11.8 million loan increases from 1.10 to1.16.

In response to these situations, staff requested that URS Corporation, the engineering and environmental firm the Agency uses for its seismic evaluations, recommend procedures that would meet the goals of seismic safety and increased economic benefit for the projects we finance. The proposal and analysis prepared by William Graf of URS is attached. The objective of the earthquake insurance waiver program is to not require insurance for newly constructed projects, provided the projects can meet the following protocols. Acquisition/Rehabilitation projects would not be eligible at this time for the waiver of insurance.

Required Steps:

A review of the site's geotechnical reports and assessment of site-specific seismic hazards, including strong ground motion, and the potential for soil liquefaction. Other hazards (e.g., slope instability, excessive settlements, tsunami, seiche, etc.) may also need to be evaluated for the risks they pose, depending on the site.

- Comparison of the site UBC design earthquake parameters with the latest (2002) results of the United States Geological Survey (USGS), to evaluate the adequacy of the code design force levels.
- A review of the structural design by CalHFA's seismic consultant, with recommendations for cost-effective reduction of buildings' seismic vulnerability (i.e., "value engineering");
- 'Structural Observation' during construction by the design engineer, as described by the UBC;
- Limited visual surveys during construction, by CalHFA's seismic consultant, as needed;
- Review of RFI ('Request for Information') correspondence by CalHFA's seismic consultant; and,
- Certification of construction by the design professionals following construction, and an update of the design drawings to reflect "as-built" conditions.

Newly constructed projects built in conformance with UBC 1997, would be allowed to petition the Agency for the insurance waiver and would be subject to an extensive seismic and structural evaluation by URS. Projects that do not meet the tests shown above or are proposed for a very active seismic area, will be required to obtain earthquake insurance in order to receive Agency financing. Older projects built before the implementation of UBC 1997 would not be eligible for the waiver; however, this position may change as more portfolio and individual project risk information is obtained.

In the affordable housing industry, lenders and equity providers rarely require earthquake insurance for new construction projects. Some lenders and investors do require insurance for older acquisition/rehabilitation projects as do the occasional bond investor or insurer. 291

While it is not realistic to assume that all seismic risk can be eliminated through design, the Agency does possess the financial strength to mitigate financial losses that may result form a significant seismic event. It is staff's belief that the added financial benefit projects can gain through this change in underwriting, particularly in this time of scarce local resources, warrants a change in risk management

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Suggested Policy for Waiver of Earthquake Insurance Requirements

By URS Corporation

1. Introduction

1.1 Problem Statement

CalHFA is facing objections to earthquake insurance requirements by developers / sponsors of new multifamily construction projects. The sponsors maintain that the cost of earthquake insurance imposes an unnecessary financial burden, and that design and construction in accordance the new Uniform Building Code (UBC) provides adequate life-safety and damage control.

In response this concern expressed by the developers / sponsors, CalHFA is considering policy revisions, in which new and recently constructed projects would meet specific performance objectives for basic life safety and damage control, for the benefit of occupants of CalHFA-financed housing, and to limit CalHFA's potential losses in future earthquakes.

1.2 Intent of the Uniform Building Code (UBC)

The provisions in the UBC for new design are intended to provide life safety under gravity and other loads, including earthquake loads. The UBC considers earthquake ground motions with 475-year recurrence, using a "macro-scale" Seismic Hazard Zone map. The 475-year return period equates to a 10 percent chance of exceedance in than assumed building design life of 50 years.

1.3 Challenges in Achieving Life-Safety and Damage Reduction Goals

It is recognized that the current code, by incorporating lessons learned in recent earthquakes (especially the 1994 Northridge event) provides for life-safety and some measure of damage control for conventional wood-frame multifamily designs. URS concurs that life-safety objectives may be reasonably achieved by design and construction in accordance with the UBC, provided that certain precautions are taken. The reasons for caution are several:

- Some locations in the state are expected to experience very high ground motions, in excess of those anticipated by the code. These areas need to be recognized, and higher design forces used in order to achieve a uniform level of life safety and damage control from earthquakes, consistent with CalHFA seismic risk criteria.
- Undiscovered defects can occur in design and construction, leading to a vulnerable building. The ability of building departments to detect and correct these errors (i.e., in plan check or by periodic inspection) is limited, especially in smaller or less sophisticated building jurisdictions. Hence, the involvement of experienced design professionals is needed in pro-active construction quality programs to avoid construction defects and achieve optimal performance, consistent with design.
- Unconventional designs and new materials may present unanticipated weaknesses, for which the seismic design provisions of the 1997 UBC may be untested. Examples include four- and five-story bearing wall wood frame construction, or the reuse of historic facades in new construction, or unique configurations or combinations of structural systems. In these cases, detailed peer review during the design phase may result in low-cost or no-cost design changes, leading to improved strength, ductility and reliability.

2. Policy Formulation – New Construction

2.1 Overview

With the above considerations in mind, URS recommends that CalHFA utilize "peer" review during the design phase of new projects, combined with structural observation by experienced design engineers during the construction phase, to ensure conformance of both design and construction with 1997 UBC. During the design phase, we recommend the following scope of work:

- A review of the site's geotechnical reports and and assessment of site-specific seismic hazards, including strong ground motion, and the potential for soil liquefaction. Other hazards (e.g., slope instability, excessive settlements, tsunami, seiche, etc.) may also need to be evaluated for the risks they pose, depending on the site.
- Comparison of the site UBC design earthquake parameters with the latest (2002) results of the United States Geological Survey (USGS), to evaluate the adequacy of the code design force levels.
- A review of the structural design by CalHFA's seismic consultant, with recommendations for cost-effective reduction of buildings' seismic vulnerability (i.e., "value engineering");
- 'Structural Observation' during construction by the design engineer, as described by the UBC;
- Limited visual surveys during construction, by CalHFA's seismic consultant, as needed;
- Review of any significant design changes by CalHFA's seismic consultant; and,
- Certification of construction by the design professionals following construction, and an update of the design drawings to reflect "as-built" conditions.

3. Implementation of Policy – New Construction

3.1 Disclosure of Requirements to Sponsor / Developer

CalHFA will need to fully inform the sponsor / developer, the design Architect and the Engineer-of-Record of all of the actions required of each party for waiver of earthquake insurance, at the outset of the development. This disclosure would include:

- Requirements for geotechnical investigation and reporting, and special design considerations that may results (e.g., higher-than-code forces, in some cases);
- Requirements for structural design by the Engineer-of-Record, and for structural design review by CalHFA's consultant;
- Requirements for Structural Observation, certification of construction conformance to the design, and (if needed) independent verification of construction quality by CalHFA's Seismic Consultant; and
- Revisions to the Structural design drawings to reflect the final constructed conditions.

This disclosure will allow the sponsor / developer to evaluate the incremental costs associated with a waiver of earthquake insurance requirements, and compare these costs with the cost of earthquake insurance premiums. The cost of review by CalHFA's seismic consultant should be borne by the sponsor / developer, but the seismic consultant will be engaged by, and report directly to, CalHFA.

3.2 Geotechnical Investigation and Mitigation of 'Special' Hazards

The geotechnical investigation for all new construction financed by CalHFA should include:

- An adequate number of soil borings, accomplished using acceptable methods and standards, to define subsurface conditions, develop recommendations for adequate foundations, establish foundation bearing capacities, and determine seismic design parameters as required by the 1997 UBC.
- Evaluation of site-specific 'special' seismic hazards as required by law within the State of California, including surface fault rupture, slope instability and soil liquefaction, using approved methods and maps provided by the California Geological Survey.

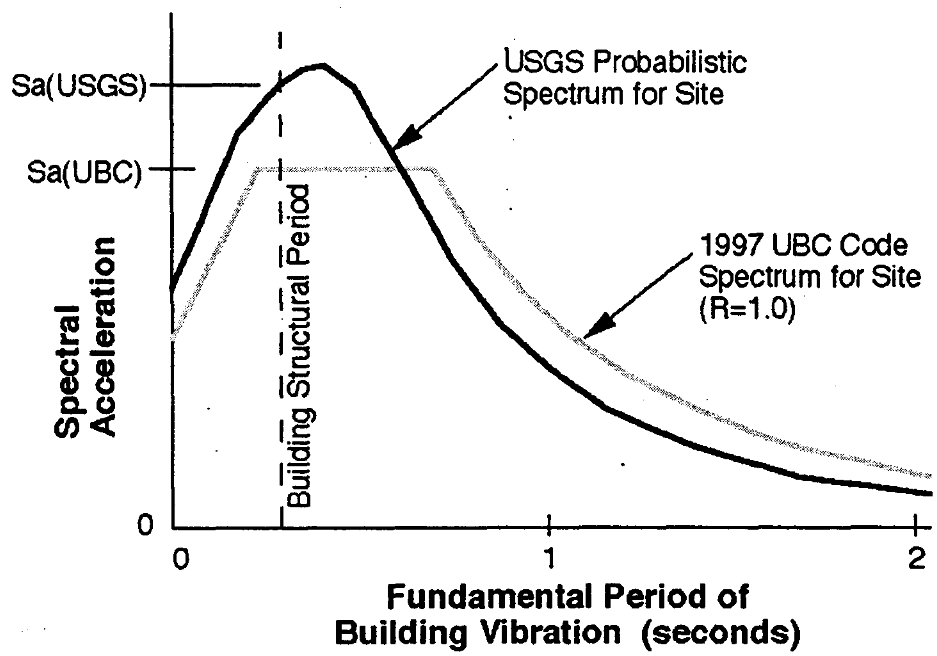
As required by California law, no new building for human occupancy may be constructed within a prescribed distance of the surface trace of certain earthquake faults specified by the State. The State publishes maps defining the boundaries of 'Earthquake Fault Zones'. The boundaries are generally set from 200 to 500 feet from known surface fault rupture traces. To construct a building within these boundaries, special geologic investigations are required to properly locate past surface fault ruptures and determine the appropriate 'set-back' for the new building (usually 50 feet).

To qualify for waiver of earthquake insurance requirements, URS recommends a somewhat more conservative policy. No building covered by such waiver should be constructed within the boundaries of an 'Earthquake

Fault Zone,' and no building should be constructed within a specified distance (200 feet?) of the surface trace of other known active (Holocene) faults, whether they are currently zoned by the State or not.

As CalHFA's Seismic Consultant, URS will review the geotechnical ("foundation") report at the outset of the design process, to ensure that all seismic hazards are appropriately considered. URS can work with CalHFA to define requirements regarding the mitigation of site-specific 'special' earthquake hazards.

URS will also compare site UBC design earthquake parameters with the latest (2002) results of the United States Geological Survey (USGS), to evaluate the adequacy of the code design force levels, and to recommend increased force levels, where needed to provide the uniform level of damage control needed for waiver of earthquake insurance.



Probabilistic ground motions from the USGS ['Sa(USGS)'] are compared with 1997 UBC design basis motions ['Sa(UBC)'] to determine if increased forces should be used. 'Sa' = Spectral Acceleration.

3.3 Structural Design and Design Review

New projects would undergo detailed structural design review (referred to here as an 'Insurance Waiver Review'), for conformance with the 1997 UBC design requirements, to confirm good design practice, and to ensure that all seismic hazards have been adequately addressed.

As an example, the elements to be examined for 'good design practice' may include the following:

- A maximum of four stories in bearing wall, wood-frame construction.
- Design of a complete lateral force resisting system for all buildings by a Professional Engineer (Civil) or Structural Engineer.
- Plywood (or oriented-strand board – "OSB") sheathing as the primary load-resisting element of all stories (i.e., not stucco or gypsum wall board).
- Vertical 'stacking' of shear walls, with no (or very few) vertically discontinuous shear walls.
- Full details for shear transfer, drag connections(collectors), and uplift.
- Concentric hold-down systems for shear walls of 3 or more stories.

3.4 'Conventional Light Frame Construction' (Ch. 23, Div. IV, 1997 UBC)

The UBC permits "cookbook" designs for 1-, 2- and 3-story wood frames within the narrow definition of conventional light-frame construction. In this case, no formal earthquake structural design by a Professional Engineer (Civil) or Structural Engineer is required. CalHFA may allow 'Conventional Construction' for small, 1-story buildings only, with earthquake insurance, but CalHFA should disallow earthquake insurance waiver on all conventional construction. Furthermore, for earthquake insurance waiver, CalHFA should require design of a complete lateral force resisting system for all buildings by a Professional Engineer (Civil) or Structural Engineer.

3.5 Structural Observation and Independent Verification

"Structural Observation" is described by the UBC as a responsibility of the Engineer-of-Record (Civil or Structural). Section 220 of the 1997 UBC defines Structural Observation as "the visual observation of the structural system, for general conformance to the approved plans and specifications, at significant construction phases and at completion of the structural system. Structural observation does not include or waive the responsibility for the inspections required by Section 108, 1701 or other sections of this code."

"Structural Observation" is not required by the UBC for most new multifamily construction. "Structural Observation" is required for all "Essential Facilities", "Hazardous Facilities", and "Special Occupancy Structures," as defined in Table 16-K of the 1997 UBC. It is also required for standard occupancy structures (including apartment buildings), where located in Seismic Zone 4 found within 10 km of a seismic source of Type "A", or within 5 km of a seismic source Type "B", except for 1- and 2-story "conventional light-frame construction." The identified "seismic sources" are specific known faults (e.g., Type "A" faults have high activity rates and can produce large-magnitude events). "Structural Observation" may also be required by the architect or engineer of record, or by the building official.

It is our experience that on-site observations by design professionals significantly improves construction quality. Therefore, URS recommends that "Structural Observation" be required for <u>all</u> new construction financed by CalHFA, if waiver of earthquake insurance requirements is sought. The Civil or Structural

Engineer-of-Record should assume an active role in quality assurance, and CalHFA should make use of these design professionals to actively monitor and provide feedback regarding the quality of the completed project. URS recommends that CalHFA require "Structural Observation" as outlined by the UBC, according to specific procedures, with inspection forms and reporting requirements to be developed by URS. In addition, URS recommends that CalHFA require documentation of changes during construction, including the submittal of a summary of construction problems / changes to CalHFA and to URS for informational purposes. Upon completion of construction, the design drawings should be revised to reflect the changes in the design that occurred during construction and resubmitted to CalHFA and to URS.

Site visits by URS may be appropriate for large projects, for unconventional designs, and for mixed structural systems. URS may also conduct a site visits at key points in the construction, to meet the design and construction team, to discuss project quality procedures, to observe constructed quality, and to visually assess the buildings' configuration. The intent of site visits would be to provide limited verification of construction quality, independent of the sponsor / developer's design and construction team.

CalHFA and URS can discuss the issues and options regarding Structural Observation and the overall process of assuring construction quality, so that procedures can be developed and implemented for the waiver of earthquake insurance requirements. Areas for discussion include:

- The number and scope of observations to be conducted by the Engineer-of-Record;
- The monitoring of significant design changes by CalHFA and URS;
- Documentation of the Engineer's findings from the observations, and resolution of problems discovered;
- Reporting the results of URS' visual observations and the resolution of problems discovered;
- Revisions to the Structural design drawings to reflect the final construction (i.e., to 'as-built' conditions);
- Certification of the completed construction as complying with the design; and,
- URS' role in providing independent verification of construction quality.

3.6 Submission of As-Built Structural Drawings

URS recommends that CalHFA require the submission of 'as-built' structural drawings, to document changes to the design made during construction. Such changes routinely occur due to resolve physical interferences, to improve constructibility, and to allow for substitution of equal or better materials found at a lower cost.

4. Implementation of Policy – Recent Construction

For recent construction, sponsors may also wish to seek a waiver of earthquake insurance requirements. The policies and procedures developed for new construction (as described above) may be adapted for these cases. This may be especially useful for sites found in areas of average or below-average seismic hazards.

In these cases, 'as-built' design drawings may be reviewed in detail (i.e, an 'Insurance Waiver Review') by CalHFA's seismic consultant, to see if the design meets a seismic standard equivalent to the 1997 UBC, and thereby qualifies for [full or partial] waiver of insurance requirements. For existing, recent construction, CalHFA may require submittal of quality documentation, such as construction observation reports (if available) from the Structural Engineer-of-Record, or certification that the design conforms to the as-built drawings (similar to the above). URS may also conduct a site visit to observe constructed quality, visually assess configuration, and inspect anchorage of building service equipment.

Previous 'Level 2' reviews and risk evaluations by CalHFA's seismic consultant are not sufficient for waiver of insurance requirements. For these 'Level 2' reviews, all structural vulnerability information was provided by the design engineer, using a simple form provided by CalHFA. This does not provide the level of detail or independent review needed for waiver of insurance requirements. Previous 'Level 3' reviews for new construction may be examined for their adequacy for waiver of insurance requirements.

5. Use of Consultant Reports

The consultant 'Insurance Waiver Reviews' may generate comments and action items, which in turn result in revisions to new designs or modifications of existing structures. Following resolution of any such comments, URS can produce a report which summarizes the investigations, and mitigation actions completed, and presents final conclusions regarding risk. As needed, and at CalHFA's discretion, these reports may be shared with borrowers, rating agencies and insurers.

6. Policy – Rehabilitation Projects

CalHFA should continue to require insurance on Rehabilitation Projects, except in very special cases (e.g., where retrofit will achieve earthquake structural performance that meets or exceeds new code standards). Portfolio seismic risk reviews may be conducted for organizations (large developers or sponsors) such as The Related Companies or Christian Church Homes or Catholic Charities. This may allow them to demonstrate the adequacy of pooled insurance, rather than facing large, cumulative insurance requirements for individual properties.

Possible Further URS Actions

1. URS can develop evaluation and acceptance criteria and forms for Insurance Waiver Reviews, for new (and recent) construction.

2. URS can contrast and compare seismic risks in CalHFA's current portfolio between new construction and rehabilitation projects. In this context, 'new' may be defined as buildings designed to post-1994 codes in LA and post 1998 elsewhere in CA, or where 'special provisions' were applied per URS recommendation.

