CalHFA BOARD OF DIRECTORS

Thursday, July 10, 2003

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

9:30 a.m.

1. Roll Call.

2. Approval of the minutes of the May 15, 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)

NUMBER	DEVELOPMENT	LOCALITY	UNITS
03-041-C/N	Timothy Commons Family Apartments	Santa Rosa/ Sonoma	32

Resolution 03-31..191

NUMBER	DEVELOPMENT	LOCALITY	UNITS
00-019-N	University Neighborhood Apartments	Berkeley/ Alameda	27

Resolution 03-32..211

NUMBER	DEVELOPMENT	LOCALITY	UNITS
00-034-L/N	Housing Alliance	Castro Valley/ Alameda	28

Resolution 03-33..233

5. Discussion, recommendation and possible action relative to the U.C. Student Housing Loan and Program Guidelines. (Linn Warren)
Resolution 03-34..257

6. Closed session to confer with, and receive advice from legal counsel regarding pending litigation in the following matters: (Tom Hughes)

    1. WestLB AG v. California Housing Finance Agency, United States District Court, Southern District of NY, Case No. 03CV3974

    2. CHFA v. Hanover California Management and Accounting Center, Inc., Orange County Superior Court, Case No. 02CC10634

7. Discussion of other Board matters/Reports.

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

NOTES

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

FUTURE MEETING DATE: Next CalHFA Board of Directors Meeting will be September 18, 2003, at the Hilton Burbank Airport & Convention Center, Burbank, California.

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

--o0o--

ORIGINAL

BOARD OF DIRECTORS

PUBLIC MEETING

--o0o--

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

Thursday, May 15, 2003
9:41 a.m. to 2:21 p.m.

--o0o--

"Minutes approved by the Board of Directors at its meeting held:

Attest: ______________________"

Reported By: YVONNE K. FENNER, CSR License #10909, RPR

THIS PAGE INTENTIONALLY LEFT BLANK

APPEARANCES

Directors Present:

CARRIE A. HAWKINS, Vice Chairperson

EDWARD BAYUK

WAYNE S. BELL
for Maria Contreras-Sweet

EDWARD M. CZUKER

MATTHEW O. FRANKLIN

ROBERT N. KLEIN, II

THERESA A. PARKER

JEANNE PETERSON
for Phil Angelides

JACK SHINE

TONI SYMONDS
for Tal Finney

--o0o--

CALHFA Staff Present:

THOMAS C. HUGHES
General Counsel

JOJO OJIMA

--o0o--

APPEARANCES, continued

For the Staff of the Agency:

NANCY ABREU

MARGARET ALVAREZ

ED GIPSON

IRENE JENKINS

TINA ILVONEN

ROGER KOLLIAS

JACKIE RILEY

JERRY SMART

LINN WARREN

KATHY WEREMIUK

LAURA WHITTALL-SCHERFEE

--o0o--

Additional Speakers:

BILL GRAFF
URS Corporation

WILLIAM PICKEL
Christian Church Homes

STEVEN STOGEL
Orion Capital Group

--o0o--

TABLE OF CONTENTS

Item	Page
1. Roll Call	6
2. Approval of the minutes of March 20, 2003 Board of Directors meeting	7
Motion	7
Vote	8
3. Chairman/Executive Director Comments	9
4. Discussion, recommendation and possible action relative to final loan commitments for the following projects:	32
02-032-N Napa Creek Manor Napa/Napa, Resolution 03-20	33
Motion	41
Vote	41
03-039-N Point Reyes Affordable Homes Point Reyes Station/Marin, Resolution 03-21	42
Motion	54
Vote	54
02-052-A Plaza de las Flores Sunnyvale/Santa Clara, Resolution 03-22	55
Motion	75
Vote	76
03-028-N Baywood Apartments Oakland/Alameda, Resolution 03-23	77
Motion	83
Vote	83
03-040-S Villa Madera Family Housing Oxnard/Ventura, Resolution 03-24	85
Motion	96
Vote	97
03-022-N Oak Court Apartments Palo Alto/Santa Clara, Resolution 03-25	98
Motion	106
Vote	106

TABLE OF CONTENTS, continued

Item Page

03-035-N Mission Gateway
Union City/Alameda, Resolution 03-26 108
Motion 115
Vote 115

03-018-S Linden Manor Apartments
Riverside/Riverside, Resolution 03-27 116
Motion 124
Vote 125

5. Review and discussion of the Earthquake Insurance Waiver Program 126

6. Discussion, recommendation and possible action relative to the adoption of a resolution approving the Five-Year Business Plan for fiscal years 2003/2004 to 2007/2008, Resolution 03-29 138
Motion 168
Vote 169

7. Discussion, recommendation and possible action relative to the adoption of a resolution approving the 2003/2004 CalHFA Operating Budget, Resolution 03-30 170
Motion 182
Vote 183

8. Discussion of the other Board matters and reports 184

9. Public testimony 184

Adjournment 184

Reporter's Certificate 185

--o0o--

BE IT REMEMBERED that on Thursday, the 15th day of May, 2003, commencing at the hour of 9:21 a.m., thereof, at the Hilton Burbank Airport & Convention Center, 2500 Hollywood Way, Burbank, California, before me, Yvonne K. Fenner, a Certified Shorthand Reporter in the State of California, the following proceedings were had:

--o0o--

VICE CHAIRPERSON HAWKINS: I'm Carrie Hawkins, and I will be chairing the meeting today, and so I would like to call our May meeting to order. And Item No. 1 on the agenda is the roll call.

JoJo?

MS. OJIMA: Thank you.

Ms. Peterson for Mr. Angelides.

MS. PETERSON: Here.

MS. OJIMA: Mr. Bayuk.

MR. BAYUK: Here.

MS. OJIMA: Mr. Bell for Ms. Contreras-Sweet.

MR. BELL: Here.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Here.

MS. OJIMA: Mr. Franklin.

MR. FRANKLIN: Here.

MS. OJIMA: Ms. Hawkins.

VICE CHAIRPERSON HAWKINS: Here.
MS. OJIMA: Mr. Klein.
MR. KLEIN: Here.
MS. OJIMA: Mr. Shine.
MR. SHINE: Here.
MS. OJIMA: Mr. Wallace.
(No response was heard.)
MS. OJIMA: Ms. Symonds for Mr. Finney.
MS. SYMONDS: Here.
MS. OJIMA: Mr. Peace.
(No response was heard.)
MS. OJIMA: Ms. Parker.
MS. PARKER: Here.
MS. OJIMA: We have a quorum.
VICE CHAIRPERSON HAWKINS: Thank you.
Item No. 2 is the approval of the minutes of the March 20th, 2003 Board of Directors meeting. And I know we had a real workout this -- this time and this was the biggest Board meeting we probably had with --
MS. PETERSON: With some of the shortest minutes.
MS. PARKER: We're very economical. Staff takes efficient notes.
VICE CHAIRPERSON HAWKINS: Okay. Is there a motion to approve the minutes of the last meeting?
MS. PETERSON: So moved.

MR. SHINE: Second.

VICE CHAIRPERSON HAWKINS: It's been moved and seconded. Are there any questions?

MS. OJIMA: Who moved?

VICE CHAIRPERSON HAWKINS: Mr. Shine. Ms. Peterson and Mr. Shine.

Are there any comments, questions either from the Board or the public?

Hearing none, may we have roll?

MS. OJIMA: Thank you.

Ms. Peterson.

MS. PETERSON: Aye.

MS. OJIMA: Mr. Bayuk.

MR. BAYUK: Aye.

MS. OJIMA: Mr. Bell.

MR. BELL: Abstain.

VICE CHAIRPERSON HAWKINS: Mr. Czuker.

MR. CZUKER: I have a question. If too many of us abstain, then we don't have a quorum, so the minutes don't get approved so.

MS. PARKER: We can hold it open till the next Board meeting to see if we could get it approved.

MR. CZUKER: Then I'll vote. I'll move to -- in favor.

MR. KLEIN: That's the only question was if you weren't present, then you can vote on the minutes?

VICE CHAIRPERSON HAWKINS: You can if you've read them.