3. URS can work with CalHFA to project CalHFA multifamily portfolio growth in L.A., San Diego, San Francisco and balance of California and suggest policies and underwriting standards for seismic risk to control the growth in seismic risk, especially in areas that can present high cumulative (aggregate) risks in large earthquakes.

4. URS can work with CalHFA to formulate a scope of work for the analysis of earthquake insurance claims, to develop calibrated wood-framed apartment risk models for CalHFA. Such work can be done jointly with Mr. Richard Roth, Jr., FCAS, formerly of the California Department of Insurance. In more than 12 years with the Department, Mr. Roth collected claims data in several large earthquakes (e.g., 1994 Northridge, and 1989 Loma Prieta) affecting multifamily construction. Mr. Roth can provide the relevant (multifamily) claims data and aid in data interpretation. URS can recreate the earthquake hazards and correlate the losses to the hazards, resulting in better loss models for multifamily construction.

State of California

MEMORANDUM

To: Board of Directors

Date: May 1, 2003

Theresa A. Parker, Executive Director TAP

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: CalHFA Five-Year Business Plan
Resolution 03-29

It couldn't be a more exciting time for the cause of affordable housing! With voter approval of Proposition 46, the Housing and Emergency Shelter Trust Fund Act of 2002, an unprecedented $2.1 billion is now available for State housing programs at a time when, paradoxically, other programs are being downsized because of the severe State budget gap. This $2.1 billion investment by the citizens of California is by far the largest dollar amount of housing support by any state in history.

The bond money will enable CalHFA and our sister agency, the Department of Housing & Community Development, to make significant investments in affordable housing during the life of our Five-Year Business Plan.

The theme of last year's Business Plan was preparation for the possibility that Proposition 46 would receive voter approval. As a result of our having successfully built infrastructure this fiscal year, we are eager to administer the CalHFA share of the Proposition 46 programs and to join forces with HCD to marry our resources with theirs.

Because of this great opportunity, we have proposed a twenty percent increase in our activities over the next five years, compared to the goals of last year's Business Plan. As a result, tens of thousands of Californians will be put to work building the affordable housing that we finance, and, ultimately, many tens of thousands of Californians will be better housed.

Your approval of Resolution 03-29, adopting the 11th CalHFA Business Plan, will enable the CalHFA staff to demonstrate their creativity and professionalism in utilizing the additional affordable housing resources made possible by the citizens of California. We pledge to do everything possible to make Californians proud of CalHFA and to prove that we are worthy of their trust.

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CALIFORNIA HOUSING FINANCE AGENCY

FIVE-YEAR BUSINESS PLAN
FISCAL YEARS
2003/2004 TO 2007/2008

FOR PRESENTATION TO THE
BOARD OF DIRECTORS
MAY 15, 2003

CalHFA

Affordable Housing is our Business

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I. Executive Summary

2003 Business Plan Overview:

Considerable opportunity is afforded this year to CalHFA through the Housing and Emergency Shelter Trust Fund Act of 2002. Voter approval of this ballot measure in November 2002 provides expansion in all three Agency program areas (Homeownership, Mortgage Insurance and Multifamily).

CalHFA's 2003 Business Plan proposes total activity of $12.5 billion during the five-year period. Homeownership and multifamily lending programs are estimated to be $9 billion, with an additional $3.5 billion in loan insurance activity. The previous five-year plan proposed a total of $10.2 billion. The proposed new business results from changing market conditions and new opportunities in insurance activities.

Estimated levels of first mortgage lending for homeownership increase to $1.175 billion per year for 2003/04 and with increases annually during the remainder of the five-year plan, raising the new five-year target to $6.76 billion. This includes down payment assistance and self-help builders' assistance. Through the use of recycling, taxable bonds, variable rate bonds and interest rate swaps, the $1.175 billion goal should be attainable in the coming fiscal year. Beyond calendar year 2003, however, additional annual allocation may be required as our opportunities are reduced to re-use allocation received from prior years. (The Business Plan does not assume repeal of the Ten Year Rule.)

Total mortgage insurance activity in the 2003 plan is proposed at $611 million for the 2003/04 fiscal year and $3.5 billion for the five-year period. This compares to 2002 Plan goals for $715 million in fiscal 2002/03 and $3.1 billion for the 2002/03-2006/07 Plan period. During the past six years the Agency has doubled its insurance portfolio and moved the emphasis away from insuring primarily CalHFA loans.

The 2003/04 goal for multifamily lending is $481 million, with a total target of $2.2 billion for the five-year period. Projected activity in new construction is expected to remain strong through our tax-exempt lending programs. Meantime, preservation lending programs will continue to finance a wide range of at-risk government assisted projects. The Multifamily Division also anticipates development of new programs to address unmet needs in the rental housing area.

New construction activity financed under the plan for the Agency is estimated to be over $1.9 billion in new construction homes and $1.1 million in new affordable multifamily rental units. This will support the creation of approximately 64,000 jobs.* Additionally, there will be a significant economic impact resulting from CalHFA's financing of resale homes and multifamily acquisition/rehabilitation projects, as well as from the Agency's mortgage insurance activities.

*Source for multiplier: Construction Industry Research Board

II. INTRODUCTION

Plan Purpose:

The purpose of this document is to provide the Board of Directors of the California Housing Finance Agency (CalHFA) with a proposed business plan for the next five fiscal years. This plan is intended to enhance the Board's ability to address some of the important affordable housing needs of California by instituting a comprehensive framework for Board decision-making, by providing guidance to staff, and by setting forth benchmarks against which to measure the success of programs and the effective use of operating resources. As such, the particular housing finance and loan insurance programs recommended in the plan were formulated in an effort to increase homeownership opportunities and the multifamily affordable housing stock, maximize CalHFA's restricted resources and stimulate the housing-related economy of California.

Background:

The Agency was created in 1975 as the State's affordable housing bank. The federal tax exemption available on State-issued debt enables housing finance capital to be provided at below-market interest rates without adding to the debt burden of State taxpayers. CalHFA is empowered to issue debt obligations for a wide variety of housing-related programs, and it is also authorized through the California Housing Loan Insurance Fund to provide both mortgage and bond insurance.

CalHFA's primary purpose and its mission, according to State law, is to meet the housing needs of persons and families of low to moderate income.

CalHFA's programs can be divided into three major areas: homeownership loan programs, mortgage insurance, and multifamily loan programs (for rental properties).

Assumptions Underlying Plan Goals:

It must be recognized that the levels of activity projected for each program are based on assumptions regarding key factors over which CalHFA does not, in many cases, exercise control. Of course, now that the voters have approved the $2.1 billion Housing and Emergency Shelter Trust Fund Act of 2002, the key "unknown" from last year is now a certainty. The following are some of the key assumptions on which the projections depend:

- receipt of sufficient State allocation of private activity bond issuance authority,
- no repeal of the Federal "ten year rule",
- continued investor demand for CalHFA bonds,
- continued investor appetite for newly-created, higher-risk mortgage insurance products,
- timely implementation of new partnerships,

- ongoing demand from first-time home buyers and rental housing sponsors,
- continued low and stable rates of interest,
- State and local agency financial participation,
- ability to viably compete in the market place with mortgage insurance products,
- ability to effect required statutory changes.

The Agency's programs and its organization are flexible enough to allow CalHFA to respond to changing circumstances in revenue projections, programs, and economic conditions, and to accommodate any unanticipated adjustment of priorities.

2002 Business Plan - Progress to Date as of March 2003:

The table below shows an estimate of actual production for CalHFA lending and insurance programs in comparison with fiscal 2002/03 goals.

	2002-2003 GOAL	ESTIMATED ACTUAL	PERCENTAGE OF GOAL
	(millions of dollars)		
Homeownership Programs	$1,125	$1,125	100%
Insurance Programs	$ 715	$ 527	74%
Multifamily Programs	$ 205	$ 308	150%

Homeownership lending volume is projected to meet this fiscal year's goal of $1,125 billion first mortgages. This projected first mortgage volume exceeds that of the previous fiscal year by $75 million, an increase of 7%.

Insurance activity is projected at $611 million in fiscal 2003/04. This is 18% over the $527 million achieved in 2002/03.

Multifamily lending commitments are projected to total $308 million for fiscal year 2002/03, up from $194 million, representing a 59% increase from last year's production.

2003 Business Plan Overview:

CalHFA's 2003 Business Plan proposes a total of $9 billion for loan programs and $3.5 billion in insurance activity for a total of $12.5 billion for the 2003/04 to 2007/08 five-year period. This is a 20% increase over the $10.2 billion proposed in the previous five-year plan.

The planned level of homeownership first mortgage lending is proposed at $1.175 billion per year for 2003/04 and with increases annually for the remainder of the five-year plan period, resulting in a five-year target of $6.375 billion. Through the use of recycling, taxable bonds, variable rate bonds and interest rate swaps, the $1.175 billion annual goal should be attainable in the coming fiscal year, based on the amount of private activity bond allocation received this calendar year, including an unexpected carryforward allocation from 2002. However, beyond the year 2003 annual allocation amounts between $400 and $500 million may be required for us to reach our goals.

Total mortgage insurance activity in the Plan is proposed at $611 million for the 2003/04 fiscal year and $3.56 billion for the five-year period.

For multifamily lending the 2003/04 goal is $250 million for permanent and construction lending, an additional $100 million for Student Housing with a total target of $2.2 billion for the five-year period. Lending activity is expected to focus on new construction and preservation activities primarily through tax exempt financing.

Organization of Plan:

This introduction is followed by the sections described below:

- Table I - Planned and Actual Summary displays the goals and actual results for fiscal 2001/02 and the goals and current projections for fiscal 2002/03.
- Table II - Plan Summary shows goals by program for each of the years in the plan period 2003/04 to 2007/08.
- Divisional Summaries include lists of accomplishments and descriptions of how the plan will be carried out by the CalHFA divisions. These are followed by short descriptions of how each of the support divisions of CalHFA will assist the programs divisions in meeting the objectives of the plan.
- Financial Summary discusses in detail the Agency's equity position as of December 31, 2002, the many restrictions on the Agency's reserves, management of the Agency's financial risks, and the projected fiscal effect of the plan over the five-year plan period.

TABLE I - PLANNED AND ACTUAL SUMMARY
(In millions)

	FY 2001/02		FY 2002/03		
	Planned	Actual	Planned	Actual to 3/31	Projected
HOMEOWNERSHIP PROGRAMS[a]					
Homeownership 1st Loans	$1,000.0	$1,050.0	$1,125.0	$801.0	$1,125.0
Homeownership Downpmt Assist (CHAP)	15.0	19.5	22.6	18.6	24.9
Self-Help Builder Assistance (SHBAP)	2.5	0.8	2.5		1.0
High Cost Area 2nd Loans (HiCAP)	9.5	6.9	9.5	3.5	9.7
Silent Second Mortgages[b]	3.5	5.2	5.0	2.0	2.7
Extra Credit Teacher 2nd Loans (ECTP)	2.5	0.8	3.5	1.2	2.0
Homebuyers Downpmt Assist (CHDAP)	2.5	13.6	19.5	0.0	1.9
School Facilities Fees Down Payment	6.7	2.9	6.3	0.0	0.3
Total Homeownership Programs	$1,042.2	$1,099.7	$1,193.9	$826.3	$1,167.5
INSURANCE PROGRAMS					
CalSTRS	$325.0	$278.0	$275.0	$181.0	$240.0
CalHFA Mortgages	40.0	63.0	50.0	83.0	110.0
Community Affordable Housing	225.0	259.0	225.0	107.0	140.0
100 % Loan Freddie Mac	100.0	23.0	40.0	8.0	10.0
CalPERS	25.0	13.0	25.0	4.0	5.0
Lease Purchase	0.0	17.0	100.0	17.0	22.0
Total Insurance Programs	$715.0	$653.0	$715.0	$400.0	$527.0
MULTIFAMILY PROGRAMS[c]					
Direct Lending	$250.0	$191.0	$200.0	$194.6	$286.2
Multifamily HAT Programs:	5.0	3.4	5.0	21.8	21.8
Total Multifamily Programs	$255.0	$194.4	$205.0	$216.4	$308.0
SPECIAL LENDING PROGRAMS					
HELP Program	$20.0	$20.0	$20.0	$20.0	$20.0
Small Business Development	2.0	0.0	2.0	0.0	0.0
Total Special Lending Programs	$22.0	$20.0	$22.0	$20.0	$20.0
TOTAL CalHFA PROGRAMS	$2,034.2	$1,967.1	$2,135.9	$1,462.7	$2,022.5

(a) Homeownership loans purchased
(b) In support of Agency Insurance Programs
(c) Multifamily loans committed.

TABLE II - PLAN SUMMARY
(In millions)

	2003/04	2004/05	2005/06	2006/07	2007/08	5 Yr Total
HOMEOWNERSHIP PROGRAMS [a]						
Homeownership 1st Loans	$1,175.0	$1,225.0	$1,275.0	$1,325.0	$1,375.0	$6,375.0
Homeownership Downpmt Assist (CHAP)	28.2	29.4	30.6	31.8	33.0	153.0
Self-Help Builder Assistance (SHBAP)	2.5	2.5	2.5	2.5	2.5	12.5
High Cost Area 2nd Loans (HiCAP)	11.4	12.0	12.6	13.2	13.8	63.0
Silent Second Morgages [b]	5.0	5.0	5.0	5.0	5.0	25.0
Prop 46 Downpayment Assistance						
Homebuyers Downpmt Assist (CHDAP)	19.4	20.2	21.0	21.9	22.7	105.2
Homeownership In Revital Areas (HIRAP)	1.3	1.3	N/A	N/A	N/A	2.6
Extra Credit Teachers Program (ECTP)	3.8	3.8	3.8	3.8	3.8	19.0
School Facility Fee (SFF)	6.9	6.9	6.9	6.9	6.9	34.5
Total Homeownership Programs	$1,253.6	$1,306.1	$1,357.4	$1,410.1	$1,462.6	$6,789.8
INSURANCE PROGRAMS						
CalHFA	$125.0	$150.0	$200.0	$200.0	$200.0	$875.0
Freddie Mac 100	16.0	21.0	25.0	30.0	33.0	125.0
CalPERS	8.0	11.0	15.0	20.0	26.0	80.0
CalSTRS	105.0	125.0	160.0	200.0	210.0	800.0
Lease Purchase	32.0	18.0	N/A	N/A	N/A	50.0
Community Affordable Housing	120.0	140.0	150.0	160.0	180.0	750.0
New (Prop 46) Products	200.0	325.0	325.0	N/A	N/A	850.0
Total Insurance Programs	$606.0	$790.0	$875.0	$610.0	$649.0	$3,530.0
MULTIFAMILY PROGRAMS [c]						
Permanent Loans	$200.0	$200.0	$200.0	$200.0	$200.0	$1,000.0
Construction Loans	50.0	50.0	50.0	50.0	50.0	250.0
Student Housing Loans	100.0	100.0	100.0	N/A	N/A	300.0
Preservation Acquisition	70.0	70.0	70.0	70.0	70.0	350.0
Section 8 Portfolio Rehab Loans	3.0	3.0	3.0	3.0	3.0	15.0
HAT Funds	5.0	5.0	5.0	5.0	5.0	25.0
HELP Program	20.0	20.0	20.0	20.0	20.0	100.0
Local Initiatives	10.0	10.0	10.0	10.0	10.0	50.0
Small Business Development	3.0	3.0	3.0	3.0	3.0	15.0
Preservation Opportunity Program(Prop 46)	20.0	20.0	20.0	20.0	20.0	100.0
Total Multifamily Programs	$481.0	$481.0	$481.0	$381.0	$381.0	$2,205.0
TOTAL CalHFA PROGRAMS	$2,340.6	$2,577.1	$2,713.4	$2,401.1	$2,492.6	$12,524.8

(a) Homeownership loans purchased
(b) In support of Agency Insurance Programs
(c) Multifamily final commitments

III. ACCOMPLISHMENTS

Homeownership:

- Projected to reach 100% of our goal of $1.125 billion in first-time homebuyer production in the current fiscal year consistent with the Governor's goal and the Agency's 5-Year Business Plan. CalHFA has financed 5,005 first mortgage loans totaling $801.0 million through March 31, 2003.

- Projected to exceed the $22.6 million production goal to reach an estimated $25 million of CHAP second mortgage loans. Financed 3,689 loans totaling $18.6 million through March 31, 2003.

- Continued to focus resources on high-cost underserved regions to increase housing affordability, resulting in production level of $500.7 million or 62% of total production in those areas through March 31, 2003.

- Enhanced affordability in high-cost areas by the Agency's High Cost Area Home Purchase Assistance Program (HiCAP), which was expanded from the initial three to six counties. The program provides for a CalHFA first mortgage combined with a CalHFA second mortgage of $25,000 for down payment assistance. Through March 31, 2003, the Agency has received reservations for 374 HiCAP first loans totaling $94.9 million, of which 184 totaling $47.3 million have been purchased.

- Sustained the annual production level for the mutual self-help housing program (SHBAP). Expect to purchase 89 self-help loans totaling $11.4 million in the current fiscal year. Forward commitments totaling nearly $18.0 million were outstanding as of March 31, 2003. This program provides a 4% 30-year fixed rate permanent mortgage, the down payment for which is enhanced by the borrower's sweat equity in constructing the house.

- Expanded the number of localities and nonprofits to nearly 200 that participate in CalHFA's Affordable Housing Partnership Program (AHPP). This program partners the Agency with local housing assistance programs, and provides the low income borrower a 1/4% reduction in the first-mortgage interest rate. Through March 31, 2003, CalHFA had purchased 446 AHPP loans totaling $50.8 million.

- Expanded production of the Extra Credit Teacher Program (ECTP). This program is intended to help low performing schools recruit and retain credentialed teachers and principals to increase the academic standing and thus provide pupils with high quality education. The program is a combination of a CalHFA first-mortgage loan at a reduced interest rate along with a CalHFA second loan of $7,500 for down payment assistance. Through March 31, 2003, the Agency has received reservations for 256 ECTP second mortgage loans totaling \$1.9 million. Of these 157 loans totaling \$1.178 million have been purchased.

- Continued to target loans to low-income borrowers. 59% of all CalHFA first-time homebuyer loans were made to borrowers with incomes of 80% or less of the median income as defined by CDLAC. This compares with CDLAC's 45% goal for this income category.

- Sustained high levels of minority first-time homebuyers, with 72.5% of all loans made to minority borrowers for the fiscal year through March 31, 2003.

- Resumed the California Homebuyer's Downpayment Assistance Program (CHDAP) with Proposition 46 funding approved by California's voters in the November 2002 election. Since the resumption of the program through March 31, 2003, CalHFA had received 480 reservations totaling \$2.86 million for CHDAP loans.

- Resumed the School Facility Fee Down Payment Assistance Program (SFF) with funding approved by California's voters as Proposition 46 in the November 2002 election.

<u>Mortgage Insurance:</u>

- Devoted FY 2002/03 to internal review, infrastructure rebuilding, and program refinement.

- Reviewed all programs, and completed all program descriptions, now available on the web.

- Terminated the reinsurance treaty with Hannover Ruckversicherungs Aktiengesellschaft, with an \$8.5 million deposit released to the fund.

- Selected a new reinsurance partner, GEMICO, who will also provide various administrative services.

- Progressed significantly in the area of management information. Strategic Decision Support and Milliman USA assisted the division and Agency to stratify the portfolio by product, score, LTV, etc. Such data management and information is critical for new product design, work with our new reinsurance partner, and for the rating agencies and GSE's.

- Added staffing resources in risk management, operation, and product development/outreach. A new position of Manager-Product Development and Outreach has been added with staff starting in April.

- Partnered with the Homeownership Division on various customers/marketing opportunities. Insurance of Homeownership's programs has increased 74%.

- Projected volume for FY 2002-2003 to be $527 million of new insurance written or a 24% decrease from prior fiscal year. This decline is a direct result of the Washington Mutual (WAMU) purchase of North American (NAMCO), which resulted in a 50% decline in volume from NAMCO (800+ fewer loans) and a cancellation/elimination of a delegated program with a major lender whose product deliveries did not meet our target market.

- Increased premium income by approximately 44% from calendar year 2001 to 2002 due to a restructure in our billing process and increased book of risk in force.

Multifamily:

- Projected to achieve 150% of the current fiscal year's production goal by processing loan commitments equaling $308 million, representing a 59% increase over last year's $194 million in loan commitments.

- Attained a high level of affordability for committed loans: 38% of the units are at 50% or less of median income, 59% are 51% to 80% of median income and 3% are over 80% of median.

- Significantly increased the number of projects in the loan origination process. Currently there are 120 loans in process, representing 8,000 units for a total loan volume of $660 million.

- Continued the popular and successful Housing Enabled through Local Partnerships (HELP) program. The two allocation rounds for the current year were fully subscribed at the $20 million level, representing 21 commitments to an equal number of localities.

- Marked the fifth anniversary of the HELP program, achieving the initial goal of $100 million in allocated commitments. The program has achieved notable success with allocations being awarded to 81 localities representing 96 active commitments. These commitments will produce over 10,000 units of affordable housing in both homeownership and multifamily developments.

- Finalized the Agency's Section 8 Portfolio Refinance Policy allowing existing assisted projects to be recapitalized and preserved for an additional 55 years. Subsequently, two projects received loan approval from the Board under this program.

- Prepared and implemented a new construction lending program to complement our successful permanent loan program. This competitively priced and efficient process will lead to lower costs for affordable housing projects financed by the Agency.

- Finalized the Preservation Opportunity Program authorized by Prop 46 in conjunction with the Agency's Preservation Acquisition financing effort. This program will provide much needed short term acquisition funds for preserving at-risk federally assisted projects.

IV. DIVISIONAL SUMMARIES

A. HOMEOWNERSHIP PROGRAMS:

The role of Homeownership Programs is to increase homeownership opportunities to Californians by making financing available to low and moderate-income first-time homebuyers.

Objectives:

In FY 2003/04, CalHFA will continue to pursue activities designed to further the following mission objectives of:

- providing first-time homebuyers with below-market-rate mortgage financing,
- targeting low-income homebuyers,
- assisting teachers, administrators and other eligible credentialed staff working in low performing schools and districts to buy their first home,
- distributing loans equitably throughout the state,
- targeting loans to extremely high housing cost areas of the state,
- managing resources to make mortgage funds available statewide throughout the year,
- promoting loan products to expand the supply of affordable new construction housing, and
- promoting loan products to assist low income disabled homebuyers.

Strategies:

The planned strategies to accomplish the objectives, and in particular to maximize the public benefit to low-income borrowers, include:

- providing long-term, fixed-rate first mortgages below conventional market interest rates;
- providing the lowest rates for low-income borrowers;
- supporting very-low and low-income homeownership through the Affordable Housing Partnership Program (AHPP), the CalHFA Housing Assistance Program (CHAP), the Self-Help Builder Assistance Program (SHBAP), the Nonprofit Housing Program; and the Rural Development Leveraged Participation program;

- providing down payment assistance funded by Prop. 46 bond proceeds for low and moderate-income first-time homebuyers in special programs such as the California Homebuyer's Down Payment Assistance Program (CHDAP), School Facility Fee Downpayment Assistance Program, Extra Credit Teacher Home Purchase Assistance Program, and Homeownership In Revitalization Areas Program (HIRAP);

- offering interest rate differentials and program incentives in special programs such as the Extra Credit Teacher Home Purchase Assistance Program, AHPP, SHBAP, the Rural Development Leveraged Participation Program, and HomeChoice;

- continuing pilot programs that will assist homebuyers in extreme high cost areas, and teachers, administrators and other eligible credentialed staff in low performing schools and districts, and disabled homebuyers;

- utilizing a statewide network of lending institutions to provide consumer access to CalHFA loan products;

- providing outreach and technical assistance support to lenders and other industry organizations;

- partnering with localities and nonprofit housing organizations to assist low-income borrowers;

- updating sales price limits consistent with federal law in order to assist the maximum number of first-time homebuyers, particularly in high cost areas; and

- utilizing marketing and media resources to generate awareness for these programs and participate in special events.

<u>Specific Program Goals and Performance:</u>

Following is a list of the major Homeownership programs, with the applicable fiscal year and five-year goals. A brief performance history against the current fiscal year goals for the listed programs is provided.

- <u>First Mortgage Lending</u>

2002/03 Plan Goal: Projected:	$1.125 billion $1.125 billion
2003/04 Plan Goal:	$1.175 billion
Five Year Goal	$6.375 billion

The current fiscal year's Business Plan includes a first mortgage purchase goal of $1.125 billion which the Agency will meet by year-end. As of March 31, 2003, the Agency has purchased loans totaling $801 million in the current fiscal year, of which 72% were for resales and 28% for new construction.

The goal is to increase the $1.125 billion loan purchase goal next year to $1.175 billion and to increase the goal by $50 million annually for each of the five Business Plan years. The $1.175 billion annual goal should be attainable in the coming fiscal year subject to market interest rates stabilizing, and based on the amount of private activity bond allocation received this calendar year. However, beyond the year 2003 annual allocation amounts of $400 to $500 million may be needed to make up for the expected decline in opportunities to recycle authority received in prior years unless Congress passes legislation to eliminate or modify the 10-year rule on recycling. The recycling of past authority has been one of the reasons the Agency has been successful the past few years in achieving significant leveraging of volume cap.

FIRST MORTGAGE ORIGINATIONS

(Fiscal Years)

	Incremental Totals		Cumulative Totals	
	Amount	Loans	Amount	Loans
1976/77-1989/90	$2,781,630,529	40,964	$2,781,630,529	40,964
1990/91-1994/95	2,046,790,559	20,836	4,828,421,088	61,800
1995/96-1999/00	4,109,393,966	37,159	8,937,815,054	98,959
2000/2001	1,001,538,421	8,216	9,939,353,475	107,175
2001/2002	1,051,771,974	7,378	10,991,125,449	114,553
2002/3-31-03	801,022,154	5,005	11,792,147,603	119,558
First Mortgages in portfolio as of December 31, 2002			$4,921,439,599	47,887

- CalHFA Housing Assistance Program (CHAP)

2002/03 Plan Goal: Projected:	$22.6 million $24.9 million
2003/04 Plan Goal:	$28.2 million
Five Year Goal	$153.0 million

A $22.6 million annual goal was included in last year's Five-Year Business Plan for the highly successful CHAP. With CHAP, the financing for home purchases is comprised of a first loan up to a 97% 30-year long-term, fixed-rate first mortgage and a 3% CHAP deferred payment second mortgage. The deferred second mortgage, which has so far been funded from the Agency's Housing Assistance Trust (HAT) fund, reduces borrower down payment requirements without increasing monthly loan payments. This product is used statewide and has been instrumental in assisting with the Agency's equitable of loan funds distribution objectives. It is the Agency's intention to begin issuing bonds to finance down payment assistance rather than relying on liquidity in the HAT fund for this purpose.

As of March 31, 2003, there had been 3,689 CHAP second mortgages purchased for a total of $18.6 million with an accompanying $602.8 million of CalHFA first mortgages purchased. It is expected that the $22.6 million goal this fiscal year will be exceeded, and it is estimated that $25.0 million in second mortgages will be purchased.

- Self-Help Builder Assistance Program (SHBAP)

2002/03 Plan Goal: Projected:	\$ 2.5 million \$ 1.0 million
2003/04 Plan Goal:	\$ 2.5 million
Five Year Goal	\$12.5 million

In the past, the Agency committed to maintain $2 million of HAT funds annually in the SHBAP Program to provide Development Loans for site acquisition, development, and/or construction financing to nonprofit self-help housing sponsors. In the 2002/03 Business Plan the Agency increased the $2 million to $2.5 million per year. In addition, in 2002/03 the Agency reduced the interest rate for permanent loan financing from 5% to 4% for prospective low-income homebuyers building their homes under the mutual self-help approach. Families contribute their labor ("sweat equity") in lieu of a cash down payment under the mutual self-help approach. The reduction in interest rate was to recognize the needs of low-income homebuyers in the Program.

The 2002/03 Plan increased the SHBAP Development Loan amount from a limit of $300,000 per development to $500,000. In 2002/03 the Agency set the interest rate on the SHBAP Development Loans at a fixed rate of 3%.

As of March 31, 2003, the Agency has received two Development Loan applications for review and approval for a total of $1 million in development loans. There is one application in the pipeline for approximately $500,000 that is expected within the next 120 - 180 days. CalHFA expects to approve at least the two aforementioned applications by the end of the current fiscal year, for a total of approximately $1.0 million. Self-help projects are unique and require a considerable amount of pre-development time.

- High Cost Area Home Purchase Assistance Program (HiCAP)

2002/03 Plan Goal: Projected:	\$ 9.5 million \$ 9.7 million
2003/04 Plan Goal:	\$11.4 million
Five Year Goal	\$63.0 million

This program provides financing in the form of a deferred payment second mortgage for down payment assistance to create new opportunities for low-to-moderate income homebuyers to purchase housing in counties with very high job demand, extreme housing cost areas, where the Agency has underserved the county, and where there is an affordability problem. This program was initially focused in Santa Clara, San Francisco and San Mateo counties. Effective July 1, 2002 Alameda, Contra Costa and Sonoma counties became eligible, expanding the pilot program to six counties. Based on a recent analysis that evaluated employment and other lending criteria, San Diego and Ventura counties will be added to this pilot program after the adoption of this Plan.

Generally it has been difficult to serve the above counties because of the wide disparity between income limits, affordability, and sales prices. Under this program CalHFA provides assistance of up to $25,000 in the form of a deferred-payment loan at 5% simple interest to assist first time low-to-moderate income homebuyers to purchase their first home. CalHFA staff has worked with some localities in the counties to develop partnerships to offer deeper targeting assistance for homebuyers.

Funding of the first mortgages has come from CalHFA as part of its Homeownership Program. The 2002/03 Plan made up to $9.5 million of second mortgage funds available for this program. As of March 31, 2003, there had been 140 second mortgages purchased for a total of $3.5 million with an accompanying $6.2 million in the pipeline. CalHFA had also purchased 184 related first mortgage loans totaling $47.3 million.

- <u>California Homebuyer's Downpayment Assistance Program (CHDAP)</u>

2002/03 Plan Goal: -With CalHFA firsts -With Non-CalHFA Firsts	 $ 10.75 million $ 8.75 million
Projected: 2003/04 Plan Goal:	 $ 19.4 million
-With CalHFA Firsts	$ 10.75 million
-With Non-CalHFA Firsts	$ 8.65 million
Five Year Goal:	$105.2 million
-With CalHFA Firsts	$ 52.6 million
-With Non-CalHFA Firsts	$ 52.6 million

CHDAP provides a deferred payment, 3% interest, junior mortgage of up to 3% of the purchase price. It may be used in conjunction with a CalHFA or non-CalHFA first mortgage.

A total of $117.5 million was included in Prop. 46 for CHDAP. A total of $105.2 million is included in this year's 5-year Business Plan for loans and a $19.4 million allocation is included in the Plan for FY 2003/04. As of March 31, 2003 there was a pipeline of 480 loans totaling $2.8 million.

- <u>School Facility Fee Downpayment Assistance Program (SFF)</u>

2002/03 Plan Goal: Projected:	$6.25 million $ 0.3 million
2003/04 Plan Goal::	$ 6.9 million
Five Year Goal	$34.5 million

Originally there were three School Facility Fee Down Payment Assistance Programs which provided down payment assistance to homebuyers of newly constructed homes. The amount of the down payment assistance was calculated using all or part of the school facility fees paid by the builder.

A total of $50 million was included in Prop. 46 for this program, and a total of $34.4 million is included in the 5-Year Business Plan for grants for down payment assistance, to be divided equally between the two remaining programs: one for "Economically Distressed Area" and another called "First-Time Homebuyer, Moderate Income Limits". As of March 31, 2003, two grants had been disbursed to two borrowers.

- Extra Credit Teacher Home Purchase Assistance Program (ECTP)

2002/03 Plan Goal:	$3.5 million
Projected:	$2.0 million
2003/04 Plan Goal:	$3.8 million
Five Year Goal:	$19 million

The Extra Credit Teacher Home Purchase Assistance Program currently consists of an Agency first loan along with a down payment assistance second loan of $7,500 with 5% simple interest. The Agency first mortgage is offered at the Agency's preferred rate which is currently offered in the Affordable Housing Partnership Program (AHPP). The interest rate on the second mortgage is designed to be reduced to zero percent (0%) provided the teacher or administrator remains employed in a low performing school continuously for three years. As of March 31, 2003, 157 ECTP junior loans totaling $1.2 million had been made.

Prop. 46 provides a total of $25 million for this program, and $19 million is included in this year's 5-year Business Plan. An allocation of $3.8 million is included in the Plan for FY 2003/04. Proposition 46 also changed the maximum loan amount from a flat $7,500 to the greater of $7,500 or 3% of the home sales price.

- Homeownership In Revitalization Areas (HIRAP)

2003/04 Plan Goal:	$1.3 million
Five Year Goal:	$2.6 million

Prop. 46 provides $12.5 million for what is being called the Homeownership In Revitalization Areas Program (HIRAP). This is a set - aside of CHDAP junior loan funds. A total of $2.6 million is available for loans and is included in this year's 5-year Business Plan. An allocation of $1.3 million is included in the Plan for FY 2003/04.

The set-aside of CHDAP funds is reserved for down payment and closing cost assistance to lower-income first-time homebuyers who, as documented to the Agency by a nonprofit organization certified and funded to provide homeownership counseling by a federally funded national nonprofit corporation, are purchasing a residence in a community revitalization area targeted by the nonprofit organization and who has received counseling from the nonprofit organization. HIRAP is for lower-income borrowers whereas the primary CHDAP Program is for moderate-income borrowers.

Before loans can be reserved by Agency-approved Lenders, the nonprofit organizations must apply to the Agency to be determined to be eligible to participate in HIRAP pursuant to the criteria cited above. As of March 31, 2003, one application from a nonprofit had been received for establishing eligibility for participation in the Program. Workshops for nonprofits were conducted in various locations in March and April, 2003.

B. MORTGAGE INSURANCE PROGRAMS

The Agency's Mortgage Insurance Services Division provides mortgage insurance for the purchase of single family primary residences.

Objectives/Strategies:

The role of the Insurance Division is to provide the necessary credit enhancement on individual loans to aid hard-to-qualify borrowers to obtain a home loan. In addition to providing mortgage insurance to Agency loan programs, the division works with lenders, realtors, builders, GSE's, localities, third party investors, and non-profit organizations to determine consumer needs and develop products/programs to meet the needs of the various underserved markets.

In FY 2003-2004 and beyond, the Agency through Mortgage Insurance Services will implement its new partnership with General Electric Mortgage Insurance Corporation (GEMICO). This partnership provides the Agency with state-of-the-art mortgage insurance technology along with ready access to portfolio data necessary for product development and management reporting. It will also serve as the Program's reinsurance vehicle assuming 75% of the credit risk.

Additionally, the Agency will work aggressively with key stakeholders, including Realtors, builders, investors, GSE's, localities, non-profit entities, etc. to expand on its current product offerings. Specific attention will be directed toward creating two to four new products targeting the utilization of Proposition 46 funds. Products will be aligned with new construction, workforce housing needs in high cost areas, and hard to qualify borrowers.

Program Performance and Strategy Implementation:

Though 2002/2003 plan goals are included for comparative purposes, it should be noted that they were established prior to the Division's program/product analysis, product consolidation and/or elimination.