MS. PARKER: Yes.

VICE CHAIRPERSON HAWKINS: Isn't that correct?

MR. HUGHES: I think that's been the practice. Usually it's customary.

MR. KLEIN: Aye.

VICE CHAIRPERSON HAWKINS: Thank you.

MS. OJIMA: Mr. Franklin.

MR. FRANKLIN: Abstain.

MS. OJIMA: Thank you.

Ms. Hawkins.

VICE CHAIRPERSON HAWKINS: Yes.

MS. OJIMA: Mr. Klein.

MR. KLEIN: Aye.

MS. OJIMA: Thank you.

Mr. Shine.

MR. SHINE: Aye.

MS. OJIMA: The minutes have been approved.

VICE CHAIRPERSON HAWKINS: Thank you.

And Item No. 3 are comments from the Chairman and the Executive Director.

I will just take care of some housecleaning items. JoJo has some parking validations for you. I don't think it covers the entire parking fee, but it does help.

And I would also like to tell you that Mr. Wallace isn't here today because he has had an injury. And I don't know if it's true or not, but he's an avid tennis player, and apparently he has a fracture of the pelvic bone, which is very painful. And so we wish him a speedy recovery.

Is there anything you'd like to comment, Terri?

MS. PARKER: Staff had spent a couple hours the other day briefing him, so even though he's not here, he's certainly actively involved in the program issues.

VICE CHAIRPERSON HAWKINS: He's so committed that I haven't had to work very hard, so of course I wish him a speedy recovery as I'd rather sit here than here (indicating). And Clark and I have worked for a long time together. I was the president of the California Mortgage Bankers Association. He was the Real Estate Commissioner, and on and on and on, we've worked together. So we wish him a speedy recovery so he can be back amongst us and I can go back to my comfortable place.

So bear with me if I make mistakes today. Just -- if I go too fast or too slow, just let me know. Pass me a note. Okay? Thank you.

All right, Terri.

MS. PARKER: Okay, thank you.

Let me with regard to housekeeping, as many of you know, typically our May Board meeting the last two years we've tried to not bring projects to the Board so that we can use that time to focus on talking about the Business Plan, getting input from the Board on direction, leadership, philosophy.

We are not doing that this time so much for two reasons. One of them is that we're just so busy. We have eight projects that would need to come to the Board in order for them to meet timelines for the rest of the process, and that means we're recognizing our sponsors' needs. We have eight projects for your consideration today.

And the second part of it is that we think the Business Plan, since we discussed it in March and January, is really much more predictable because of Prop 46 funding than perhaps in previous years where we were trying to be more creative because of lack of assistance that might be available through other funding sources we have today.

So we have a bit longer day than we sometimes do. We're expecting -- that's obviously all up to you because you're in charge of how long the meeting goes with the questions, but we're sort of -- staff are anticipating that we will do projects in the morning, we can do eight projects between now and about noon. We ordered lunch for the Board members to be brought in, so we're holding you captive here. We would presume perhaps taking a 30-minute break for lunch and then to resume about 12:30, quarter to 1:00, and then do the Business Plan and the operating budget in the afternoon and hopefully get everybody out of here by 2:00. So that's kind of the plan.

I have three things that I wanted to bring to your attention, more of an administrative nature, but just so you are knowledgeable given that you are in an authorizing environment. The first is that we have been in dialogue with HUD over the implementation of inspections under HUD's React program. And this is a program that HUD put in place several years ago, but it has really had a history of problems, not with California but with other states, about the implementation of it. And unfortunately, there have really been communications problems between HUD in Washington and HUD in the region.

To make a long story short, we received a notice by HUD at the beginning of the year that we were out of compliance and that they offered to assess a penalty on us and that if we agreed, they wouldn't pursue, you know, penalties and fines and prosecution and whatnot.

We responded back to them that we were concerned about our culpability and our good name and just in the interest of recognizing that there was probably -- we could both agree to differ on communication, that we were willing to negotiate a settlement with them, but not to the degree of the amount of money that they were talking about.

They meet in closed session, and we were informed about two months after their meeting that they had, in fact -- they were not willing to accept our settlement offer. And they are fining us and fining us -- putting us on probation. These things all require us to put them in our OS, so I'm making you all aware of it, because we will have to report this.

The staff, particularly Tom, we're in discussions right now, trying to decide what to do about it. The probation is for six months. The penalties are $220,000. So we -- but I wanted to alert you for any of you who read through our OS's just so you are aware of that being contained. We really don't want you to be surprised.

The second item I just wanted to briefly touch on too is I think I mentioned to the Board probably almost a year ago that the Department of Finance was going to be doing an internal audit of the California Housing Finance Agency, mostly because it's been over 20 years, and they thought they would just come in and look at what our internal operations were for controls and be able to respond back. We welcomed them. We thought it would be a good opportunity for them to look at our processes and give us some recommendations for areas that might need to be improved.

We have a draft report back from them. They have a number of comments. Fortunately, we're -- we just received it. We're still looking through it. Initially it looks like there are really no problems. I think the one major weakness they pointed out, just to give you an idea of the size of scale, is their -- the documentation of our fixed assets, which in this case is our best cases. They're not concerned about the internal controls of our financial assets.

So I just want to let you know that that had reached a draft stage. We'll be going back and forth, but since I did tell the Board we were having this process and it would be good opportunity for us to have our internal controls reviewed, that that's been their findings.

The last thing I want to leave with you, as many of you are obviously reading about, that California's fiscal crisis and the budget, along with other states', the Governor's May revision came out yesterday, and although the revenue picture is a little worse than it was in January -- it was about 32 or 34 billion; now it's 38 billion -- but the proposed solution for it includes from the Governor's perspective a proposal to do a $10 billion bond that would bond out a portion of the current year problem that is not forecast to be essentially ongoing.

But I bring it to your attention because the budget still includes $855 million of savings tied to the Governor trying to work with the unions on salary increases. And if salary increases can't be bargained, then the alternative would be the administration needs to go to layoffs.

The executive branch has asked all departments in state government to submit to the Department of Finance a 10-percent layoff list. We have complied with this as a courtesy on an informational basis. We have also notified the Department of Finance that given our statutes and authorities, we really do have the authority. We're not part of the budget. Our positions are not even counted in the budget. Any savings that would be achieved from that would not alleviate the General Fund.

But they have essentially asked us, and we want you to be informed that we have not given them the level of detail that many departments have had to give them, but I do want to make you aware that that is something that we would certainly, if there was a desire on the administration's part to have us be included in this, to be further defining our separate role and authority, because we literally have the authority to establish positions at will and in essence not go through either the budget or the approval process of other state agencies.

So obviously the Business Plan is contingent upon a growth in our operating budget, and we will talk -- Jackie and I will talk to you about that later.

Having said all of that, I'm certainly available for any questions, but that concludes my report.

VICE CHAIRPERSON HAWKINS: Ms. Peterson.

MS. PETERSON: I had a question about the React. I'm not sure that everybody knows either what that stands for or what it means, but -- and maybe that's not important. My question is this, because what it really has to do with is the physical inspection of properties and the rating system and so on, and there are React inspectors and so on. You mentioned something about the fines and punishment and a six months' suspension. I'm not quite sure what that --

MS. PARKER: Probation.

MS. PETERSON: Probation with respect to the inspectors or -- or with respect to what? Because it is still a requirement, and I guess my question is is that $220,000, are we going to fight that at all?

MS. PARKER: Well, I'm going to let Tom answer that question. And I think what I was trying to say is that we're really trying to, you know, wrestle with that, the pros and cons of it. But Tom --

MS. PETERSON: And is it our inspectors or HUD's inspectors?

MR. HUGHES: Well, there's a number of elements, but I'll try to summarize it quickly. The dispute is basically -- does not revolve around whether inspections are done. The dispute revolves around whether we are committed to use our own inspection process and our own standard, which we believe are higher standards, versus the HUD-mandated React procedure.

HUD takes the position apparently that if we don't follow their protocol in doing the inspections, you have not done inspections. We have, in fact, done those inspections, and we contracted to reinspect the properties under the React systems, and all the properties have gotten tremendous grades, so -- passing grades.