- CalHFA

2002/03 Plan Goal: Projected:	$ 50 million $110 million
2003-04 Goal:	$125 million
Five-Year Goal:	$875 million

Insurance on loans with 80%-95% LTV is projected to increase 169% over FY 2001/2002 as the Agency originates more HiCAP loans. The strategy is to partner with the Agency's Homeownership Programs in promoting Agency products. Additionally, a monthly mortgage insurance premium designed to lower financing costs to homebuyers will be introduced.

- Freddie Mac 100

2002/03 Plan Goal: Projected:	$ 40 million $ 10 million
2003-04 Goal:	$ 16 million
Five-Year Goal:	$125 million

Year over year volume is down as a result of restricted access to the program. The strategy is to work with Freddie Mac and increase the number of lenders participating in the program and provide a monthly premium option to a broader number of lenders. This program includes Los Angeles Safety Officers 100/3 as well as Statewide 100% under the Freddie Mac Affordable Gold program designed for low-moderate income borrowers. In addition, the Agency recently partnered with Freddie Mac on a new initiative recently in Orange County targeted to Latino communities.

- CalPERS

2002/03 Plan Goal: Projected:	$25 million $ 5 million
2003-04 Goal:	$ 8 million
Five-Year Goal:	$80 million

CitiMortgage (previously First Nationwide) has renewed their contract with CalPERS as their mortgage vender. CalHFA will work with both PERS and CitiMortgage to review current product offering and make recommendations for additional volume which was down $2 million from prior periods. By combining low cost mortgage insurance and Agency funded down payment assistance, public employees will be offered homeownership opportunities.

- CalSTRS

2002/03 Plan Goal: Projected:	$275 million $240 million
2003-04 Goal:	$105 million
Five-Year Goal:	$800 million

The Agency maintains an excellent relationship with CalSTRS and continues to work with their approved lenders and members. Volume is down 13% from prior year as a result of the WAMU/NAMCO merger. CalHFA is working with WAMU, whose CalSTRS program has been curtailed, to again expand the relationship. Currently, CalSTRS is seeking an administrator for its mortgage programs. Outsourcing program administration could impact mortgage volume. Additionally, CalSTRS is considering a restructure of the 80/17 program.

- Lease Purchase

2002/03 Plan Goal: Projected:	$100 million $ 22 million
2003-04 Goal:	$ 32 million
Five-Year Goal:	$ 50 million

Volume has increased 27% year over year which should continue as communities and lenders become more aware of the program. Although two bond funded programs have expired, a recent bond offering in the Bay Area should maintain volume at previous levels. Additionally, a more organized effort has been developed between the Agency, investors, and local program administrators to conduct training and promotional events.

- Community Affordable Housing

2002/03 Plan Goal: Projected:	$225 million $140 million
2003-04 Goal:	$120 million
Five-Year Goal:	$750 million

The Division has partnered with regional redevelopment agencies, non-profits, providers of affordable housing financing programs, and GSE's to combine resources and develop products to meet affordable housing needs. In some products the Agency offers a package of mortgage insurance and a silent second downpayment assistance loan (97/3 SSLP). Other programs allow the financing of upfront mortgage insurance premiums using a 97% first and 6% second to reduce the overall cost of financing for loans financed up to 103%. The Agency will be insuring both the first and the second mortgage loans.

Community Affordable Housing production declined from the previous year as a result of termination of product deliveries by one lender that did not meet standards, as well as by CitiMortgage's business strategy to merge products into those insured by a nationwide mortgage insurer. The strategy is to retire some existing programs and work with both GSE's and originating lenders to significantly increase production in other affordable housing programs that the Division can develop and insure that are offered by the GSE's.

- New "Prop. 46" Products

2003-04 Goal:	$200 Million
5-Year Goal:	$850 Million

In November 2002 voters approved $85 million for mortgage insurance programs as part of Proposition 46. The Division is currently discussing with CAR, CBIA, builders, lenders, non-profits and local governments proposed mortgage insurance programs that will stimulate economic growth in California. Of particular interest are programs that focus on workforce housing, jobs-housing balance, new construction, underserved high cost areas and hard-to-qualify borrowers. Focus groups have been and will continue to be arranged to identify the greatest need for use of the Proposition 46 funds. While these products are still in development, it is anticipated that production will commence in FY 2003-2004.

Product design and implementation are proposed to be targeted as follows:

- For new construction in specified areas, to provide mortgage insurance for loans in excess of the GSE limit ($322,700) up to the median sales price.
- For resales in high cost areas, to provide mortgage insurance for loans in excess of the GSE limit up to the median sale price to meet workforce needs.
- For new construction and resales, to provide affordable mortgage insurance to hard-to-qualify borrowers for loans up to the GSE limit.

Table 1: Insurance Statistics 1988 - 2002

Table 1 reflects CaHLIF production data and reported net income per its financial statements since 1988 by calendar year.

	Net Income	CalHFA Loans	Non-CalHFA Loans	Total Insured Policies	Total Amount Insured
1988	$ 450,565	207	0	207	$ 17,365,928
1989	1,126,352	2,999	0	2,999	190,706,112
1990	1,284,214	3,787	0	3,787	240,059,162
1991	940,157	3,824	12	3,836	265,899,826
1992	825,180	3,622	34	3,656	272,096,741
1993	394,799	3,152	36	3,188	238,324,464
1994	869,857	4,009	508	4,517	416,726,849
1995	2,051,742	5,217	571	5,788	575,462,372
1996	1,567,126	5,982	678	6,660	680,729,151
1997	207,776	6,204	693	6,907	711,561,505
1998	2,361,603	5,986	775	6,761	709,981,432
1999	5,087,462	5,454	1,696	7,150	796,573,123
2000	4,649,789	4,577	3,173	7,750	968,899,283
2001	5,588,925	3,853	5,066	8,919	1,263,548,151
2002	9,215,333	3,043	5,474	8,517	1,390,740,325

Table 2: Annual New Business

Table 2 shows the source of new loans each year.

	New CalHFA Loans	Amount	New Non-CalHFA Loans	Amount
1990	1,289	$ 83,535,065	--	--
1991	612	64,383,957	12	$ 1,760,355
1992	505	52,644,654	22	3,135,450
1993	125	11,870,312	3	427,750
1994	1,243	148,790,334	473	58,762,624
1995	1,406	170,229,087	82	10,664,610
1996	994	118,320,177	142	17,705,768
1997	539	64,432,443	84	11,633,473
1998	559	71,420,914	283	41,853,640
1999	394	49,164,567	1,094	165,436,804
2000	394	48,255,863	1,675	269,346,765
2001	260	34,230,872	3,119	567,882,832
2002	548	105,011,380	2,549	533,556,501
Totals	8,868	$1,022,289,625	9,538	$1,682,166,572

C. MULTIFAMILY PROGRAMS

The role of Multifamily Programs is finance rental housing for very low, low and moderate income persons and families.

Objectives:

The objective of Multifamily Programs is to increase the affordable housing stock and its public purpose benefit in the state through the preservation and creation of affordable rental housing, and addressing unmet affordable housing needs through the development of innovative lending programs.

Strategies:

As part of the Agency's strategy to maximize public purpose benefit, the Program intends to focus its rental financing activity as a direct lender to affordable housing sponsors. The main components of this strategy involve New Construction, Preservation and Special Needs financing with individual programs in each of these areas.

The Multifamily Programs strategies are as follows:

- Provide the lowest practical long-term, fixed rate mortgage to facilitate the greatest affordability while maintaining project viability.
- Facilitate the preservation and rehabilitation of at-risk housing through the use of tax-exempt and taxable permanent financing including 501(c)(3) bonds for qualified non-profit sponsors. Also utilize interim financing to assist in the timely acquisition of qualified projects. Target HUD 202, 236 and Section 8 assisted projects.
- Provide lending programs in partnership with state and local agencies, construction lenders, local agency bond refundings, and locality lending programs.
- Offer a highly competitive, low cost construction lending program to reduce development costs.
- Administer and participate in the Preservation Opportunity Program authorized by Proposition 46.
- Continue the efficient issuance of tax-exempt bonds through the Agency's pooled bond issues taking advantage of the Agency's solid credit ratings and efficient swap structures.
- Explore new lending initiatives in the areas of privatized student housing and the securitization of public housing capital funds.

- Maintain the Special Needs Housing program with its deep interest rate subsidy, with an increased emphasis of shorter term loans. Facilitate interagency cooperation and utilization of supportive housing resources.

- Promote partnerships with lenders, consultants and other affordable housing professionals to leverage Agency resources.

Voter approval of the Housing and Emergency Shelter Trust Fund Act of 2002 will result in greater lending opportunities for Multifamily Programs. With these additional funds, the Agency's participation in the Preservation Opportunity Program, and student housing lending programs loan commitment activity is projected to increase to $481 million in the first year with the total five year Multifamily goal equaling $2.2 billion.

Program Performance and Strategy Implementation:

Following is a list of the major Multifamily programs, with the applicable fiscal year and five-year goals. Also provided is a brief performance history against the current fiscal year goals for the listed programs.

- Construction and Permanent Loans

2002/03 Plan Goal: Projected:	$ 205 million $ 308 million
2003/04 Plan Goal:	$ 250 million
Five Year Goal	$1.250 billion

The previous Five Year Business Plan anticipated a total of $200 million in final commitments for bond funded loans in FY 2002/2003, to include new construction, preservation acquisition/rehabilitation, and special needs programs. As of March 31, 2002 the Board approved final commitments totaling $216 million for 22 projects, involving 2,074 units. The percentages of final commitments by program can be classified as follows: new construction 76%; preservation 14%; and acquisition/rehabilitation 10%. These projects provide a high degree of affordability with 38% of the total units restricting rents at 50% or less of area median income; 59% with rents at 51% to 80% of area median income; and 3% at rents over 80% of area median income.

We estimate year end final commitment activity of $308 million to finance a total of 29 projects, representing 2,609 units.

This fiscal year CalHFA began closing the first Loan-to-Lender financing. This program provides low cost funds to construction lenders to reduce construction period interest and is linked to a CalHFA permanent loan. Most of the loans in this program also contained financing from the Department of Housing and Community Development Multifamily Housing Program (MHP). To date, five projects have closed their permanent loans representing 688 units for total loans of $28 million.

The Special Needs Housing Program is designed to provide bridge and short-term permanent financing for projects with populations that are "at-risk" and requiring supportive services. The program utilizes HAT funds to subsidize the interest rate to a level as low as 1%. Generally, the tenants have incomes of less than 50% of median income, necessitating the subsidized interest rate to make the projects economically viable. Because of the need for supportive services financing and the complexity of structuring the transactions, special needs housing projects have lengthy development time frames.

CalHFA funded two loans under the Special Needs Programs and issued a loan commitment to a third project for a total of $14.1 million.

- Student Housing

2003/04 Plan Goal:	$ 100 million
Five Year Goal	$ 300 million

The Student Housing initiative contemplates providing tax-exempt 501(c)(3) loans to project developers in conjunction the University of California's Privatized Student Housing Program. The program calls for the leasing of University land to project owners who would develop a housing project and continue to operate the property on a long term basis. CalHFA, acting as both bond issuer and lender, is uniquely positioned to significantly reduce costs through its effective bond execution and provide a reliable source of financing to the individual university campuses in meeting their housing needs. Student housing financing by the Agency is a pilot program; the $300 million plan goal represents potential projects currently under consideration.

- Preservation Acquisition and Preservation Opportunity Program

Preservation Acquisition	2003/04 Plan Goal:	$ 70 million
	Five-Year Goal:	$350 million
Preservation Opportunity Program	2003/04 Plan Goal	$ 20 million
	Five-Year Goal:	$100 million

Proposition 46 authorized the Preservation Opportunity Program, a revolving fund of monies for the acquisition and preservation of at-risk affordable housing projects. These bond funds are intended to finance approximately 25% - 30% of the project's acquisition costs, with CalHFA lending the balance of the monies. Loans made from both of these sources are intended to be repaid with permanent financing and be recycled for new acquisitions. These acquisition loans will be underwritten to CalHFA underwriting guidelines and the Agency will serve as administrator for the Preservation Opportunity Program under an agreement with the Department of Housing and Community Development.

- Section 8 Portfolio Rehab

2003/04 Plan Goal:	$ 3 million
Five-Year Goal:	$15 million

The Section 8 Rehab Loan Program, managed by the Asset Management Division, will be used to facilitate capital improvements and the rehabilitation of Section 8 properties where a Physical Needs Assessment (PNA) indicates existing Reserve For Replacement (RFR) funds are not sufficient.

- Housing Assistance Trust Loans

2003/04 Plan Goal	$ 5 million
Five-Year Goal:	$25 million

HAT loans will be made to Multifamily and Special Needs projects where subsidy, gap financing for other low interest loans may be required. Sources of funds for the Rehab and HAT loans may come from FAF, Earned Surplus or regular HAT reserves.

SPECIAL LENDING PROGRAMS:

The Special Lending Unit of the Multifamily Division has achieved considerable success assisting localities with their housing initiatives through its HELP program. An expansion of this program envisions further partnering with localities in the areas of neighborhood infill, tax increment lending and small project development. Under these initiatives, localities could share financial risk with the Agency and take the lead in the selection of sponsors.

- Housing Enabled through Local Partnerships (HELP)

2002/03 Plan Goal: Projected:	$ 20 million $ 20 million
2003/04 Plan Goal:	$ 20 million
Five year Goal:	$100 million

The HELP Program was introduced in FY 1998/99 with the objective of providing affordable housing opportunities through program partnerships with local government entities consistent with their affordable housing priorities. Funds in the form of 3% interest, 10 year loans are made available to localities for their specific affordable housing activities. It represents both an investment in additional homeownership and rental housing throughout California as well as an investment in new and different working relationships with localities.

The first four and one-half years of the originally planned five year program have proven highly successful. As of March 31, 2003 we have committed $90 million. Of the total 93 commitments issued to date, 86 are active loans serving 71 separate local government entities. Approximately $60 million has been disbursed to date.

As we enter the sixth year of the HELP program, we propose its continuation at the same annual program level of $20 million.

- Small Business Development

2002/03 Plan Goal: Projected:	$ 2 million $ 0 million
2003/04 Plan Goal:	$ 3 million
Five year Goal:	$15 million

The objective of the Small Business Programs is to create productive partnerships with small builders and developers by providing small business development loans, and to encourage conventional construction lenders to partner with CalHFA in making construction financing available to small developers/builders. The Agency is seeking to expand Small Business lending through increased resources and enhanced incentive efforts.

- Locality Initiatives Program

2003/04 Plan Goal:	$10 million
Five year Goal:	$50 million

The Local Initiatives Program involves assisting local governments by providing financing for small, urban infill projects targeted at smaller project developers. In this case funds could be directed through the locality that would select and monitor the local developers. Another program contemplates CalHFA providing loans secured by a local government's tax increment or other non-real-estate-related assets as security for periods up to ten years. The project selection criteria for this program would be similar to that now utilized for the HELP Program.

D. SUPPORT DIVISIONS

1. Marketing Division

The role of the Marketing Division is to provide the marketing support necessary to enable the Agency to meet its goal of providing safe, decent and affordable housing to Californians. We do this by furthering the awareness, education and understanding of the CalHFA brand and products with its customers, stakeholders, employees, and others concerned with the needs for affordable housing in California.

Objectives/Strategies:

The Marketing Division's objectives for the five year fiscal period are as follows:

1. Increase awareness for CalHFA as a primary source of below market interest rate funding in California's affordable housing market.

2. Promote CalHFA products for the purpose of expanding affordable housing opportunities throughout the state.

3. Assist in maximizing the mortgage loan and insurance output for Homeownership and Multifamily development financing programs.

The strategies to achieve these objectives include the continued efforts to establish the CalHFA brand as a leader in affordable housing. The annual strategic marketing plan will be developed and executed to make the most effective and efficient use of CalHFA's resources.

Program Performance & Strategy Implementation:

After an extensive research review, the marketing team has successfully managed the brand conversion from CHFA to CalHFA. The conversion included the creation of a new Agency brand identification and the corresponding messages that resonated with CalHFA's customers, stakeholders and employees. Additionally, collateral and presentation materials were developed to support the new brand identification. Marketing also launched a media and program outreach effort to establish the new brand identification, which significantly increased the Agency's media opportunities and the number of CalHFA stories published and aired throughout California.

Additionally, CalHFA launched a media and stakeholder outreach effort to market the products funded by the passage of Prop 46. in November of 2002. This included both Homeownership and Multifamily products, plus the redevelopment of the Extra Credit Teachers program.

During the year, CalHFA increased its trade show participation to eighteen (18) events. These venues provide the opportunity to increase the awareness of the Agency and the products it provides.

Along with the new branding effort, Marketing also redesigned all Agency collateral materials, the entire CalHFA website, and renamed and expanded the newsletter to cover the entire Agency.

The Marketing Division is developing a strategic marketing plan to meet the goals outlined in the 2003/04 Business Plan. The plan will focus on the following strategies and tactics:

- Continued emphasis on developing awareness for the CalHFA brand and the corresponding product messages that will resonate with the Agency's customers, stakeholders and employees.
- Development of product collateral materials and the website to expand the Agency's communication capabilities and messages.
- Expand efforts to generate incremental media opportunities to broadcast CalHFA's affordable housing message.
- Increase targeted customers & stakeholders outreach efforts.
- Expand the Agency newsletter and convert it to an on-line publication.
- Continue to build our client e-mail list for electronic broadcast purposes.
- Will continue the Agency's participation in trade shows and partnering with our shareholders (redevelopment agencies, lenders, developers, non-profit realtors and public agencies).
- Selectively sponsor events with key stakeholder partners to efficiently deliver our affordable housing message.
- Build awareness among Builders, Realtors, and Lenders.
- Analize and, if needed, make improvements to CalHFA's "800" number and website.
- Provide marketing support to individual Division products (e.g. Homeownership Prop 46 programs.