So the first thing the Board should be aware of is there's no substantive issue. The properties have been inspected. They're all good, solid properties. So it's a question of the procedures and the protocol. And this is something HUD has done with a variety of states. There's ten states that we have been told are being subjected to this process.

To answer your question directly with probation, we have tried to find out what that means, and we have used our HUD counsel in Washington, D.C., who is very familiar with this. And as best we can tell, there is basically no consequences that we can identify with this probation. It's imposed unilaterally by HUD.

To answer your second question, what we're going to do about the penalty, HUD has attempted to impose uniform penalties on all HFAs that they're reviewing regardless of the facts or regardless of differences between states in terms of what states may have done or not done.

And that's what we're grappling with right now. Should we commit our resources to fighting what we think is a manifestly unfair application of their authority, or should we submit the matter for review?

MS. PETERSON: As a follow-up, are we still -- are we now using React-certified inspectors --

MR. HUGHES: Yes.

MS. PETERSON: -- And we're utilizing their program?

MR. HUGHES: Yes. We have contracted with inspectors who are -- who use HUD protocol with the handheld computers. We're committed to do that for our entire portfolio. These will affect properties that are subject to risk share or insurance and HUD, and we're going through and having our entire portfolio reinspected, the properties, under the React process.

VICE CHAIRPERSON HAWKINS: Mr. Bell.

MR. BELL: Was the Agency ever informed by HUD that the failure to follow their inspection procedures would result in a penalty?

MR. HUGHES: I may not have every nuance and detail of the communications, but it's my understanding that at least the staff folks felt that the HUD local offices were supportive of our procedures used, and there's obviously a discrepancy between the HUD Washington office and what process the local offices use.

VICE CHAIRPERSON HAWKINS: Mr. Bell.

MR. BELL: Any guidelines or anything that came out about the penalty or disclosing this, or are they picking a number out of the air?

MR. HUGHES: Well, as best I can tell and we're --

because we're not -- we're having to infer some of these things from other states and our HUD counsel in Washington, D.C., believes that the HUD staff has established a uniform fine for each state HFA to essentially make it easy for them to do that. And they're not accepting settlements that aren't exactly the same as every other state's.

The problem that we have, of course, is that the other states that we have been able to share information with all involve two or three or four or five properties. We're so much bigger in terms of scale than other states that we -- they attempted to get a $5,500 penalty per property effected, but they have been willing to settle for $3,000. And if you have two or three properties, it's a minor matter. If you have 50 or a hundred properties, it's a huge amount. So we're different only because of the amount of scale.

Accordingly, we don't feel that the same proportion is fair, however you view the alleged offenses. There's really no harm to anyone, and the disproportionate penalty imposed is unfair.

VICE CHAIRPERSON HAWKINS: Any other questions?

Yes.

MR. FRANKLIN: As someone who spent three years in the leadership of HUD in the prior administration and also who was present at the creation of React, I have just two comments.

One is that React has gone through a lot of changes with the new leadership under the Bush administration, so I would guess that there are a number of other people in the same situation. The staff as well as the political leadership has changed virtually wholesale as far as the career leadership of React. So my guess is that this is happening in a lot of places on the communication issue.

But I would encourage, you know, under the -- Terri, you're using your judgment as to how far to go. I would really encourage you to push back to some degree and really create a record of your actions. I think it's a very important thing for HUD to have the ability, frankly, to take action when it's required. For years and years they haven't and that was the whole idea of React, to be able to take action when it was merited.

But at the same time, even though React's been around four or five years, the leadership is new enough it's almost as though they're starting anew. And this sounds to me like the first sort of salvo. And it's in the entire industry's and the country's interest to try to get it right. So I would worry that there's a precedent here that is sort of a new beginning for them, and you've got a bad precedent to build upon, so at minimum to develop a record of this.

MS. PARKER: We haven't had a chance to introduce Matt Franklin --

VICE CHAIRPERSON HAWKINS: I was just about to do that.

MS. PARKER: -- As a new director. He's the director of the Department of Housing and Community Development. And as Matt was saying, he has a prior history of working at HUD and most recently Wells Fargo Bank, so we're looking forward to him bringing that knowledge from both the private world and the public sector.

Matt and I had a brief conversation just the other day, and I said, "Can you help us on this particular issue?" He gave us some insight. And I talked with my program and my lawyer about this, and we essentially thought we would have a private chat.

I think what we're very concerned about is our good name. On the other hand, we have, as we will talk to you about, a tremendous amount of issues on our plate and so it's -- and, you know, a couple of other legal suits that we're involved in, so it's a matter of how much do we -- resources do we want to put into this particular issue.

MR. FRANKLIN: Absolutely. And I think it may be that this is just in light of that it sets the facts straight for the future.

VICE CHAIRPERSON HAWKINS: I would like to add at this time while we're in Item No. 3 a welcome to Mr. Bell and to Mr. Franklin. We're so happy to have you here today because we have a big workload and we really need you, so thank you very much.

And -- yes, Mr. Klein.

MR. KLEIN: Just before we go on to the next item, I'd like to second what Matt Franklin has just said. I think it's important to have a formal statement setting facts straight at a minimum and really protesting this. As I understand it, none of our properties were deficient; is that correct?

MS. PARKER: In this particular case there was really no harm. There's been no harm to the tenants. The majority of them seem to be scoring in the 90s, so, you know, I think HUD's position was that they wanted to fine us because they -- their -- because we didn't do it, they essentially claim we saved money.

We have essentially in our early documents pointed out to them we did the inspections. We did expend dollars. There is no savings. And therefore for you to fine us, really takes away dollars from California that can be used for the purpose of tenants, the purpose of, you know, affordable housing in California.

MR. KLEIN: Well, in that context, I would say it's very important to make a formal, clear, and detailed statement because since there's no substance behind why they're taking this action, it may be politically motivated and they may intend to use this in the future in a way that's not constructive for housing overall and particularly not for our Agency.

And so I think it's very important to document very carefully and take the position that this is not something that's serving the public. It's not serving the tenants. And it's certainly not serving the long-term management of this Agency.

So if you have a thorough statement on the record that your judgment is in the efficiency of time and resources we pay the fine and go forward, I think that's fine, but as you say, our name is very important. Our record should be very clearly set up, and we potentially should have a prepared press release in case this is ever brought up in the future, we can immediately respond, rather than having a two-or-three-day delay to compose something in opposition.

VICE CHAIRPERSON HAWKINS: Mr. Shine.

MR. SHINE: Do we know whether this act has within it some kind of provision for notification of a cure period, or is this something that they go out whenever they feel like it, if they don't like it, they just slap on the fines?

MS. PARKER: I think -- and Margaret can correct me on this. I think from their standpoint they feel that they had notified us. The problem is that there just seems to be this, you know, communication on the regional side and our local HUD people that's been called into question. And, you know, perhaps at that point in time we should have done something more proactive to really find out if what was being said in Washington was, in fact, the guiding principle or whether or not, you know, the local HUD office.

But the fact of the matter is at the end of the day we have so many projects, to have us pay the same penalty as another state that has three -- and if this was a $9,000 issue, we wouldn't be talking here today. And they do have the authority in their flexibility to essentially treat states on a case-by-case basis. So they don't have to essentially say we've got to get 3,000 per project per, you know, every state. They could take that into consideration.

MR. SHINE: Do they, in their mind anyway, as far as you know, evaluate each project and determine whether it is or is not in compliance or is it the Agency at some other level?

MS. PARKER: From their standpoint, it's whether or not we use their React methodology for the inspections. If we did not use the React method for their inspection, then they are finding that out of compliance.

MR. SHINE: And that's at an Agency level. It could be for one or a thousand projects, either you're doing it their way or you're not; is that correct?

MS. PARKER: Right. Correct.

MR. SHINE: And have they notified us in the past that we weren't doing it their way?

MS. PARKER: Margaret is shaking her head no.