2. ADMINISTRATION DIVISION & INFORMATION TECHNOLOGY

The Administration Division's role is to facilitate the successful operation of the Agency by providing timely human resources, business services, operating budget administration, facilities and equipment, and effective and innovative information technology support to implement and maintain the Agency's programs.

Objectives/Strategies:

The Information Technology (IT) Unit continues its efforts to maintain a state–of-the-art technology environment and to deliver quality IT services and solutions to the Agency.

The Administration Division will continue to meet the complex and varied administrative needs of a growing Agency.

Program Performance and Strategy Implementation:

The Agency has made significant progress in implementing its "Document Management and Imaging Project." Beginning with the Office of General Counsel, and Multifamily Programs, approximately half of the Agency is now using this new system to store, manage, and retrieve all sorts of business documents, including scanned documents that originated in hardcopy form. During FY 2003/04, this tool will be expanded to the remainder of the staff.

As part of the CalHFA Branding Campaign, the IT Unit released a revised and improved CalHFA Web Site. The site features a new, friendlier "look and feel" that has been well-received by visitors. In the new year, plans call for further enhancements that will make the site more interactive, more informative, and provide an even better experience for users of the site. For example, the site will soon include an information page for Bond Investors. Also, a "mortgage calculator" tool will be added to assist potential Homeownership Program borrowers in determining their qualification options. "Pull down menus", and other changes will be made to improve the ease of navigation through the site.

Another major IT project in the new year will be the procurement and implementation of a Loan Origination and Underwriting System for Multifamily Programs. New IT systems will also be needed to support the Mortgage Insurance Services Division to facilitate data exchange as necessary under its new agreement with GEMICO.

During the past fiscal year, the Administration Division has focused primarily on building the Agency's infrastructure. During the 2002 calendar year, 40 new hires were made. So far this calendar year, 16 additional hires have been made. As in past years, we have had a very low turnover rate. In our efforts to ensure that we continue to retain our valued employees, last year we instituted a new, expanded training policy which has been used extensively by many employees. Morale has been boosted and our employees are gaining valuable knowledge.

CalHFA has been positioning itself for growth. To that end, our Culver City office lease has been renewed for an additional five years, and here in Sacramento a lease was negotiated for additional space in the soon-to-be-completed Meridian Plaza, two blocks away from the headquarters office. It is anticipated that the space will be ready for occupancy in August or September 2003. We should then be well positioned for the next 5-6 years and will not require additional space.

Because of the size of the upcoming move, much of Administration's resources are currently being devoted to making sure that the move goes smoothly and there is as little disruption as possible to our employees.

Fiscal year 2003/04 promises to be a demanding year for all of us, and we are ready and up to the challenge.

3. MULTIFAMILY ASSET MANAGEMENT

The Multifamily Asset Management Division's role is to preserve CalHFA's affordable rental portfolio by 1) protecting our loans through financial monitoring, workouts, and physical inspections, 2) protecting subsidy funds through occupancy and other financial compliance monitoring on behalf of HUD, and 3) protecting CalHFA's rights, the owner/agent's rights and tenants' rights through the interpretation of the Regulatory Agreement, the HUD Manual 4350.3, other HUD directives and state laws. In addition, to lend asset management expertise to CalHFA departments, sponsors and property management companies that is helpful, professional, prompt, and timely in order to achieve the maximum benefit for the tenants of CalHFA funded developments.

Objectives/Strategies:

- Division organized in "teams" in both northern and southern California.
- Asset managers review project operating budgets, audited financial reports, and ongoing project expenditures, including review of funding for capital improvement projects.
- Occupancy specialists administer the monthly rent subsidy for our Section 8 portfolio and conduct yearly tenant file compliance audits for each project. They also perform annual compliance monitoring at the non-Section 8 projects.
- Inspectors perform annual physical inspection of each project's building components, grounds, and individual units. Periodic inspections occur an additional 1-2 times per year as needed.
- Division assists Multifamily Programs Division during underwriting process by reviewing proposed operating budgets, participating in concept meetings, and assisting during the loan closing process.
- Division participates with HCD and TCAC as part of the Affordable Housing Task Force to coordinate and share ongoing monitoring and compliance responsibilities with other involved state and local agencies.

Program Performance and Strategy Implementation:

- Current portfolio of 161 Section 8 Projects, 232 non-Section 8 projects.
- 209 projects in northern region. 184 projects in southern region.
- In the next fiscal year it is anticipated that 17 portfolio projects will be offered loan modifications as a result of Agency bond refundings. There were no loan modifications completed as a result of bond refundings in FY 2002/2003, although 12 are currently in progress.

- Several portfolio loans with expiring Section 8 HAP contracts have begun the process to restructure, including Pace Villa, Eureka Central, Douglas Park and South Real. These restructures are done through HUD's Office of Multifamily Housing Assistance Restructuring (OMHAR). CalHFA will continue to provide the financing once the restructure is determined by OMHAR.

- Huntington Square, a 225 family development in Citrus Heights, was restructured outside of the bond refunding process. The rate was reduced to 7% and the number of controlled units increased from 45 to 60.

- A pilot program is underway to provide Section 8 owners with financial assistance to accomplish capital improvements and rehabilitation where existing project reserve for replacement funds are inadequate. The program, called the Earned Surplus Financing Program, will use existing earned surplus funds to create low interest rate loans. The pilot program will include four Section 8 projects and is expected to occur over a 6-10 month period after which the program will be evaluated for continuation.

- The Agency currently holds six properties as REO (real estate owned). Five are located in Southern California and one in Central California. Occupancy at these properties is a steady 98%. The original regulatory set-asides requiring 20% of the units to be set aside for low income tenants continue to be met, and in all cases, exceeded. All are in good physical condition. There are no major capital improvements needed, with the exception of the REO in Central California which will require new siding within the next year.

4. Legal Division

The role of the Legal Division is to (1) provide the Agency with sound legal guidance in connection with the strategic planning and day to day operations of the Agency; (2) to provide the advice, consultation and legal services necessary to permit the program divisions to develop, implement, and operate CalHFA's lending and mortgage insurance operations; and (3) to advise and assist the other supporting divisions of the Agency in carrying out their functions.

Objectives/Strategies:

CalHFA's large and complex portfolio of business requires that the Agency receive legal advice and services from the Office of General Counsel that are comparable in scope and quality to those available to private businesses. The strategy of the Legal Division is to acquire and develop the in-house and outside resources, including personnel, organizational structure, and technology necessary to create and maintain a quality full service legal operation serving the diverse needs of the Agency.

Program Performance and Strategy Implementation:

The Division has over the last year taken significant steps to develop the legal resources available to the Agency by reorganizing the operation of the office, hiring additional staff, acquiring legal technology, and creating relationships with specialized outside counsel. These efforts will continue and be further refined.

The Division has been reorganized from a system of general assignment attorneys, to one utilizing specific department assignments. Each staff attorney is assigned to a particular department in order to permit the attorney to concentrate on that particular area of business, and to encourage the department and attorney to work together on a daily basis to provide more proactive advice. Specific assignments also promote better education and understanding of the client business, and are intended to help identify and solve legal issues before they become a problem. The Division has hired an additional attorney, and is in the process of hiring one to two more to meet the significant demands for legal services. The Division is also seeking approval for the formal creation of a Deputy General Counsel at the Staff Counsel IV level to help provide better organization and coordination of complex legal services. Finally, the Division has hired an additional paralegal, and is in the process of hiring additional paralegals to permit the attorney staff to concentrate on the most challenging legal issues.

The Division has also recognized that the complex and ever changing issues and demands faced by the Agency require that the Agency develop specialized outside resources. In addition to the Agency's bond counsel, the Agency has developed a relationship with Washington DC counsel specializing in HUD and federal matters. The intense deadlines associated with multi-family lending, as well as the creation of a number of new lending programs, led the Division to create a pilot program to develop outside loan counsel with sufficient CalHFA expertise to be able to expeditiously handle overflow loan work, and the creation of templates for new programmatic areas. That program has given the Agency the capacity to handle peak workload demands on a timely basis consistent with the competitive nature of that lending. Finally, the Division will continue to identify areas in which the Division can leverage existing assets with specialized outside services.

The Division also has led the way for the creation of an up to date document management system with the acquisition of I-Manage software. New documents created by the office are integrated into a database that allows easy identification and retrieval of information, and permits the creation of "electronic files". All existing multi-family loan files are being imaged and incorporated into the database to save space and permit state of the art document management. The Division will continue to identify and develop technology and related assets to help create a 21st century legal shop.

5. Legislation

The focus of the Legislative Division is to ensure that legislation which fosters CalHFA's primary purpose, that of providing financing to meet the housing needs of low and moderate-income families in California, is monitored, tracked, analyzed and enacted into law.

Objectives/Strategies:

The Legislative Division will continue to review, track and analyze legislation affecting affordable housing and housing finance, monitor state and federal legislative matters which impact CalHFA programs and operations, develop the Agency's policy positions on legislation, and promote the Agency before Congress, the State Legislature and the Governor.

This year, the Federal activity will again focus on elimination of the Ten-year Rule and reform of MRB purchase price limits. In addition, the Division will continue to monitor the effect of Federal legislation and the housing budget, particularly funding for HUD and FHA programs. The state activity will continue to concentrate on legislative proposals for the creation of new and affordable housing stock in California. The division will continue to provide Congressional, Senate and Assembly staff with information on CalHFA programs and other data and information on affordable housing issues to ensure that the Legislature and Congress are well informed of the housing needs in California, and will continue to provide information and reports to the Board to keep them up to date on important State and federal issues.

Program Performance and Strategy Implementation:

Last year, the Legislative Division worked to increase co-sponsorship and support for a federal bill to eliminate the Ten Year Rule. Although those reforms have not yet been embraced by the Bush Administration, we were successful in securing co-sponsorship from more than 80% of the California delegation.

The Legislative Division worked closely with the Legislature, Administration, and other interested parties to secure passage of the Housing and Emergency Shelter Trust Fund Act of 2002, a $2.1 billion general obligation bond approved by the voters on the November 2002 ballot. The funds from these bonds will be used to help support a number of State housing programs, including multifamily housing, supportive housing, emergency housing, preservation, and down payment assistance for first-time homebuyers.

6. Fiscal Services Division

The role of the Fiscal Services Division is to support Agency activities through the receipt and disbursement of financial resources, the safeguarding of Agency assets, the servicing of Agency loans and by recording and reporting on financial matters of the Agency's funds in accordance with professional standards in meeting all federal, state and indenture requirements.

Objective/Strategies:

The Division will continue to meet the Agency's financial management and reporting needs. Systems and procedures are in place (and in some cases being upgraded or modified) to accommodate the growth in single family and multifamily loan portfolios, the increase in debt issuance and the increase in loan insurance underwriting activity called for in this business plan. The Division continues to provide financial assistance and support to the Agency's lending, insurance and financing activities and is prepared to assume additional loan servicing responsibilities as needed. Emphasis will be placed on improving and integrating automated accounting activities with financial and management reporting systems.

Program Performance and Strategy Implementation:

The Division currently accounts for a portfolio of $6.4 billion of loans receivable and $7.8 billion of bonds payable in 211 separate bond series under 13 active indentures. In addition, 8,517 loan insurance policies are accounted for with a total loan value of $1.4 billion. The Division is servicing 4,047 single family loans secured with first trust deeds, 20,926 single family loans with junior trust deeds and 520 multifamily and special program loans.

During the past year, the Division coordinated the annual financial audits of the Housing Finance Fund and the Housing Loan Insurance Fund. In both instances, reports containing unqualified opinions were issued by our independent auditors. Reviews of the Agency's administration of federal housing assistance payments and our in-house home loan servicing operation were also conducted during the year. No significant findings resulted from these reviews.

7. FINANCING DIVISION

The Financing Division provides borrowed capital to finance CalHFA programs. The Financing Division is also charged with managing CalHFA's outstanding debt obligations and non-mortgage investments and making recommendations concerning general financial matters. In carrying out these responsibilities, the Division acts to comply with bond indenture covenants and other financial agreements, federal tax law restrictions, and State statutes in addition to satisfying credit rating agency requirements.

Objectives/Strategies:

Over the next five years the Division will need to arrange the issuance of bonds and identify other sources of capital to support up to $9 billion of homeownership and multifamily loan production.

In order to meet the goal of up to $6.4 billion of new home loans, the Division will continue to maximize the recycling of previous years' Private Activity Bond allocations, finance new loans with a mix of tax-exempt and of taxable bonds, invest reserves in Agency loans, and take further advantage of economic refunding opportunities.

In the multifamily area, CalHFA expects to commit up to $1.55 billion of bond-funded multifamily loans over the next five years. To achieve economies of scale and keep the cost of funds low, the Division intends to continue the following strategies: pooling loans into large financings, pledging the Agency's general obligation, and investing the Agency's reserves in loans.

For both Homeownership and Multifamily, the Division plans to continue to lower the cost of the Agency's debt through the issuance of variable rate bonds and to utilize the swap market to synthetically fix or cap the rates to hedge our interest rate risk.

We will also continue to partner with other public agencies, pension funds, and Government Sponsored Enterprises (GSE's) such as Fannie Mae, Freddie Mac, and the Federal Home Loan Banks, who support our financings by acting as investors or by providing services such as standby bond purchase agreements.

Program Performance and Strategy Implementation:

During fiscal year 2002/03 to date, CalHFA has already contracted to issue $1.28 billion of bonds and plans to contract for another $250 million before the end of the fiscal year. Of the $1.28 billion, $1.17 billion is variable rate, of which $675 million is swapped to fixed rates. As of April 15, total variable rate debt is approximately $4.5 billion, some 57.7% of the Agency's total indebtedness of $7.8 billion. Bonds swapped to fixed rates total $3.28 billion.

At the end of the five-year planning period, it is possible that the Agency will have more than $13 billion of bonds outstanding, and as much as 75% may be variable rate, most of which will be swapped to a fixed rate.

In respect to the implementation of partnership strategies, the following are of note:

- The Federal Home Loan Bank of San Francisco is currently purchasing almost all of our taxable variable rate bonds for the homeownership program, including $500 million expected this fiscal year, bringing the total to over $1.4 billion. This is an especially valuable relationship because the indexed floaters we are selling to the FHLB do not have a put feature that requires bank liquidity. In addition, the FHLB may be able to provide standby bond purchase agreements beginning in fiscal year 2003/04.

- The California State Teachers Retirement System currently provides standby liquidity for $236 million of CalHFA variable rate bonds and could, during the Plan period, increase its volume with us.

- Fannie Mae currently provides standby liquidity for $396 million of variable rate multifamily bonds and is committed to provide up to $1 billion of liquidity to CalHFA and other state housing agencies nationwide. From this commitment we anticipate that Fannie Mae will be able to continue to provide liquidity for a portion of the variable rate bonds to be issued in calendar 2003.

- We anticipate that Freddie Mac will be able to provide standby liquidity for our variable rate bonds during fiscal year 2003/04.

V. FINANCIAL SUMMARY

The purpose of the Financial Summary is threefold: to present the Agency's equity position as of December 31, 2002, to describe the projected effect on the Agency's equity of the assumptions made in the Agency's five-year Business Plan, and to provide a detailed description of the factors influencing restriction of the Agency's equity.

DISCUSSION OF EQUITY:

"Equity" is synonymous with "net assets". It is arrived at by applying the Agency's assets against its liabilities at any given point in time. As of December 31, 2002, the Agency had total assets of $9.7 billion (comprised primarily of mortgage loans receivable) and total liabilities against those assets of $8.7 billion (comprised primarily of bond indebtedness). The residual restricted assets of $985 million (Housing Finance Fund) and $43 million (Housing Loan Insurance Fund) represent the Agency's equity position at December 31, 2002.

Although the amount of the Agency's total equity is readily identifiable, its liquidity is not. The majority of the assets underlying the equity are in the form of mortgage loans receivable, and as the following discussion will illustrate, most of the Agency's equity is allocated, or restricted in the form of reserves, for various purposes.

Since the term "reserve" has different meanings in different financial settings, the term may be a misnomer as it relates to the Agency's funds if there is an assumption that the reserves are in excess of the Agency's needs. The Agency's restricted reserves are not surplus moneys as used in the context of State agency fund designations. The Agency's reserves are, instead, designations of restricted funds as required of any private financial institution. As described in the Agency's 2001/02 Annual Report, in the notes to the audited Financial Statements, all of the Agency's equity is restricted either by indenture or by statute, or invested in capital assets.

The categories "Restricted by Indenture" and "Restricted by Statute" reflect the Agency's restricted equity. Pursuant to State statutes, resolutions and indentures, specified amounts of cash, investments and equity must be restricted and reserved. The equity categorized as Restricted by Indenture represents the indenture restrictions of specific bonds, whereas the Restricted by Statute category represents equity that is further restricted to fund deficiencies in other bonds, programs or accounts. The Housing Finance Fund maintained all required balances in the loan and bond reserve accounts as of December 31, 2002.

Generally, there are indenture covenants requiring that equity be retained under the lien of each indenture until certain asset coverage tests, as well as cashflow tests, have been met. Other restricted reserves are pledged to meet the Agency's bond and insurance general obligations, continuing program maintenance and ongoing administrative costs.

ALLOCATION OF CALHFA EQUITY:

The Agency's equity balance is contained within a series of funds and accounts, including bond funds and other types of restricted funds and accounts. Within these funds and accounts, equity has been classified according to the purpose it is intended to serve. These purposes include providing security for current and future bond issues, providing for emergency needs, leveraging restricted reserves for non-bond housing assistance programs, and providing for future operating expenses and financing costs.

The Agency's equity is allocated into three main restricted reserve categories: Restricted by Indenture, and Restricted by Statute, and Invested in Capital Assets. They are described as follows:

Restricted by Indenture:

The amount classified as Restricted by Indenture ($629 million) includes amounts required to be retained in the various bond indenture funds. This total provides security for the specific bonds to which they are assigned.