MS. ALVAREZ: No. I believe it's HUD's position that the fact that they had [in The Federal Register they publish gave notice] to everybody all at the same time, all the states at the same time, that that was the notice and they didn't have to give us any additional notice beyond that.

But did anyone from there contact us in between and say they were actually looking at that, no, that didn't happen.

MR. SHINE: Are we obliged to read The Federal Register every day to see who said what? Counselor? What's the presumption? I mean, normally that's not constructive notice. I mean, maybe I'm way out of line, but it's, I mean -- you know, we're dealing with the real estate market and real estate issues and --

MR. FRANKLIN: In answer, I don't know that this is a legal issue as much as, you know, my sense is I think Terri may be being kind here in her characterization of the communication.

This was a very new, frankly, signature project, the creation of React under the administration. The facts are the new administration's backed off very aggressively, made a lot of changes. And I would not be surprised at all for local staff to be very confused about what's happening with React, whether that is even going to exist going forward or not.

And the fact that, you know, I mean, people would be very surprised -- you know, a year ago no one would have predicted that in 2003 they'd be levying fines. If anything, they were too busy sort of dismantling the whole operation. So it's been a very chaotic time. And I think the staff level communication, you know, is one that we would fairly rely on and that sounds like --

MR. SHINE: Is React part of HUD?

MR. FRANKLIN: Yes, it is.

MR. SHINE: And so the React folks report to the Secretary?

MR. FRANKLIN: Yes. But there was a wholesale leadership change. They interface with the multifamily staff at the local office or the regional office. And, you know, I'd say more than even most matters this is probably the most chaotic during the transition from the Bush administration.

MS. PARKER: The difficulty that we have and they're clinging to is that they have had three states at the moment: New York, Massachusetts -- Wisconsin?

MR. HUGHES: Rhode Island and Wisconsin.

MS. PARKER: Four?

MR. HUGHES: Four.

MS. PARKER: -- That have paid fines. And they vary as the largest one is $57,000 from New York and the smallest is I think 7- or $9,000 from one state. And so their feeling is that they've gotten this from four states and they're, by gosh, not going to let California pay anything less. So --

VICE CHAIRPERSON HAWKINS: Mr. Bell.

MR. BELL: One follow-up to that, the other states that have paid fines, was their purported violation the same as ours, namely that they used their own inspection methodology and their methodology --

MS. PARKER: What we've been told, it's very similar. It goes back to, as Matt is saying, all of this really is a problem because of communication and sort of who's on first. And I think we -- and I'll be a little bit more bold in making my comments. I think the problem is they received a lot of criticism about the way it's really doing its relationships with the states. And I think that in this case they decided that they wanted to come out and take a -- be strong and show that they can -- their -- you know, it's their program, they set the guidelines, that we agree as a participant to be knowledgeable about federal requirements. The onus is really on us to do that and be aware and follow through, and if we don't, that there are responsibilities and penalties accordingly.

MS. PETERSON: It's true that all the states have always done some inspections. I mean, I think it would be pretty unlikely that states would be able to have the portfolio they have if they haven't inspected. And it's also true that, yes, the state agencies and others are responsible for being aware of The Federal Register and the federal regulations and the effects on portfolios. Yes, we're responsible for carrying it out.

It seems to me very much like it's really HUD central and the hubs or whatever their newest incarnation name is, but between the regional offices and HUD central, and this may be the first time that

that has occurred.

VICE CHAIRPERSON HAWKINS: Okay. I think --

MS. PARKER: We will certainly keep you posted on this, but I think, again, my biggest concern was letting you know, because this is going to be in the OS. And it does -- it's certainly a change from how we are perceived publicly, and our relationship with HUD overall has been without any smirches or these kinds of things, so I just want to make you aware.

VICE CHAIRPERSON HAWKINS: I would like to just echo the comments of the other Board members in that I believe we should make a very strong statement to HUD, and I don't know what the expense factor will be in what we're going to do; however, even though we're only on probation, it's critical to make this point now, because even though there's no penalty in addition to the fees we're having to pay, if anything should happen in the future, should there ever be some problem and we've been on probation, then having to just fight through the bureaucracy, the next step would be something more serious because there's a record of being on probation.

And that would be my concern, having dealt with HUD for many, many years as a lender, it's critical to fight it now. It's unfortunate that the other two states -- or two or three states did not argue with them at the time. Ours is a much larger fine and hopefully, the best case scenario, it is reversed and we all came together. And perhaps our state association, have they taken a position on this?

MS. PARKER: We've had this discussion again internally, and, you know, we -- I think it gets back to trying to figure out what is an appropriate measure of response. We've talked about whether we should talk to the delegation. And, you know, I wouldn't at this point in time recommend that this be the kind of thing I would go to the delegation on. I would prefer to save that chit. If we have to go to the Governor's office to ask him on this, I wouldn't use that chit, but that doesn't mean that I don't want to explore what other avenues we have. And in talking to Matt and given his contacts, we thought we would get his advice on what might help us in forming a measured response.

VICE CHAIRPERSON HAWKINS: Okay. Is that agreeable to the Board? We don't need any official motion, I don't believe, on this, but I think this is the sense of what we should do.

MR. HUGHES: It's not an agendized item for action, and so I think the Executive Director is simply to take the comments of the Board members into consideration.

MR. BAYUK: Can we get an update?

MS. PARKER: Oh, absolutely. Guaranteed, no surprises. We'll tell you all of these ongoing things.

VICE CHAIRPERSON HAWKINS: Thank you, Ms. Parker.

And so we will move on to Item No. 4. And I believe Linn and his staff are ready to give us a running report on all of our projects. And let me just remind everyone that we are going to try to complete this phase of the meeting by 12:00 o'clock and then break for a working lunch and continue with the Business Plan. So if we could keep our comments as brief as possible, but certainly question anything that you find necessary. Thank you.

MR. WARREN: Madame Chair, good morning.

As Carrie indicated, we have a number of projects to go through this morning, so staff will be going through these at a fairly rapid pace, but we do want to leave time for the Board to ask questions that they feel are appropriate.

Just a couple of brief introductory comments, within the eight projects today we're looking at three types of projects that the Board is seeing for the first time, although we have discussed this with the Board over the last several months in anticipation of them being presented.

First is our first HUD 202 refinancing project, which will be presented to you first. Since legislation was passed at the end of 2000 -- or 2001, the Agency has been working with HUD on these issues for a period of time, and we now have our first in our series of these 202 projects for refinancing.

The second project that is new to the Board is our first Prop 46 acquisition loan. We had a bond that was passed last year that had $45 million set aside for the Agency to administer -- $42 million, excuse me, set aside for the Agency to administer an acquisition program for at-risk Section 8 projects. The very first of those is here today for your consideration.

And the third series of projects are two of our first construction loans. As the Board will recall, over the last several Board meetings we've talked about the possibility of entering into a construction loan program. It has been formalized, and Irene is here, and she'll be presenting those.

So I'll do the first three projects, and then I'll turn it over to Irene. We'll have the staff come up as appropriate. So with that, let me commence.

The first project for the Board's consideration this morning is Napa Creek Manor. This is a first mortgage request for a bridge loan in the amount $4,145,000, 5.5 percent interest rate fixed, two years, interest only, 501(c)(3) bond financing. This bridge loan will then roll into a permanent loan of the same amount, same interest rate, with a 30-year amortization. And this will be a HUD/FHA risk share.

And the reason we're doing the bridge loan structure is that FHA insurance under this particular program really can't be applied to interim financing. It should be applied to permanent financing, hence we have a loan term of two years which allows the rehabilitation to be completed before the permanent loan is funded.

So with that, Ed Gipson will go through the slides and talk about the project.

MR. GIPSON: Napa Creek Manor is an 84-unit project, all one bedroom, located in the City of Napa. On your downtown map, you can see it in the lower part of the picture. It's a three-story structure with an inner courtyard. It was built in the early 80s. It's approximately 18 years old now and is financed under the 202 financing program. It has a Section 8 contract on it, a HUD contract, which expires in March of 2004, at which time the project is eligible for a mark-up to the market. So they anticipate -- their current rents are probably 15 percent below market, currently at $758 a month, and our market study indicates the market rents are $875 for a one bedroom.