Restricted by Statute:

To comply with State law, rating agency requirements, credit enhancement agreements, and investor guarantees, the Agency is also required to maintain restricted reserves in addition to the above-described Indenture Restricted Reserves.

The amount classified as Restricted by Statute ($356 million), consisting of amounts from the Emergency Reserve Account, the Supplementary Bond Security Account, the Housing Assistance Trust, the Contract Administration Programs, and the Operating Account provides general support for all obligations of the Agency, including general obligation bonds interest rate swaps, and mortgage insurance.

The Agency has no taxing power, and bonds issued by the Agency are not obligations of the State of California. Some Agency bonds are issued as general obligations of the Agency, however, and are payable out of any assets, revenues, or moneys of the Agency, subject only to agreements with the holders of any other obligations of the Agency. This pledge is in addition to that of the specific revenues and assets pledged under the indenture. The Agency has received a Standard & Poor's rating of AA- on its general obligation pledge and a Moody's Investor Service rating of Aa3 (with a "positive outlook").

The Agency has $1.4 billion of bonds outstanding that are backed by CalHFA's general obligation. The Agency has also extended its general obligation pledge to 316.5 million of multifamily loans insured by FHA under its Risk Share Program. Our risk is 50% of this amount, or $158 million. In addition, the Agency pledges its general obligation for another $3.3 billion to its swap counterparties for the interest rate swaps that are currently outstanding.

While most of the Agency's reserves are contractually restricted as security behind the $8.7 billion in Agency liabilities and the $1.3 billion in single family mortgages insured by the Agency, other reserves serve a "dual purpose." These reserves provide the Agency with the resources to meet its capital adequacy requirements, general obligation pledge risk reserves, and operating funds. At the same time, prudent management of these accounts has allowed the CalHFA Board to carefully apply them to necessary uses under the Operating Account, Emergency Reserve Account, and the Housing Assistance Trust.

To maintain the necessary security reserves, it is important that these accounts be invested in uses that will preserve principal and generate revenues to the Agency. This is necessary because fee revenues will decline as the bond issues mature, but our administrative and monitoring responsibilities will continue for the up-to-40-year life of the bonds and loans. It is planned that during these later years scheduled draws from the Emergency Reserve Account, Housing Assistance Trust, Operating Reserves and other accounts will be used to support the ongoing bond and loan administrative costs. Accordingly, when these funds are deposited or "invested" in various Agency programs, they are carefully managed to maintain low levels of risk and ultimate liquidity for long-term bond and loan management purposes.

The Contract Administration Programs ($40 million) category includes amounts related to programs originally funded with appropriations from the State and is restricted by State statutes. The equity is therefore not available for allocation to other Agency purposes.

Within the Operating Account the Agency maintains a $20.8 million operating reserve, equivalent to one year's operating budget, including a $3 million revolving fund for bond financing expenses. The revolving fund serves to provide short-term advances to pay the initial costs of bond issuance, pay for interest rate hedges, and pay other costs of developing bond programs. Such allocations of equity ensure the continued administration of the Agency's programs and also serve to meet rating agency liquidity and capital adequacy requirements.

Invested in Capital Assets:

The amount classified as Invested in Capital Assets ($563,000) represents investments in office equipment and furniture net of depreciation.

LOSS PROTECTION:

Rating Agency Requirements:

The credit rating services (Moody's Investors Service and Standard & Poor's) provide certain quantitative guidance regarding the need for reserves to protect against certain quantifiable risks of loss. We have always judged the soundness of our Business Plan by projecting financial results for the five year period and determining that these projections were consistent with rating agency criteria.

Both rating agencies require the Agency to establish reserves for each bond issue, intended to protect the bondholders and the Agency in the event that the actual cashflows associated with a bond issue differ from the cashflows projected at the time of issuance of the bonds. In order to determine the size of the reserves to be established for each issue, the rating agencies analyze the performance of the projected cashflows and assets at the time of bond issuance under a "worst case scenario". The Agency is required to set aside and maintain reserves in an amount necessary to cover any projected cashflow shortfalls under these worst case scenarios. Such reserves represent a direct allocation and restriction of the Agency's equity.

In addition, Standard & Poor's provides certain formulas for determining capital adequacy for its "Top Tier" designation and its issuer, or general obligation, credit rating.

The guidelines Standard & Poor's uses to evaluate housing finance agencies include: number of years issuing bonds, administrative capabilities, investment policy, internal controls, loan portfolio quality, and maintenance of residual fund balances (as defined by S&P) equal to 4% of non-AAA bonds outstanding. One-half of these required residual balances (2% of non-AAA bonds) must be liquid assets.

In order to assess the adequacy of the Agency's equity at any point in time, S&P analyzes the Agency's finances to determine the amount of residual equity remaining after providing for any potential risks which have not already been addressed to S&P's satisfaction. In addition, S&P evaluates various financial ratios, which are indicators of leverage, liquidity, and general obligation debt exposure.

The Agency's general obligation pledge currently stands behind $1.4 billion of single family and multifamily debt, $158 million of multifamily loans subject to FHA Risk Share, and $3.28 billion to our swap counterparties for our outstanding interest rate swaps. It is anticipated that, during the term of the Plan, direct utilization of the Agency's general obligation will be greatly expanded, as shown in the table below. In order to continue to meet the capital adequacy requirements of Moody's and S&P, the Agency must reserve equity against these pledges.

<u>Pledges of CalHFA General Obligation</u>
(in millions)

	Current Pledges	Estimated as of June 30, 2008
CalHFA G.O. Bonds	$1,560	$3,060
FHA Risk Share Program	158	400
Interest Rate Swaps	3,280	8,280
	$4,998	$11,740

The rating agency assessment of CalHFA equity is very similar to the determination of capital adequacy of financial institutions and is necessary for the financial well-being of CalHFA as the State's affordable housing bank. In addition, other benefits of meeting the rating agencies' capital adequacy requirements include:

- higher bond ratings, resulting in a lower cost of funds
- reduced interest expense to the home buyer or multifamily project sponsor
- continuation of a mortgage insurance program
- elimination of special hazard insurance requirements
- a reduction or suspension of other credit enhancements on Agency bond issues

The costs of not meeting these requirements include:

- jeopardizing the Agency's Aa3/A+ ratings of its insurance claims paying ability
- jeopardizing ratings on the Agency's currently outstanding bonds
- an increase in the Agency's cost of funds
- increased cost of credit enhancement and liquidity for variable rate bonds
- less favorable terms for new financial agreements including interest rate swaps
- reduction in the number of willing financial partners such as investors, bond insurers, liquidity providers, and swap counterparties

CalHFA first earned its Top Tier designation in 1986 and has achieved the performance levels necessary to retain this honor continuously since that date. We fully intend to continue the strong management practices, sound program planning, and internal control systems that have allowed us to maintain this designation. We also expect to achieve financial results in the future consistent with our current issuer credit ratings from both Moody's and Standard & Poor's.

<u>Other Prudent Reserves:</u>

A portion of the Agency's equity is restricted to protect the Agency's assets from potential losses due to interest rate risk, natural catastrophes such as earthquakes and floods, risk associated with the multifamily loan portfolio, negative arbitrage, uncollateralizable investment agreements, and unanticipated interest rate swap terminations.

- Interest Rate Risk

In the case of Homeownership Programs, the shortage of private activity bond allocation will require the Agency to continue to rely heavily on the issuance of taxable bonds to support the desired loan volume. The use of variable rate bonds, whether tax-exempt or taxable, constitutes an opportunity to reduce the Agency's cost of funds, thus reducing the amount of subsidy needed to support taxable bonds or, alternatively, expanding the volume of taxable bonds that can be issued. As of March 31, 2003 the Agency had $4.5 billion of variable rate bonds outstanding, and another $300 million may be added before the end of the 2002/03 fiscal year. It is possible that another $1.5 billion may be issued each year going forward for the life of the Plan.

Given the Agency's variable rate bond strategy, it should set aside reserves to cover the risk of rising rates, the costs of acquiring interest rate hedges, and certain risks related to such hedges. For example, hedges we might enter into to reduce our tax-exempt interest rate risk are likely to leave us exposed to the risk of tax law changes that would reduce or eliminate personal and corporate income taxes. Another risk would be counterparty failure in connection with an interest rate swap or cap. In this regard, it should be noted that as of March 31, 2003, the market value of the Agency's 69 interest rate swaps was a negative $343.7 million. What this means is that, if all our counterparties were to fail, the Agency would owe termination payments in this amount. In addition, very high or very low incidences of single family loan prepayments could upset the balance between the notional amount of the swaps and the outstanding amount of related variable rate bonds.

Because interest rates could rise, either because the Federal Reserve raises short-term rates or because changes in tax law could reduce the value of the tax exemption, the Agency needs to set aside a substantial reserve against this risk.

- Natural Catastrophes

In order to provide more financing for affordable housing in high-cost areas of the state, the Agency petitioned the rating agencies to allow a higher percentage of home loans to be made to purchasers of condominiums. The rating agencies agreed, but only if the Agency would establish a reserve in an amount equal to 1% of the unpaid principal balance of such loans to effectively insure the loan portfolio against losses in the event of an earthquake. The Agency currently has in its portfolio a total of $737.5 million of loans for condominiums. A portion of the Agency's multifamily loan portfolio is insured under a $50 million multifamily earthquake and flood insurance policy which has a 5% deductible and does not provide for loss of income. The Agency has restricted equity to supplement the coverage not provided by the policy.

- Project Maintenance

Equity is restricted to protect the Agency from possible losses on multifamily project loans. It should be recognized that the Agency could be called upon at any time to meet certain deficits as a result of debt service shortfalls on project loans. Given the size of the Agency's $1.4 billion multifamily loan portfolio and the substantial pipeline of new loans to be originated or acquired, reserves must be available as a reasonable protection from late payments, emergency maintenance needs or various cashflow shortfalls. One type of potential cashflow shortfall could result if HUD is unable to extend Section 8 Housing Assistance Payments contracts to the final maturity of our loans.

- Negative Arbitrage

The Agency expects to continue to be unable to invest the proceeds of its bonds at rates equal to its cost of funds. Equity has been reserved to protect the Agency against such negative arbitrage and to ensure the Agency's ability to pay debt service on these bonds.

- Investment Risks

A portion of the Agency's earlier investment agreements do not contain collateralization requirements. During the term of these agreements, the Agency's principal and interest are potentially at risk. The Agency has allocated equity to provide liquidity to meet debt service obligations in the event one or more of these investment agreement providers experiences financial difficulty.

Equity Analysis by Fund and Account:

The Agency's total equity at December 31, 2002 was $985 million (Housing Finance Fund) and $43 million (Housing Loan Insurance Fund). All of this equity is restricted per the requirements described previously and as detailed below. As approved by the Board and within rating agency standards, the Agency reinvests and leverages a portion of its restricted equity to support Housing Assistance Trust programs not funded through the use of bond proceeds.

Bond Indenture Equity:

As of December 31, $629 million of the Agency's total equity is restricted within the bond indentures. All of the bond indenture equity is subject to the indenture and rating agency requirements described above, and a portion of the bond indenture equity supports the Agency's operating budget.

Contract Administration Programs:

The Agency administers loan and grant programs for the Rental Housing Construction Program, the School Facilities Fee Assistance Program and the California Homebuyers Downpayment Assistance Program. Funding of these programs was appropriated by the legislature to other departments and agencies within the State that have contracted with the Agency for this purpose. The equity of $40 million at December 31 is unavailable for Agency reallocation. This portion of the Agency's equity will grow as Proposition 46 programs are funded.

Housing Assistance Trust (HAT):

As of December 31, HAT accounts for $177.7 million of the Agency's total equity. All of the equity in HAT is required to meet general obligation pledges and capital adequacy requirements. While meeting these financial means requirements, the Agency may also invest these funds in support of Agency programs which are not otherwise funded by bond proceeds.

CalHFA invests, through HAT, in a number of special lending programs which are targeted to special affordable housing needs in support of the primary Homeownership and Multifamily lending programs and in support of the mortgage insurance programs. Prudent management consistent with rating agency standards allow CalHFA to invest some of its restricted reserves in Agency programs through the Trust and still meet its capital adequacy and reserve requirements. These special HAT programs are discussed elsewhere herein.

The concept of using HAT as a means for making program-related investments of restricted reserves makes HAT ideal as a revolving loan fund for a variety of purposes and programs. Moneys in HAT will continue to be utilized for short- and intermediate-term loan warehousing purposes in support of the Agency's main line lending programs. Examples of these kinds of investments include warehousing of loans that await assignment to bond issues, warehousing of permanent multifamily loans, and warehousing of multifamily loan participations that cannot be financed with federally tax-exempt bonds.

<u>Supplementary Bond Security Account:</u>

The statutorily established Supplementary Bond Security Account (SBSA) accounts for $55.8 million of the Agency's equity at December 31. This equity is subject to many influencing factors such as rating agency requirements, loss protection against loan default risks interest rate risks, natural catastrophes, and negative arbitrage. The SBSA is being used to indemnify the Housing Loan Insurance Fund against losses on certain CalHFA loans the Agency must insure under the terms of its bond indentures.

Based on the bonds outstanding to date and estimates of the bonds to be issued and loans to be originated, the Supplementary Bond Security Account will be fully pledged for the duration of the five-year Business Plan.

<u>Emergency Reserve Account:</u>

The Emergency Reserve Account (ERA) accounted for $66 million of the Agency's equity at December 31. The equity within the ERA enables the Agency to meet its rating agency requirements for its general obligation pledges and the maintenance of its capital adequacy requirements. It provides the primary source of loss protection for the Agency's assets and has been reinvested in support of the Agency's insurance programs.

All of the ERA equity and the equity of other accounts backs the Agency's general obligation bond of $5 billion. The Agency's general obligation will continue to be pledged to provide security for bonds to interest rate swap counterparties.

All of the equity in the ERA supports the maintenance of the Agency's issuer credit ratings, top tier designation and capital adequacy position. The maintenance of these reserve requirements at the levels prescribed by the rating agencies is as critical to the Agency's ability to achieve its mission as are the regulatory capital requirements of any other conventional marketplace lending institution.

Because the Emergency Reserve Account does not need to be held entirely in liquid form, it currently serves as a major source of funding for warehousing home loans awaiting monthly assignment to bond issues. During the period of this plan, use of Emergency Reserve Account liquidity may also be used to warehouse multifamily loans. Although in general the ERA is potentially available for legal claims and risk management purposes, the following describes how the amounts on deposit in the ERA are provisionally allocated to particular contingencies. These allocations are indicated for administrative purposes only and do not represent limitations on the use of the ERA for each contingency category. The account has multiple obligations which potentially could greatly exceed its $71.3 million balance.

- Mortgage Insurance

The Agency's Housing Loan Insurance Fund has restricted reserves of $43 million. In addition, the Housing and Emergency Shelter Trust Fund Act of 2002 (Proposition 46) includes $85 million to increase the reserves of the Insurance Fund for new mortgage insurance programs to be developed by the Agency. The Agency's Five-Year Business Plan has a goal of insuring $3.6 billion in new mortgages. Housing Finance Fund reserves would be available to be loaned to the Insurance Fund to increase the amount of its loan loss reserves, should the need arise.

On March 20, 2003, the Board of Directors authorized the Agency to provide financial support to the Housing Loan Insurance Fund from moneys in the much larger Housing Finance Fund by means of a line of credit of up to $100 million. The purpose of the line of credit is to satisfy credit rating agency concerns about the Insurance Fund's claims-paying ability during times of severe economic stress when the insurance Fund's reserves may conceivably become depleted as more and more claims are paid. Draws on the line of credit from the Housing Finance Fund will constitute interfund loans.

- General Obligations

CalHFA has $1.4 billion in outstanding bonds that are backed, in whole or in part, by the Agency's general obligation (not the State's) in addition to any external credit enhancement (bond insurance or letters of credit). The rating agencies use the shortfall resulting from the worst case cashflows on our general obligation bonds as a charge against equity. CalHFA maintains a liquidity reserve for part of this requirement in the ERA. The balance of the reserves is applied from other sources such as HAT loans and various bond issues. The reserve is available in the event that the Agency is called upon to make advances to general obligation bond programs to pay debt service or to reimburse the bond insurer for losses or liquidity banks for purchasing variable rate bonds that could not be remarketed. The reserve is also available for protection against potential losses from interest rate fluctuations and from counterparty failure related to interest rate swaps or other hedge instruments. One use of the Emergency Reserve in this regard is the provision of interest rate caps to $153 million of floating-rate single family bonds. Under these internal agreements, the Emergency Reserve Account will be drawn on to pay any interest costs in excess of the cap rates. In addition, to cover worst case deficiencies in this FY's new bond issues we have made temporary pledges of $93.5 million that will be released upon delivery of new cash flow runs. This use of the Agency G.O. will be duplicated in future issues.

- Investment Reserves

CalHFA's bond issues create capital in the form of proceeds for the purchase of mortgages. As described in the CalHFA Investment Policy, usually these proceeds are invested with financial institutions with whom we enter into investment agreements. During the term of these agreements, principal and interest are at risk, especially from certain early investment agreements which do not contain collateralization requirements. A portion of the ERA is allocated to provide liquidity to meet debt service obligations in the event of financial difficulties with an investment agreement until such time as the funds can be withdrawn from the investment accounts.

- Self-Insured Earthquake Coverage

To provide affordable single family housing in high-cost regions of the state, CalHFA petitioned the rating agencies to allow a higher percentage of loans to be made for purchasers of condos. The rating agencies agreed, but only if the Agency established a non-bond reserve of 1% of the loan amount for all condo loans made in earthquake zone areas. The Agency has a total of $737.5 million of loans on condos in its portfolio. The Agency maintains a 1% reserve for new and resale condos in a Supplementary Reserve Account for $7.4 million.

The Agency has also obtained earthquake and flood insurance for its multifamily portfolio with a 5% deductible. If called upon, the deductible of $2.5 million (calculated on the probable maximum loss of $50 million) is available in this account.