In the write-up you can see we've only bumped it up maybe 5 percent for that year, expecting just a moderate increase in underwriting the project at the current market rate of 758.

This is looking from Jefferson Street. You see these corner windows, as part of the rehab of the project with refinancing to do some rehabilitation work on the project and fix some of the issues that they've had for our long history. It was built without air-conditioning. And as part of the process with refinancing in 202, you must send a letter to the tenants letting them know what you're going to do and ask them for their input. No. 1 input, we would like air conditioning, so air conditioning is part of this rehabilitation project.

In addition, the windows, which are corner windows, all of the corner windows are glass on glass with basically a silicone seam in there. We're going to replace those windows. They have proved to be a high-maintenance item causing additional problems, so we're going to replace those with two separate box windows.

For the parking over here, there's approximately 22 parking spaces, 13 of which are covered. And it's this back structure that as part of the rehabilitation project we're going to do some seismic retrofit as well, about $50,000 worth of work. And it's just basically to support the structure with a few more cross beams, nothing too complicated.

Napa is basically 52 miles north of San Francisco. It seems to be a growing population. And in the last several years, very few market-rate units have been built up there, and rents have increased approximately 39 percent since 1995. As part of that, the affordability of these units in the area has driven rents up, and Napa has maintained approximately one percent vacancy rate since its opening.

In addition, no new market rates have been built in the last ten years, and there is one 117-unit project now completing, but it is not expected to impact this project.

Basically it's a 1.73 acre site. Total rehabilitation costs including air conditioning, the windows, we also would rehab some walkways, it's going to be approximately $785,000. And then future work will be some basically interior work, cabinets, flooring, those types of things. The project is in really quite good shape for its age. It's really outstanding. Traditional weatherizing on the outside is going to be redone. Walkways are going to be redone.

Do you have a question? Okay.

Environmentally, when the project was first built, it used to be a gas station. Because of that, we had to take a look, and Phase I pointed it out, but led me to verify that the tanks were removed. But they should have been and they could have been and had to have been removed; therefore, we should have a site, but all we could get was verbal confirmation, so we ordered the Phase II and the soil samples. The report is now back. It says nothing in the soil, nice and clean. No issues whatsoever, so we resolved that.

The borrower is the Napa Housing Foundation. It was formed by the First Methodist Church for basically development of affordable senior housing. This is their only project. The project is managed by the John Stewart Company, and they have been managed for the last ten years by John Stewart.

MR. WARREN: Thank you, Ed.

Just a very brief note before we entertain questions, on the 202 refinancing program, we looked at the two scenarios. One is the portfolio refinancing with large sponsors such as Mercy Housing and others, and those are taking some time to generate. We think that initially the 202 refinances will be really similar to these with one single asset, in other words the nonprofits. This is their primary asset. They might own one or two in the 236 loan. So the program is taking a little while. What we found is the nonprofits were going very slowly opposite 202s and working very well as they are today, but the refinancing and the increased cash flow to the projects -- or after refinance they plan to use the equity for project benefits really are a matter of the Business Plan for nonprofits, so we'll see more of these. We think it will pick up its pace within the next couple of years. We should see quite a few of these in the future.

So with that we'll be happy to offer -- recommend approval and answer any questions.

VICE CHAIRPERSON HAWKINS: Thank you, Mr. Warren. Mr. Bell.

MR. BELL: The staff report says that CalHFA will require that the borrower request a Section 8 HAP contract with a term of 20 years or for the longest term currently being offered by HUD. How and where is that fund set forth, and what kind of follow-up would the Agency do, and remedies are available if the developer does not comply with that requirement?

MR. WARREN: It's usually embedded within our regulatory requirements, Mr. Bell, and given the nonprofit's desire to do the project, this is seldom a matter, but it's embedded within our regulatory agreement and we enforce that way. That agreement would allow us to go forward. We also control the reserves and such like that, so we have a fair amount of leverage.

But it's the sort of requirement that it's there because the borrowers want to do it as well.

--o0o--

MR. BELL: Thank you.

VICE CHAIRPERSON HAWKINS: Thank you.

Yes, Mr. Czuker.

MR. CZUKER: Two very different questions: One, when you described the rehabilitation, you weren't clear whether the air conditioning was going to be central air or whether it was going to be wall units that would be added to the one-bedroom units.

And the second part is in the cash flow analysis, can you discuss why year after year the debt service coverage is declining and so the -- you start off with a higher debt coverage ratio and end up 30 years out with a break even or negative cash flow.

MR. GIPSON: Yes. The first answer is wall units, so for individual control for each unit.

VICE CHAIRPERSON HAWKINS: Excuse me, I didn't hear that.

MR. GIPSON: Wall units.

VICE CHAIRPERSON HAWKINS: Yes.

MR. GIPSON: And the second part is it's the conservative nature of the forecast. We are growing expenses much faster than we are revenue. If you look at the study, I believe we're raising Section 8 incomes at 2 percent or 2 and a half percent.

MR. KLEIN: 2 percent.

MR. GIPSON: And expenses are 4 --

MR. KLEIN: 3 and a half.

MR. GIPSON: 3 and a half. And so with that factor, we won't catch up.

But the other thing is with the project phase section we have in the contract, they go in annually and readjust for operating budget each year. So the fact of the matter is every year that they go in, they'll only make a budget adjustment. Last year they received a 2.4 percent increase, so each year that budget is adjusted upward as part of this.

And as part of refi-ing 202s, the contracts, there's two ways to go about it. One is give a 30-day notice and go about it your own way. And two is to follow a notice, which HUD lays out. We chose a program to follow the notice that HUD lays out, regardless of the right to just prepay without it.

From that, you'd get down to you will never be subject to markdowns. So if it benefits the project, you follow along so that it cannot be decreased, it can only increase. So based on the forecasts, it's very conservative and the fact is it will be adjusted upward.

MR. CZUKER: Thank you.

VICE CHAIRPERSON HAWKINS: Any other questions from anyone? Then I would like to entertain a motion to approve Resolution 03-20.

MR. BELL: So move.

VICE CHAIRPERSON HAWKINS: Mr. Bell has moved. Is there a second?

MR. CZUKER: Second.

VICE CHAIRPERSON HAWKINS: Mr. Czuker has seconded. Is there any additional discussion from either the Board or the public?

Hearing none, may we have the roll?

MS. OJIMA: Thank you.

Ms. Peterson.

MS. PETERSON: Aye.

MS. OJIMA: Mr. Bayuk.

MR. BAYUK: Aye.

MS. OJIMA: Mr. Bell.

MR. BELL: Aye.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Aye.

MS. OJIMA: Mr. Franklin.

MR. FRANKLIN: Aye.

MS. OJIMA: Ms. Hawkins.

VICE CHAIRPERSON HAWKINS: Aye.

MS. OJIMA: Mr. Klein.

MR. KLEIN: Aye.

MS. OJIMA: Mr. Shine.

MR. SHINE: Aye.

MS. OJIMA: Resolution 03-20 has been approved.

VICE CHAIRPERSON HAWKINS: Thank you.

Let's continue with the next item.

MR. WARREN: Madame Chair, the second project for the Board's consideration is Point Reyes Affordable Homes. This is a 27-unit new construction family project located in Point Reyes Station in Marin. The first mortgage request is for a loan in the amount of $2,550,000, 5.4 percent interest rate, 30-year fixed, tax-exempt.

The second mortgage is a loan against the project based on Section 8 vouchers for the project in the amount of $350,000, 5.4, ten-year fully fixed. Ten years is the term of the project-directed vouchers as set forth by the local housing authority. And we'll also be supplying capital to the construction lender under our

Loan to Lender program. That's $3,985,000, 3 percent fixed rate, 24 months interest only. And this debt will be retired by our own debt and by equity.

As you can imagine, the cost of development in Point Reyes is fairly high, so this will be reflected in subordinate financing of the project. There is a $600,000 HOME fund loan for 55 years. There is a CDBG loan for a little over $335,000. The County has contributed the fee waivers for approximately $121,000, and the majority of the subordinate financing is a grant from the County Housing Trust Fund in the amount of $992,000.

The Marin Community Foundation is backstopping the Section 8. Although we certainly expect the Housing Authority to continue to direct the vouchers for the project, there is always the appropriation risk issue with any Section 8 issue. And we're going to be offering systems to backstop that. This is not a new concept for us. This organization has backstopped public assistance funds on special needs projects in the past, so we are familiar with their documentation and their work.

So with that, Ed, why don't you go ahead and show them the project.

MR. GIPSON: Certainly.

Point Reyes Affordable Homes is in Point Reyes Station. It's located on two separate parcels off of Mesa Road. The first parcel is approximately 3.87 acres, and the other parcel there is approximately 3 acres. They are separated by about 200 feet of basically open space which is considered somewhat environmental, I won't call it wetland, but an environmentally sensitive area. It's not wetland, it's just green.

Located, it's located basically --

MR. WARREN: That's an environmental term. Staff will work on its environmental terms for the next Board meeting.

MR. GIPSON: It's located basically in the downtown Point Reyes, to the left in the picture. And to the right of the picture is the elementary school in the area. In the lower portion at the bottom of the picture, it's actually Coast Guard housing down there at the bottom.

And adjacent to this site, the borrower, who is EAH, Inc., is also developing seven affordable for-sale homes in the area. And then there's also going to be a commercial outlet to be sold off to somebody else for commercial services and a large estate lot that will be also developed and sold off. It's not part of the financing, but the affordable homes will be still controlled by EAH and developed in conjunction with this project.

There will be 27 units. They will be duplex-style units. There will be 79 parking spaces. Here's the basic site plan. To this side are the seven affordable for-sale homes. Here is a portion of our units. And on this site will be also a laundry room as well. And this site over here will also have a laundry room.

This is the site that will have the community building and tot lot area. Each of the units will have central heat, refrigerator, dishwasher, and a patio. They'll be individually metered for gas, electricity. Due to the rural nature, they'll be operating on propane gas for cooking and for heating. And due to the proximity to the ocean, they have no air conditioning. There's ocean breezes.

The primary market area is basically unincorporated small towns and cities around the area, including Bolinas, Woodville, Olema. Basically the PMA had approximately $32,000 -- 32,000 residents, 13,000 households in 2002.

Housing and land in the area based on the census data is about 68 percent of the households are owners in the PMA. And then there will be approximately 2,984 households projected by 2004.

EAH, Inc., has compiled a list of interested parties in the area, and they already have 200 prospective tenants for the 27 units that they will have available for rental.

Marin is a high-housing -- high-cost housing area. The median price in Fairfax was $458,000 in January, 2002. That was a low number, I assure you. In Fairfax -- in San Anselmo it was $550,000, approximately, at the beginning of 2002, and that is also a very low number. The costs in the area are very high for housing, and rents are reflected in that report as well.

There's basically no pending affordable rental housing units in the area, and there's only one truly affordable housing project in Point Reyes Station. It was developed by this project's sponsor, EAH, and it's a 25-unit HUD 202 project.

The project feasibility, the market-rate study points out that comparable rents were in the $1,000 range for a one-bedroom, $1,300 for a two-bedroom, and $2,200 for a three-bedroom apartment in the area. They expect that 75 percent of the units will be pre-leased, predominantly based on that 200-party waiting list, with the rest fully leased within two weeks of opening.

A Phase I was completed. There are no environmental issues of that nature. I did not check the open space area because it's wetlands, but there are no other environmental issues.

The borrower is Point Reyes Affordable Homes, L.P., a California limited partnership, EAH as the project sponsor. EAH stands for Ecumenical Association for Housing. They will also be the project manager. They have developed over 4,500 units and currently manage over 5,500 units.

The contractor will be Homestead Builders, and the architect overseeing the project is Chris Lamen and Associates.

VICE CHAIRPERSON HAWKINS: Mr. Czuker.

MR. CZUKER: Yes. I have a multi-part question again. First, we started with a description of because of being in proximity to the ocean, no air conditioning. Does -- you didn't mention whether it would include a different -- what type of heating system for heating the units.

Second, similar to the prior project, here you have the cash flows growing again on income roughly 2 percent and expenses growing roughly at 4 percent, and yet you have a positive growth overall in debt coverage ratio over the life of the loan. So I'd like you to comment why it worked here and didn't work in the prior project.

So then second and last, can you address the appraisal. In our package the appraisal information is missing and is estimated as a final number as opposed to a breakdown on cap rated values by appraisal analysis.

MR. GIPSON: Yes.

MR. CZUKER: Thank you.

MR. WARREN: All the above.

MR. GIPSON: Yeah. First, propane. Heating will be propane, central heat.

With regards to -- I'll jump to the last one. The appraisal is not back from the construction lender, so it's an approximate value in the operating budget, and I had a number I could live with for sure. But the land value of the loan will probably take care of that.

With regards to the forecast, 2 percent growth, 4 percent income expense. We're starting with much higher numbers for rent, so the gap between the two is much larger. And so as things go -- income is growing 2 percent growth, that's still very low, even with the 4 percent expense. When you run the numbers, it just works out better because of that.

But in addition, this project will also have a Section 8. And with that, they will be receiving cash flow from those market-rate units as well, so they'll be receiving full income. So you add that to the high rent and there will also be full rent, basically the cash flow income on those; it just grows.

MR. WARREN: Mr. Czuker, let me add a couple things. This project came to us late. And we were asked by EAH to include this as really a favor at the last minute. That's one of the reasons the appraisal is not with your package, for that very reason, because we just have to bring it forward. And we discussed this with staff. We normally always like to have our appraisals in before we come to the Board, but we felt given the relatively small amount of debt and the values, that they're pretty safe bets. The preliminary indications are we're going to be between 80 and 83 percent loan-to-value.

One more comment on the escalators. The rents are higher in this particular case, and the percentage of income, I think, to overall rents is probably lower than the last project. Depending on where you start, occasionally the trend just seems to work out better. So it's a little bit different, depending on the expenses.

MR. CZUKER: Who is the construction lender?

MR. GIPSON: The construction lender, Bank of America.

MR. CZUKER: Thank you.

VICE CHAIRPERSON HAWKINS: Mr. Shine. And

Mr. Klein, do you also have a question?

MR. SHINE: I just have one question. At 24 months the loan allowance would have to be paid off?

MR. WARREN: Yes.

MR. SHINE: I must be dense, but I don't see it in here.

MR. WARREN: We don't reflect that. The Loan-to-Lender program is really the capital source to the construction lender. We're not making the construction loan ourselves, so we only reflect the current loan aspect of our loan. We're not showing that.

MR. SHINE: At the end of 24 months, we get repaid?

MR. WARREN: Right.

MR. CZUKER: By ourselves.

MR. WARREN: By ourselves and by others.

MR. SHINE: And the bank that advanced the money still has that money advanced. Does that become permanent?

MR. WARREN: Yes, part of it does. Part of it rolls into the permanent loan. The balance is paid off and used for locality funds or tax credit --

MR. CZUKER: But to be clear, to answer your question, the bank is paid off at that time. The bank in this case, Bank of America, would no longer be in the transaction.

MR. SHINE: So where does it go after that?

MR. CZUKER: That's what he was answering. It's locality funds plus our permanent debt.

MR. SHINE: Those are locality funds in addition to those set forth in this presentation?

MR. WARREN: No, they're all there.

MR. CZUKER: If you add them up, it still comes to the same $7 million.

MR. WARREN: So what happens is that of the lender loan -- let me see. We have a lender loan of $3,985,000, and we have a permanent loan of $2,500,000 plus $350,000. So those two numbers combined will roll from the lender loan into the permanent loan, so that leaves a small amount of money left over that needs to come in to take out the balance of our lender loan advance.

MR. SHINE: It's not the total, okay.

MR. WARREN: And then that amount of money comes normally from tax credit equity.

MR. KLEIN: It would be helpful to separate the construction sources in usage from permanent sources in usage, I think, because then it would show the funds better.