- Asset Management

Various multifamily properties may have maintenance and debt service shortfalls due to a variety of factors. The Agency may be called upon at any time to meet certain funding needs (i.e., property taxes, utilities, workouts, etc.). A reserve of $3 million is a reasonable liquidity amount given the size of the Agency's growing multifamily loan portfolio, now totaling $1.4 billion of unpaid principal balance.

Operating Account:

The Operating Account accounts for $18 million of the Agency's equity at December 31. This equity is restricted for meeting the Agency's capital adequacy and general obligation requirements, as well as funding the Agency's operating budget and financing reserves.

BUSINESS PLAN ASSUMPTIONS:

Cashflow analyses of the Agency's bond programs are again this year being prepared by a consultant for the purpose of determining the financial strength of these programs. While these cashflow analyses are being prepared primarily for review by the credit rating agencies, they will also be used by the Agency to analyze the current equity position of any program and to forecast future net revenues under different interest rate scenarios. Applying the factors influencing restrictions of the Agency's equity, the resulting analysis quantifies the amount of restricted equity which could be reinvested in support of new or expanded programs as described in the Business Plan and projects the timing of such reinvestment opportunities.

Implementation of the five-year Business Plan as presented in this summary is dependent upon realization of the underlying assumptions. The plan is intended, however, to remain flexible in the event that actual events differ from these assumptions.

Major Assumptions:

- Origination of $6.8 billion of new home loans to be financed with a combination of tax-exempt and taxable bonds.
- Commitments of $2 billion of multifamily loans to be financed with tax-exempt or taxable bonds.
- Insurance of approximately $3.6 billion of mortgages.
- Sufficient Private Activity Bond (PAB) allocation. Increasing amounts of PAB will be required as our opportunity declines to recycle prior single family allocation by means of replacement refundings. These opportunities are declining primarily because of the delayed effect of certain prior changes to federal tax law.
- Continued ability to rely on variable rate financing structures (both swapped and unswapped) to achieve interest rate savings. If bank liquidity for put bonds becomes unavailable, other variable rate structures (auction or indexed bonds) would need to be cost-effective.

Other Assumptions:

Several other programmatic and financial assumptions were made to arrive at the projections comprising the Agency's Five-Year Business Plan. The following is a summary of such assumptions:

- Home loan portfolio maintains its current delinquency ratio and REO experience.
- Capital reserve requirements for multifamily loans can be reduced through risk-sharing agreements and as a result of continued low deliquency and default rates.
- Homeownership prepayments to be received according to the following table:

MORTGAGE RATES	% OF PSA RATE
Below - 5.75%	100% - 133%
5.76% - 6.25%	140% - 200%
6.375% - 7.24%	201% - 300%
7.25% - 7.49%	301% - 375%
7.5% and above	400% - 436%

- Average investment rate in the absence of investment agreements to equal 2%.
- Financial strength of the entire multifamily portfolio to remain at the current level.
- Interest rates remain sufficiently low during the life of the Plan so that significant economic savings can continue to be generated by means of variable-rate bond strategies, especially when applied to the refunding of prior bonds.
- Operating budget is assumed to increase an average of 5% per year.
- No unexpected insurance losses.
- No principal losses from investments.
- No failures of swap counterparties.
- Only minor changes in the value of the federal tax exemption.

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RESOLUTION 03-29

WHEREAS, pursuant to the Zenovich-Moscone-Chacon Housing and Home Finance Act ("Act"), the California Housing Finance Agency ("Agency") has the authority to engage in activities to reduce the cost of mortgage financing for home purchase and rental housing development, including the issuance of bonds and the insuring of mortgage loans;

WHEREAS, the Agency's statutory objectives include, among others, increasing the range of housing choices for California residents, meeting the housing needs of persons and families of low or moderate income, maximizing the impact of financing activities on employment and local economic activity, and implementing the objectives of the California Statewide Housing Plan;

WHEREAS, on November 5, 2002, the citizens of California voted to approve Proposition 46, the $2.1 billion Housing and Emergency Shelter Trust Fund Act of 2002, thus affording CalHFA with an unprecedented opportunity to further its affordable housing mission and accomplish significantly higher business volume goals than provided in its previous Five-Year Business Plans;

WHEREAS, the Agency desires to amend Resolution 02-12 adopted on May 16, 2002, which committed the Agency to a Business Plan for the years 2002/2003 through 2006/2007; and

WHEREAS, the Agency has presented to the Board of Directors a fiscal year 2003/2004 through 2007/2008 annual update of the Business Plan, in order to adjust to the ever changing economic, fiscal and legal environment, which updated Business Plan is designed to assist the Agency to meet its statutory objectives, to address the housing needs of the people of California and to provide the Agency with the necessary road map to continue its bond, mortgage financing, and mortgage insurance activities well into the future.

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

1. The updated 2003/04-2007/08 Five-Year Business Plan, a copy of which is attached hereto and made a part hereof, is hereby fully endorsed and adopted.

2. In implementing the updated Business Plan, the Agency shall strive to satisfy all the capital adequacy, reserve, and any other requirements necessary to maintain the Agency's top-tier designation by Standard & Poor's Corporation, to maintain its general obligation credit ratings and the current credit ratings on its debt obligations, to comply with the requirements of the Agency's providers of credit enhancement, liquidity, and interest rate swaps and caps, and to satisfy any other requirements of the Agency's bond and insurance programs.

3. Because the updated Business Plan is necessarily based on various economic, fiscal and legal assumptions, in order for the Agency to respond to changing circumstances, the

Executive Director shall have the authority to adjust the Agency's day-to-day activities to reflect actual economic, fiscal and legal circumstances in order to attain goals and objectives consistent with the intent of the updated Business Plan.

I hereby certify that this is a true and correct copy of Resolution 03-29 adopted at a duly constituted meeting of the Board of Directors of the Agency held on May 15, 2003, at Burbank, California.

ATTEST: ______________________
Secretary

Attachment

State of California

MEMORANDUM

To: Board of Directors
California Housing Finance Agency

Date: May 1, 2003

Theresa A. Parker, Executive Director Terri Parker

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: RESOLUTION 03-30: OPERATING BUDGET 2003/2004

To implement the $12.2 billion Five Year Business Plan, attached is the Agency's related 2003-04 operating budget for the Board's review and approval.

As indicated in the Business Plan, the Agency is proposing a 20% increase in its affordable housing production over last year's Plan. Also included in the Plan are the new responsibilities and workload associated with implementing the $335 million allocated to CalHFA from Proposition 46. The Plan's increased affordable housing opportunities are critical to the housing needs of California and offers a significant economic stimulant as indicated by the 64,000 jobs the Plan will assist in creating. As such, these benefits and the mandatory administration of the Agency's bond requirements cannot be accomplished without the commensurate and necessary levels of staffing.

To implement the Plan, the Agency's attached operating budget is accordingly proposed to increase by 32 full-time positions and the related support costs. These are explained below:

Personal Services

Eight (8) positions are in support of Proposition 46. These positions have been added to Homeownership – Special Lending, Fiscal Services, Multifamily, and to Mortgage Insurance. In addition, fourteen (14) positions have been added to our operating functions in support of the Legislation Unit, Legal Office, Fiscal Services and Information Technology Unit.

The lending side of the Agency has added a net of nine (9) positions. These positions are in support of the growing workload in Multifamily, Asset Management and Homeownership production.

One of the proposed added positions is for a Multifamily Chief, with its focus to be in the Bay area. We are exploring the feasibility of hiring someone at this level and for determining the demand for our mixed income, student housing and the nine (9%) percent construction lines of business. Staff will keep the Board apprised of our progress in these areas.

Operations

All of our non-personnel support line items have also had to increase. The specific reasons for these increases are: 1) additional staff, 2) one time charges for needed additional office space in Sacramento, 3) ramping-up the Marketing efforts to put the Plan's products to work, and 4) consulting and professional services.

The largest expense in the consulting and professional services category is for outside legal counsel required for on-going litigation. In addition, we have included five hundred thousand dollars ($500,000) for a Multifamily Loan Origination System. Responses to our Request for Bid Proposals (RFP) have been received in just the last 7 – 10 days. We received four response's varying in price of up to five-hundred-thousand dollars ($500,000). There has been inadequate time to complete the evaluations of the proposals and, as such, we cannot make a specific recommendation at this time. However, because of the high priority of this project, we did not want to leave the project and its possible funding level unstated in the budget. Once the system alternatives have been explored, we will return to the Board with a follow-up recommendation on the chosen direction, its specific costs, and a request for your approval.

The Agency has set ambitious Business Plan goals over the past several years and has been consistently successful in meeting those goals. In order to continue CalHFA's ongoing successes and to meet its new challenges, this budget proposes the related necessary resources.

It should be noted that none of the Agency's operational costs are included in the State's appropriated Budget and, therefore, will not adversely affect State expenditures or its finances. On the contrary, it is fully anticipated, as in the past, that the Plan's accomplishments will greatly aid the State's economy and, therefore, contribute to the resources necessary to support governmental services to the public.

As such, your approval of the Agency's $29.6 million support budget for fiscal year 2003-04 is recommended.

CALIFORNIA HOUSING FINANCE AGENCY
2003/04
HOUSING AND INSURANCE OPERATING FUNDS
DETAILS OF EXPENDITURES

(DOLLARS IN THOUSANDS)

EXPENDITURE ITEM	Actual 01/02	Budgeted 02/03	Proposed 03/04
PERSONAL SERVICES			
Authorized Salaries	$10,943	$14,197	$16,199
Estimated Salary Savings		(710)	(810)
Staff Benefits	2,058	2,697	3,847
TOTALS, Personal Services	$13,001	$16,185	$19,237
OPERATING EXPENSES AND EQUIPMENT			
General Expense	534	500	650
Communications	379	345	560
Travel	342	356	400
Training	72	100	140
Facilities Operation	1,308	1,758	2,335
Consulting & Professional Services	2,102	2,789	4,232
*Central Admin. Serv.	697	768	817
Information Technology	644	600	700
Equipment	184	250	500
Operating Expenses and Equipment	$6,262	$7,466	$10,333
TOTALS, EXPENDITURES	$19,263	$23,651	$29,570

* Central Administrative Services: These are service costs (e.g., Finance, Controller, Personnel Board, Treasurer, Legislature, etc.) incurred by the Agency. These charges are calculated by the Department of Finance using a formula that takes three budget years into consideration.

May 1, 2003

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CALIFORNIA HOUSING FINANCE AGENCY
2003/04
CalHFA FUND OPERATING BUDGET
DETAILS OF EXPENDITURES

(DOLLARS IN THOUSANDS)

EXPENDITURE ITEM	Actual 01/02	Budgeted 02/03	Proposed 03/04
PERSONAL SERVICES			
Authorized Salaries	$10,381	$13,330	$15,335
Estimated Salary Savings		(666)	(767)
Staff Benefits	1,962	2,533	3,642
TOTALS, Personal Services	$12,343	$15,196	$18,210
OPERATING EXPENSES AND EQUIPMENT			
General Expense	507	465	615
Communications	361	330	540
Travel	329	336	375
Training	68	93	125
Facilities Operation	1,256	1,678	2,192
Consulting & Professional Services	1,695	2,288	3,772
*Central Admin. Serv.	641	703	748
Information Technology	628	550	630
Equipment	175	200	450
Operating Expenses and Equipment	$5,659	$6,643	$9,446
Distributed Administration	($303)	($373)	($470)
TOTALS, EXPENDITURES	$17,699	$21,465	$27,187

* Central Administrative Services: These are service costs (e.g., Finance, Controller, Personnel Board, Treasurer, Legislature, etc.) incurred by the Agency. These charges are calculated by the Department of Finance using a formula that takes three budget years into consideration.

May 1, 2003

CALIFORNIA HOUSING FINANCE AGENCY
2003/04
MIS FUND OPERATING BUDGET
DETAILS OF EXPENDITURES

(DOLLARS IN THOUSANDS)

EXPENDITURE ITEM	Actual 01/02	Budgeted 02/03	Proposed 03/04
PERSONAL SERVICES			
Authorized Salaries	$563	868	864
Estimated Salary Savings		(43)	(43)
Staff Benefits	95	165	205
TOTALS, Personal Services	$658	$989	$1,026
OPERATING EXPENSES AND EQUIPMENT			
General Expense	28	35	35
Communications	18	15	20
Travel	12	20	25
Training	4	7	15
Facilities Operation	52	80	143
Consulting & Professional Services	407	501	460
*Central Admin. Serv.	57	65	69
Information Technology	17	50	70
Equipment	8	50	50
Operating Expenses and Equipment	$603	$823	$887
Distributed Administration	$303	$373	$470
TOTALS, EXPENDITURES	$1,564	$2,185	$2,383

* Central Administrative Services: These are service costs (e.g., Finance, Controller, Personnel Board, Treasurer, Legislature, etc.) incurred by the Agency. These charges are calculated by the Department of Finance using a formula that takes three budget years into consideration.

May 1, 2003

CALIFORNIA HOUSING FINANCE AGENCY
2003/04

SUMMARY
PERSONNEL YEARS AND SALARIES

DIVISION	PERSONNEL YEARS ACTUAL 01/02	PERSONNEL YEARS AUTHORIZED BUDGET 02/03	PERSONNEL YEARS PROPOSED 03/04	AMOUNT FINAL BUDGET 02/03	AMOUNT PROPOSED BUDGET 03/04
EXECUTIVE OFFICE	4.8	5.0	6.0	$426,217	$463,572
ADMINISTRATION	23.7	31.0	34.0	1,703,550	1,871,997
FINANCING	8.6	9.0	9.0	647,388	647,388
FISCAL SERVICES	45.4	54.0	63.0	2,735,129	3,193,650
GENERAL COUNSEL	11.6	14.0	18.0	1,021,449	1,299,350
MARKETING	2.7	5.0	5.0	252,179	294,082
SINGLE FAMILY	34.4	44.0	50.0	2,373,821	2,663,968
MULTIFAMILY	19.9	33.0	40.0	2,228,092	2,734,397
ASSET MANAGEMENT	22.5	27.0	31.0	1,556,144	1,801,713
CaHLIF	8.9	14.0	14.0	827,527	859,301
Temporary Help	17.5	10.0	8.0	380,000	315,000
Overtime				57,000	90,000
	200.0	246.0	278.0	$14,208,494	$16,234,417
TOTAL SALARIES				$14,208,494	$16,234,417
Less Salary Savings*		(12.3)	(13.9)	(710,425)	(811,721)
NET SALARIES	200.0	233.7	264.1	$13,498,070	$15,422,696

*This figure represents a normal rate of vacancies and lag time in refilling positions in accordance with State budget practices.

May 1, 2003
California Housing Finance Agency
Agency Code: 2260

2003/04
PERSONNEL YEARS
AND SALARIES
SCHEDULE 7A

ORGANIZATIONAL UNIT Classification	Actual 01/02	Authorized Budget 02/03	Proposed 03/04	Salary Range		Actual 01/02	Authorized Budget 02/03	Proposed 03/04
OPERATIONS				SALARY RANGE				
Executive Office:								
Exec Director	1.0	1.0	1.0	9,824 -	10,625		127,496	127,496
Chief Dep Director	1.0	1.0	1.0	8,681 -	9,388		112,657	112,657
Staff Services Mgr II (Mgrl)	1.0	1.0	1.0	5,493 -	6,058		71,847	71,847
* Assoc Govtl Prog Analyst	0.0	0.0	1.0	3,915 -	4,759		0	46,980
Admin Asst II	1.0	1.0	1.0	3,915 -	4,759		57,108	57,108
Admin Asst I	0.2	1.0	1.0	3,255 -	3,957		57,108	47,484
Exec Assistant	0.6	0.0	0.0	2,926 -	3,556		0	0
Totals, Executive Office	4.8	5.0	6.0			$391,841	$426,217	$463,572
Administration:								
Director's Office:								
CEA I	1.0	1.0	1.0	5,493 -	7,668		83,703	92,016
Exec Assistant	0.0	1.0	1.0	2,926 -	3,556		42,669	42,669
Administrative Services:								
Staff Services Mgr I	1.0	2.0	2.0	4,520 -	5,453		130,872	130,872
Assoc Personnel Analyst	1.0	1.0	1.0	3,915 -	4,759		49,329	49,329
Assoc Management Analyst	1.0	1.0	1.0	3,915 -	4,759		57,108	57,108
Training Officer I	1.0	1.0	1.0	3,915 -	4,759		57,108	57,108
Staff Services Analyst	0.6	2.0	2.0	3,255 -	3,957		94,973	94,973
Bus Services Offr II (Spec)	0.0	0.0	1.0	3,568	3,568		0	42,816
Bus Services Offr	1.0	1.0	0.0	3,255 -	3,957		47,486	0
Bus Services Assistant	0.9	1.0	1.0	2,714 -	3,300		39,599	39,599
Personnel Services Spec. I	1.0	1.0	1.0	2,757 -	3,351		0	40,212
Mgt Services Techn	1.1	1.0	0.0	2,507 -	3,049		36,591	0
Ofc Techn	0.0	0.0	1.0	2,348 -	2,855		0	34,258
Ofc Asst	2.0	3.0	3.0	2,029 -	2,465		88,733	88,733
Information Technology:								
DP Mgr III	1.0	1.0	1.0	6,032 -	6,651		79,810	79,810
Sr. Programmer Analyst (Sup.)	1.0	1.0	1.0	4,958 -	6,026		72,312	72,312
Systems Software Spec II	1.0	1.0	1.0	4,949 -	6,015		72,184	72,184
Systems Software Spec I	0.0	1.0	1.0	4,507 -	5,480		54,084	54,084
Staff Programmer Analyst	4.6	7.0	7.0	4,507 -	5,480		460,300	460,300
Staff Information Systems Anal.	0.4	1.0	1.0	4,507 -	5,480		56,788	56,788
* Assoc Programmer Analyst	2.8	1.0	2.0	4,110 -	4,997		59,966	119,933
Associate Info. Sys. Analyst	1.3	2.0	2.0	4,110 -	4,997		119,933	119,933
** Info Sys Tech	0.0	0.0	2.0	2,295 -	2,790		0	66,960
Totals, Administration	23.7	31.0	34.0			$1,295,675	$1,703,550	$1,871,997
Financing:								
Director	1.0	1.0	1.0	8,201 -	8,870		106,442	106,442
Financing Off	2.9	4.0	4.0	5,441 -	6,577		315,694	315,694
Financing Spec	2.7	2.0	2.0	4,301 -	5,228		125,474	125,474
Financing Assoc	1.0	1.0	1.0	3,915 -	4,759		57,108	57,108
Exec Assistant	1.0	1.0	1.0	2,926 -	3,556		42,669	42,669
Totals, Financing	8.6	9.0	9.0			$569,564	$647,388	$647,388

	Fiscal Services:								
	Comptroller, CEA II	1.0	1.0	1.0	6,954 -	8,434	92,015	101,208
	Acctg Admin III	1.0	1.0	1.0	6,032 -	6,651	71,847	71,847
	Acctg Admin II	1.0	2.0	2.0	4,963 -	5,987	143,695	143,695
	Acctg Admin I (Supervisor)	1.3	2.0	2.0	4,520 -	5,453	130,865	130,865
**	Acctg Admin I (Specialist)	4.4	4.0	7.0	4,301 -	5,228	250,948	439,159
	Assoc Acctg Analyst	0.8	3.0	1.0	4,110 -	4,997	179,899	59,966
*	Assoc Admn Anlyst Acctg Syst	0.0	0.0	1.0	4,110	4,997	0	59,964
	Sr Acctg Off (Supervisor)	1.0	2.0	2.0	4,113 -	4,963	119,109	119,109
	Sr Acctg Off (Specialist)	5.8	6.0	7.0	3,915 -	4,759	342,651	399,759
	Mortgage Loan Acctg Off	9.6	6.0	9.0	3,418 -	4,155	299,146	448,718
*	Accountant Trainee	4.5	3.0	6.0	2,883 -	3,338	120,182	240,365
	Mortgage Loan Accountant	2.2	5.0	1.0	2,554 -	3,104	186,264	37,253
	Mgt Services Techn	0.3	2.0	1.0	2,507 -	3,049	73,183	36,591
	Ofc Techn	0.0	2.0	2.0	2,348 -	2,855	68,515	68,515
	Account Clerk II	0.7	0.0	0.0	2,104 -	2,559	0	0
	Ofc Asst	1.0	1.0	1.0	2,029 -	2,465	29,578	29,578
	Loan Servicing:							
	Housing Finance Off	0.2	1.0	1.0	5,441 -	6,577	78,924	78,924
	Staff Services Mgr II (Supvr)	0.8	0.0	0.0	4,963 -	5,987	0	0
	Housing Finance Spec	1.0	1.0	1.0	4,301 -	5,228	62,737	62,737
	Housing Finance Assoc	1.2	2.0	2.0	3,915 -	4,759	114,217	114,217
*	Housing Finance Asst	1.9	2.0	3.0	3,255 -	3,957	94,973	142,459
**	Mgt Services Techn	1.8	3.0	5.0	2,507 -	3,049	109,774	182,957
	Acct Tech	0.9	1.0	1.0	2,348 -	2,855	34,258	34,258
	Ofc Tech	0.1	3.0	3.0	2,348 -	2,855	102,773	102,773
**	Ofc Asst	2.9	1.0	3.0	2,029 -	2,465	29,578	88,733
	Totals, Fiscal Services	45.4	54.0	63.0		$2,226,160	$2,735,129	$3,193,650
	Legal:							
	Gen Counsel	1.0	1.0	1.0	8,201 -	8,870	106,442	106,442
	Staff Counsel III	4.0	4.0	4.0	6,573 -	8,111	389,326	389,326
**	Staff Counsel	2.0	3.0	5.0	5,703 -	7,034	253,207	422,011
	Housing Finance Assoc	1.0	2.0	2.0	3,915 -	4,759	114,217	114,217
**	Legal Analyst	0.0	1.0	3.0	3,418 -	4,155	49,860	149,580
	Housing Finance Asst	1.0	0.0	0.0	3,130 -	3,957	0	0
	Exec Assistant	0.0	1.0	1.0	2,926 -	3,556	42,669	42,669
	Exec Secty I	0.5	0.0	0.0	2,688 -	3,268	0	0
	Sr Typist Legal	1.0	1.0	2.0	2,575 -	3,129	37,552	75,105
	Ofc Tech	0.3	1.0	0.0	2,348 -	2,855	28,176	0
	Ofc Asst	0.8	0.0	0.0	2,029 -	2,465	0	0
	Totals, Legal	11.6	14.0	18.0		$792,120	$1,021,449	$1,299,350
	Marketing:							
	Staff Services Mgr II (Supvr)	0.0	0.0	1.0	4,963 -	5,987	0	71,844
	Information Officer II	0.8	1.0	0.0	4,727 -	5,703	56,724	0
	Staff Services Mgr I (Spec)	0.0	0.0	2.0	4,520	5,453	0	130,872
	Information Officer I	0.7	1.0	0.0	3,915 -	4,759	46,980	0
	Assoc Govtl Prog Analyst	1.0	2.0	1.0	3,915 -	4,759	114,217	57,108
	Exec Secty I	0.2	0.0	0.0	2,585 -	3,268	0	0
	Ofc Tech	0.0	1.0	1.0	2,348 -	2,855	34,258	34,258
	Totals, Marketing	2.7	5.0	5.0		$141,376	$252,179	$294,082
	Temporary Help	6.5	2.5	3.5		$242,989	119,000	140,000
	Overtime					$55,761	45,000	55,000
	Totals, OPERATIONS	103.3	120.5	138.5		$5,715,487	$6,949,911	$7,965,039

HOMEOWNERSHIP PROGRAMS							
Homeownership Lending:							
Production							
Housing Finance Chief	1.0	2.0	1.0	6,632 -	7,312	175,494	87,747
Housing Finance Off	3.0	4.0	3.0	5,232 -	6,577	315,694	236,771
Housing Finance Spec	4.0	6.0	5.0	4,301 -	5,228	376,422	313,685
Housing Finance Assoc	4.8	6.0	6.0	3,915 -	4,759	342,651	342,651
* Housing Finance Asst	12.0	10.0	17.0	3,255 -	3,957	474,864	807,269
Housing Finance Trainee	2.0	8.0	1.0	2,714 -	3,300	316,792	39,599
Mgt Services Techn	1.0	0.0	0.0	2,507 -	3,049	0	0
Support Staff - Sacramento:							
Ofc Techn	0.2	1.0	1.0	2,258 -	2,855	34,258	34,258
*** Ofc Asst	2.4	2.0	4.0	1,951 -	2,465	59,155	118,310
Special Lending							
Housing Finance Chief	0.0	0.0	1.0	6,632 -	7,312	175,494	87,747
Housing Finance Off	0.0	0.0	1.0	5,232 -	6,577	315,694	78,924
Housing Finance Spec	0.0	0.0	3.0	4,301 -	5,228	376,422	188,211
Housing Finance Assoc	0.0	0.0	1.0	3,915 -	4,759	342,651	57,108
** Housing Finance Asst	0.0	0.0	5.0	3,255 -	3,957	474,864	237,432
* Ofc Techn	0.0	0.0	1.0	2,258 -	2,855	34,258	34,258
Contract Admin Prog (CAP):							
Housing Finance Off	1.0	1.0	0.0	5,441 -	6,577	78,924	0
Housing Finance Spec	0.7	0.0	0.0	4,301 -	5,228	0	0
Housing Finance Assoc	0.3	1.0	0.0	3,915 -	4,759	57,108	0
Housing Finance Asst	1.3	3.0	0.0	3,255 -	3,957	142,459	0
Housing Finance Trainee	0.7	0.0	0.0	2,714 -	3,300	0	0
Ofc Asst	0.0	0.0	0.0	1,951 -	2,465	0	0
Totals, Homeownership	34.4	44.0	50.0		$1,762,559	$2,373,821	$2,663,968
Insurance Program:							
Ca Housing Loan Insurance Fund							
Director's Office:							
Director	0.9	1.0	1.0	8,379 -	9,062	108,738	108,738
Chief	0.0	1.0	1.0	6,377 -	7,312	87,747	87,747
Exec Assistant	0.0	1.0	1.0	2,926 -	3,556	42,669	42,669
Delinquency & Claims							
Mortgage Insurance Off	1.0	1.0	1.0	5,182 -	5,713	68,553	68,553
Mortgage Insurance Rep I	1.0	1.0	0.0	3,255 -	3,957	47,486	0
Product Development / Outreach							
Mortgage Insurance Off	0.8	1.0	1.0	5,182 -	5,713	69,168	69,168
Housing Finance Spec	0.0	0.0	1.0	4,301 -	5,228	0	62,737
Mortgage Insurance Rep II	1.0	2.0	0.0	3,915 -	4,759	114,217	0
Housing Finance Assoc	0.0	0.0	2.0	3,915 -	4,759	0	114,217
Risk Management:							
Mortgage Insurance Off	1.0	1.0	1.0	5,182 -	5,713	68,553	68,553
Housing Finance Spec	0.0	0.0	1.0	4,301 -	5,228	0	62,737
Mortgage Insurance Rep II	0.2	1.0	0.0	3,915 -	4,759	57,108	0
Operations:							
Mortgage Insurance Spec	1.0	1.0	1.0	4,301 -	5,228	49,632	49,632
Mortgage Insurance Rep I	0.8	1.0	0.0	3,255 -	3,957	47,486	0
Housing Finance Asst	0.0	0.0	2.0	3,255 -	3,957	47,486	94,973
Mgt Services Techn	1.0	1.0	0.0	2,411 -	3,049	36,591	0
Ofc Asst	0.2	1.0	1.0	1,951 -	2,465	29,578	29,578
Totals, Insurance Program:	8.9	14.0	14.0		$549,152	$827,527	$859,301

MULTIFAMILY PROGRAMS							
Lending:							
Director	1.0	1.0	1.0	8,201 -	8,870	106,442	106,442
Deputy Director	0.0	1.0	1.0	7,283 -	8,031	96,371	96,371
Spec Asst to Dir	1.0	1.0	1.0	6,687 -	7,668	92,015	92,015
** Housing Finance Chief	0.0	2.0	3.0	6,632 -	7,312	175,494	263,241
* Housing Finance Officer	3.6	6.0	7.0	5,232 -	6,577	473,541	552,465
* Housing Finance Spec	0.7	3.0	5.0	4,301 -	5,228	188,211	313,685
Housing Finance Assoc	1.0	1.0	1.0	3,915 -	4,759	57,108	57,108
* Housing Finance Asst	2.1	4.0	4.0	3,255 -	3,957	189,946	189,946
Housing Finance Trainee	0.8	0.0	1.0	2,714 -	3,300	0	39,599
Support Staff:							
Exec Assistant	0.0	1.0	1.0	2,926 -	3,556	42,669	42,669
Ofc Techn	0.0	0.0	1.0	2,258 -	2,855	0	34,258
Special Lending							
Housing Finance Chief	0.0	0.0	1.0	6,632 -	7,312	175,494	87,747
Housing Finance Officer	0.0	0.0	1.0	5,232 -	6,577	473,541	78,924
Housing Finance Spec	0.0	0.0	2.0	4,301 -	5,228	188,211	125,474
Ofc Techn	0.0	0.0	1.0	2,258 -	2,855	0	34,258
HELP:							
Housing Finance Off	1.0	1.0	0.0	5,441 -	6,577	78,924	0
Housing Finance Spec	1.0	1.0	0.0	4,301 -	5,228	62,737	0
Ofc Techn	0.5	1.0	0.0	2,258 -	2,855	34,258	0
Small Business Dev:							
Housing Finance Off	0.0	0.0	0.0	5,441 -	6,577	0	0
Housing Finance Spec	0.8	2.0	0.0	4,301 -	5,228	125,474	0
Mgt Services Techn	1.0	1.0	0.0	2,507 -	3,049	36,591	0
Ofc Techn	0.0	0.0	0.0	2,258 -	2,855	0	0
Tech Support:							
Supvng Design Off	1.0	1.0	1.0	5,575 -	6,778	81,332	81,332
Sr Housing Const Insp	1.0	1.0	1.0	5,082 -	6,174	74,094	74,094
Housing Const Insp	1.0	2.0	2.0	4,661 -	5,891	141,373	141,373
* Sr Estimator	0.0	0.0	1.0	5,575	6,778	0	81,336
* Sr Design Off	1.0	1.0	2.0	4,840 -	5,879	70,549	141,099
Assoc Design Off	0.4	1.0	1.0	4,244 -	5,364	64,372	64,372
Mgt Services Techn	0.9	1.0	1.0	2,507 -	3,049	36,591	36,591
Ofc Techn	0.1	0.0	0.0	2,258 -	2,855	0	0
Totals, Multifamily Lending	19.9	33.0	40.0		$1,252,240	$2,228,092	$2,734,397
Asset Management:							
Housing Finance Chief	1.0	1.0	1.0	6,377 -	7,312	87,747	87,747
Admin Asst I	1.0	1.0	1.0	3,405 -	4,140	49,683	49,683
Asset Management - North:							
* Housing Finance Off	1.0	2.0	2.0	5,441 -	6,577	157,847	157,847
* Housing Maint Insp	2.0	3.0	3.0	4,415 -	5,363	193,078	193,078
* Housing Finance Spec	3.0	3.0	5.0	4,301 -	5,228	188,211	313,685
Housing Finance Assoc	1.0	1.0	2.0	3,915 -	4,759	57,108	114,217
Housing Finance Asst	3.3	4.0	1.0	3,255 -	3,957	189,946	47,486
Housing Finance Trainee	0.0	0.0	1.0	2,714 -	3,300	0	39,599
Mgt Services Techn	0.3	1.0	0.0	2,507 -	3,049	36,591	0
Support Staff - North:							
* Ofc Techn	1.0	1.0	1.0	2,258 -	2,855	34,258	34,258
Ofc Asst	0.6	0.0	1.0	1,951 -	2,465	0	29,578
Asset Management - South:						0	0
Housing Finance Off	1.0	1.0	2.0	5,441 -	6,577	78,924	157,847
Housing Maint Insp	2.0	2.0	3.0	4,245 -	5,363	128,719	193,078
Housing Finance Spec	2.1	3.0	3.0	4,301 -	5,228	188,211	188,211
Housing Finance Asst	2.0	2.0	2.0	3,255 -	3,957	94,973	94,973
Mgt Services Techn	0.4	1.0	1.0	2,507 -	3,049	36,591	36,591
Support Staff - South							
Ofc Techn	0.3	1.0	1.0	2,258 -	2,855	34,258	34,258
Ofc Asst	0.5	0.0	1.0	1,951 -	2,465	0	29,578
Totals, Asset Mngmnt	22.5	27.0	31.0		$1,238,957	$1,556,144	$1,801,713
Temporary Help	11.0	7.5	4.5		$412,029	261,000	175,000
Overtime					$12,791	12,000	35,000
Totals, LENDING PROGRAMS	96.7	125.5	139.5		$5,227,728	$7,258,583	$8,269,379

TOTALS, AUTHORIZED POSITIONS

CHFA Totals	200.0	246.0	278.0	$10,943,215	$14,208,494	$16,234,417
Regular/Ongoing Positions	182.5	236.0	270.0	$10,219,644	$13,771,494	$15,829,417
Temporary Help	17.5	10.0	8.0	$655,018	$380,000	$315,000
Overtime				$68,553	$57,000	$90,000

* Equals one (1) new position
** Equals two (2) new positions
*** Equals two (2) new positions offset by reduction in temporary help.
Total of 32 new positions

CALIFORNIA HOUSING FINANCE AGENCY
ACTUAL AND PROJECTED REVENUES AND EXPENSES

OPERATING ACCOUNT
(In millions)

	2001/02 (Actual)	2002/03 (Budgeted)	2003/04 (Projected)
Beginning Balance	$18.4	$21.5	$19.8
HOUSING REVENUES			
Administrative Fees:			
Single Family/CHDAP	5.9	4.0	5.0
HUD/Multifamily	1.8	1.6	2.0
SMIF Int. on Impounds	1.0	0.5	0.7
Commitment Fees/Misc. Inc.	0.8	1.0	1.0
SMIF Interest on Balance	1.0	0.7	0.8
Operating Transfers	10.5	12.0	16.0
Total, Housing	$21.0	$19.9	$25.5
INSURANCE REVENUES			
Investments and Premiums	1.8	2.2	2.4
HOUSING AND INSURANCE TOTAL OPERATING REVENUES	$22.8	$22.1	$27.9
EXPENSES			
Housing - Operating Budget	17.7	21.5	27.2
Insurance - Operating Budget	1.8	2.2	2.4
HOUSING AND INSURANCE FUNDS TOTAL OPERATING EXPENSES	$19.5	$23.7	$29.6
Non-Operating Expenses	0.2	0.1	0.1
Ending Balance	$21.5	$19.8	$18.0

RESOLUTION 03-30

CHFA OPERATING BUDGET

FISCAL YEAR 2003/2004

WHEREAS, the Board of Directors of the California Housing Finance Agency has reviewed its proposed operating budget for the 2003/2004 fiscal year;

NOW, THEREFORE, BE IT RESOLVED as follows:

1. The operating budget attached hereto is hereby approved for operations of the California Housing Finance Agency Fund for fiscal year 2003/2004.

I hereby certify that this is a true and correct copy of Resolution 03-30 adopted at a duly constituted meeting of the Board of the Agency held on May 15, 2003, at Burbank, California.

ATTEST: ______________________
Secretary

Attachment

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