Two other questions. One, it says it's subject to a favorable Article XXXIV opinion. Now, is the Article XXXIV opinion favorable because there is a local restriction above 49-percent affordable, even though there is a state restriction through financing for a hundred percent of units to be affordable? What's the basis of the Article XXXIV exemption there?

MR. HUGHES: I'm not familiar on this particular project, if we've gotten a preliminary read on that or not.

MR. GIPSON: We have not got a read on that because of the timing of the project. It's subject to making sure that they're in compliance with it.

MR. KLEIN: I'm trying to speculate, the normal expectations in this case would be that -- I noticed the local restrictions are below 49 percent, and since we have a local government restriction of 50 percent or more, they're saying it's not a public housing project under the Article XXXIV definition. Do you think that's where they're going?

MR. WARREN: I would suspect that's the case. We are not restricted more than 49 percent. The locality doesn't appear to be, but we need to see their opinion to make certain that that is the case.

MR. HUGHES: And the first cut on most of these if the locality -- or if a project, rather, could show it, would be that it doesn't fit within the Article XXXIV definitions.

MR. WARREN: Right.

MR. KLEIN: And then my other comment would be that if we look at the operating expenses here, we have $99,000 in payroll administrative on 27 units. And these small projects are important for these communities, but I'd like to point out that from a housing production viewpoint, we're getting a lot more efficiency in our resources if when we pursue a balanced situation in the portfolio a number of larger are in more urban settings where they can get more administrative efficiency.

I would also think that that would really depend on efficiency factors to do administration of the 27 units. So I understand it's a very conservative budget, but I would hope that in particular on the larger projects we do look for creating the discipline for as much administrative efficiency as possible where it is achievable so we get the most mileage out of our housing resource dollar.

Those are my two points. And I would like to hear back at some point what the outcome is on the Article XXXIV, but I think it's probably a very good project.

VICE CHAIRPERSON HAWKINS: Thank you. If staff would take the recommendations of how to present the financing on this so that, especially for those who are new on the Board, it's perhaps clearer. I had a little problem with that myself and had to work at it and do the math, so thank you.

Are there any other comments from the Board or questions of Ed?

MR. CZUKER: I move approval.

VICE CHAIRPERSON HAWKINS: Thank you.

And is there a second?

MS. PETERSON: Second.

VICE CHAIRPERSON HAWKINS: Thank you. And any questions from other Board members or from the public before we take roll?

Hearing none, may we have roll, please?

MS. OJIMA: Ms. Peterson.

MS. PETERSON: Aye.

VICE CHAIRPERSON HAWKINS: Mr. Bayuk.

MR. BAYUK: Aye.

MS. OJIMA: Mr. Bell.

MR. BELL: Aye.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Aye.

MS. OJIMA: Mr. Franklin.

MR. FRANKLIN: Aye.

MS. OJIMA: Ms. Hawkins.

VICE CHAIRPERSON HAWKINS: Aye.

MS. OJIMA: Mr. Klein.

MR. KLEIN: Aye.

MS. OJIMA: Mr. Shine.

MR. SHINE: Aye.

MS. OJIMA: Resolution 03-21 has been approved.

VICE CHAIRPERSON HAWKINS: Thank you, JoJo. Now we'll move on to the next project.

MR. WARREN: Thank you. I'm going to ask Kathy Weremiuk to join us for these next two.

The next project for the Board's consideration is Plaza de las Flores. This is the first loan that we had mentioned earlier under the Prop 46 Preservation Acquisition program. This is somewhat different than what you have normally seen, and it is only an acquisition loan that is being presented for your consideration today. Normally, you would see an acquisition loan and a permanent loan behind it. That is not the case here.

Under this particular program, as Kathy will point out, approximately 70 percent of the acquisition funds is coming from Agency resources, and the balance of the money, 30 percent, is coming from the Prop 46 funds. These loans are basically underwritten as we have always underwritten acquisition loans.

However, the mandate under the legislation that established the Preservation Opportunity program really requested that we take some incremental risks to make these loans safe as to these projects. That translates into the fact that at this point in time a formal and permanent exit strategy or loan program has not been established. That will be coming.

So that you're comfortable with those, Kathy will explain that the exit from the current loan program, our permanent loan structure, is eminently feasible, but it is not in place today. If we were doing this with our own money solely, it would require a permanent financial structure be in place.

So the funding request today for you is a CalHFA first loan in the amount of $9,555,000. This is 4 percent. This is the rate that we've assigned for the two-year acquisition money. It is taxable. Interest is payable monthly.

The Prop 46 first mortgage -- and by way of note, we'll probably end up having one deed of trust with two notes, just from a structural standpoint. The interest rate is 3 percent as set forth by the legislation. Two years interest only, all of which is deferred, which is then paid back at the end of the two-year period. And the financing source is the Prop 46 Preservation Opportunity program.

So with that, I'm going to stop and let Kathy run through the project and then spend a little more time on the exit strategies and the permanent financing strategies.

MS. WEREMIUK: This project is a 2.23 acre site in downtown Sunnyvale, and I can't do it with a point -- oh, I can. There's a railroad track here. It's about a mile to a mile and a half from 101. The entrance to the property is on Carroll Street. And there's also an entrance to the parking area across the street. On Sunnyvale there is a large mall with the anchor Macy's. This is Washington. I think this is -- I think Iowa. This is a city-owned parking structure. And the area is a combination of high-density residential and commercial uses.

The site itself, and this is a better view of the site, is a 3-story wood frame stucco construction built 1982. It has a very large and very attractive walking interior courtyard area. All of the units have balconies. This is the main entrance. The parking entrance is somewhere right in here into a subterranean garage. There are only 36 spaces. There are 101 units.

And this is an 11,000 square foot commercial structure that has six current tenants in it. They've been there long term. Three are long-term leases. And the borrower is Christian Church Homes. They have managed the property for the seller, which is Forest City, since it was built. And they have a very -- they have the leasing relationships with these tenants, so we're fairly comfortable with the commercial setup in this building because of the history of Christian Church Homes with the current tenants.

This is the front entrance to the property. When we did our physical needs assessment of it, we found that it was exceedingly well maintained. The only rehab that's necessary is because the project is coming to a 20-year age cycle, and it needs some work on the roof. The solar system needs to be upgraded. The roof needs to be replaced. There's some minor dry rot, so beginning with the recapitalization program for the units, which are in great condition, and the first floor area and the common area, it's a concrete floor is beginning to grate, and that's going to have to be replaced. And while that's being replaced, the common areas will be updated and refurbished and redecorated.

This is a view of the courtyard area and the amenities that are available to the residents.

And this is the community room. There are a number of community areas. Again, they need some updating. They're a little bit dated, but they're very well maintained.

And this is a typical interior elevation within the courtyard area.

The two loans in the project total $13,650,000. The acquisition price is $13,000. It's an all-end loan, so the $650,000 represents essentially the cost of our own impound, our fees, a small developer fee, and some start-up money to plan the rehab. The project comes with $1,309,000 in reserves. 300 and some are purchased from the seller and become a purchase price. And the remaining $710,000 is in a HUD residual receipts account, which is for the benefit of the property.

The property has a -- had a 20-year HAP contract, which is expiring in November.

And let me go to the rent structure. We've underwritten this essentially right now at half rents, which are net $965. The 50 percent rents for the market in the area or the tax credit rents or Agency rents are $911. And the market rents that we got from the appraisal are $1,025.

The area rents in Sunnyvale have fallen significantly. I think that's the main thing that we got from the market information, was the average rental two years ago was $1,935, and it's fallen to $1,372. Vacancies have increased to 6 percent. And that clearly has to do with the employment situation in the area.

And one of the concerns we had on take-out in the various take-out scenarios is when the borrower goes back in to HUD, which they will do, for a new 20-year markup to market HAP contract, we talked with HUD staff on another 20-year contract. The critical question for the take-out strategy is what the rent is going to be.

If the rent that HUD through the rent studies gets, if we get an $1,180 rent, we can do a take-out scenario with 501(c)(3) bonds and not have to use any bond cap. And if the rents get to less than that, then we'll have to use tax credits. We would have an Agency loan of about 9 and half million and 2.7 million in tax credit or an 11.9 million 501(c)(3) loan on take-out.

And the project, the borrower has already done their portion of the rent study. In the HUD process you submit a rent study to HUD. The rents that came back on that study were $1,200 for the one-bedroom units and $1,240 for ten fully developed handicap units, which are larger, so we at this point think that there is a good possibility the take-out with this will be 501(c)(3) bonds using that scenario.

The other components of the take-out in this project are locality funding. Locality has already gone to council for a million dollar home loan. They're going back in for a $450,000 discretionary loan from city funds. They're fully committed to the project. The Santa Clara Housing Trust has submitted a letter of interest for a $500,000 loan.

HUD has indicated that the residual receipts can be used for a rehab of the project. The rehab work will start during the two-year time period that we have, but not until we determine whether we're going to be using 501(c)(3) bonds or tax credits to be able to preserve the costs.

And the other source of funds is going to be cash flow for the take-out. There is, as you will see, significant cash flow, even at $300,000, even at the current rent levels, not anticipating the increase that we feel will happen in November. And that cash flow would go back into debt repayment so that there will -- it will reduce our debt. It will become a permanent source. And that's the -- those are the two scenarios. Most components of the scenarios are similar, except for these tax credits and bonds for 501(c)(3) loans.

In terms of the operating costs, I just want to mention that they are $5,200 asset taxes and reserves. That's essentially what the project -- the property has been operating at. When you do a preservation deal, you really look at what the operating history is as opposed to the best projection to reduce those costs.

And the other source is taxes. The project would have to pay taxes in the first two years. Those debt tax rebates will come back and be recaptured as a permanent source as well in take-off for the property.

There are a number of HUD issues, and we would not -- we are not able to resolve all of those until the contract actually expires in November, which is the reason that we need an acquisition loan at this point in time.

And if there are any questions, I'd be happy to answer them.

MR. WARREN: Let me make two points real quickly. The cash flow during the acquisition period is healthy. In our program guidelines, which we set forth for this program, we will control all of that cash and will not leave it to private distribution. If there's a developer fee to be paid, it will be paid out of the permanent financing scenario and the acquisition scenario.

And Kathy's comments about the HUD point is also very important because unlike other projects we do, those issues are also resolved prior to the Board's approval. And we also feel it's an appropriate risk to have some of those not fully done before we proceed. So that's another aspect of the acquisition.

So with that, we'd like to request your approval.

MS. WEREMIUK: I have one thing I should have clarified. We've set this as a taxable loan. We will fund it with taxable sources. We are also tempering in case we need to go again with 501(c)(3) bonds later on if interest rates rise so that we will -- we want to preserve the possibility to use either funding source.

VICE CHAIRPERSON HAWKINS: Thank you.

Mr. Klein.

MR. KLEIN: I understand the 501(c)(3) take-out. If I look at the budget for uses, I don't see $7,500 a unit for acquisition rehab, for minimum rehab expenditure budget levels. How do we deal with the CDLAC fund allocation without the rehab budget?

MS. WEREMIUK: We obviously can always increase the capitalization and the rehab, but there's also an exception for at-risk properties with expiring -- an expiring HAP agreement so that there is that exemption. We don't have to meet the minimums for tax credits.

MR. WARREN: I think a better way to answer, Mr. Klein, is this is the acquisition scenario we're seeing. When they go in for permanent funding, we will see the rehab dollars and everything else in that particular scenario. So the rehabilitation is not really occurring during the acquisition phase.

MS. WEREMIUK: There is more cash flow if we use the tax credit model for the take-out as there is more money available through that scenario. It's just preferable from an ownership standpoint and also a bond cap standpoint to use 501(c)(3) funds if we can, so we do that.

MR. KLEIN: I would like to say it's very preferable, and I agree totally with you it's good. I mean, it's good to save this type of a project. And we're always impressed by the ingenuity of the staff. I would say that before going in and using bond cap because the numbers aren't working on the 501(c)(3), I would look very closely at expenses.

Because we got again, $280,000 in administration payroll in 101 units. We can operate more efficiently than that. Or if the expenses are more disciplined, then we could still make the numbers on the 501(c)(3) side. And I'd like to make sure we look at that before using bond cap, particularly a project that's been well maintained and isn't crying for rehab.

We have scarce resources. If we are going to do the rehab as well, I'm assuming you'd restructure the developer fee, limit what's paid, but bring a larger developer fee into the basis to get as much tax credit help as possible to reduce it.

MR. WARREN: It really is, it's both. First of all, the comment on expenses, one, the exercises that we routinely go through when you transition a Section 8 project into a tax credit project, if you will, expenses are gone through. And as we impose discipline on the bond structure, we see those budgets improve over time. It can't happen overnight. It just doesn't. And we've learned that doing it the hard way. So you will see a transition, but you can't flip a switch overnight, so there is that economy of scale.

And how the rehab is handled is directly dependent upon financial resources. 501(c)(3) stuff is done over a period of time.

VICE CHAIRPERSON HAWKINS: Ms. Peterson.

MS. PETERSON: I just want to echo the comments that the Treasurer has. I'm particularly more than happy to see this as a 501(c)(3) bond deal, because, as Mr. Klein pointed out, we have very limited resources.

And I also want to commend staff for a good job. This is a pretty exciting new program, and I think probably represents the first time when we've been voting on a project where we really don't know exactly what the outcome is going to be, and that's a little scary in a way, but it obviously looks as though it's been thought through and underwritten through in such a way that it takes sort of the scary part away from it.

And I just have one question, which is how do you size the Prop 46 loan?

MS. WEREMIUK: We --

MS. PETERSON: That's a leading question.

MS. WEREMIUK: We sized it 70/30. 70 percent Agency funds in this instance and 30 percent HCD funds. I didn't reduce the amount of HCD funds because I knew that I would need the cash for other potential needs for cash flow during the two acquisition periods as a take-out source. So I kept -- we kept some flexibility and were given some flexibility for 25/75, but because the HCD funds were deferred, the interest was paid at permanent. I needed that cash flow, and I sized it accordingly.

MR. WARREN: This will vary. We might have a -- we have a 60/40. The legislation allows us to do that, but generally speaking 25 or 30 percent of the bond. That's the target.

MS. PETERSON: That's what we should anticipate when we're looking at this in the future?

MR. WARREN: Yes. If we wander off from that, then there is something going on with the project, and that's an issue that we have to deal with.

MS. PETERSON: No, they're kind of interesting because there are so many different sorts of conditions precedent to what's going to happen, not only for us, but the City of Santa Clara, the Trust Fund of Santa Clara, funds we reach for this and that in some cases HUD hasn't, I believe, normally in the past necessarily agreed to, so I assume you have a confidence level in that agreement?

MR. WARREN: Well, as we said, this is a risk program, so we have a reasonable confidence level, yes.

MS. PETERSON: Good.

MR. WARREN: We shall see.

VICE CHAIRPERSON HAWKINS: Mr. Franklin.

MR. FRANKLIN: Just to build on Jeanne's comments, and they're really related, but again, I would echo applauding staff for moving so quickly. I know that Prop 46, of course, was just passed in November, so in four to five months, you all have created a program, you've made the public aware of it, and, in fact, have a deal. That's very, very impressive.

And I would also echo as far as the role of these funds and the risk that we are taking here, I think there is some risk in this deal, and I think it's exactly what was intended as far as the role that we will play in an acquisition, interim acquisition loan relative to preservation.

I'd be interested though, like a caution, in a little more amplification as far as, you know, previously you've provided a framework of what expectations would be relative to the norm going forward, as far as the characteristics of the deal in this program. Do you have a feel for that? You've just mentioned the sizing question, which was on my mind as well, but as far as other characteristics of the deal as far as within this program.

MR. WARREN: I think it is too soon to tell. And I appreciate your comments about the speed at which we rolled it out. The industry, however, wanted to know what took us so long.

MR. FRANKLIN: I'm day four at the job at HCD. I have a new insight into how quickly or hard it is to do that.

MR. WARREN: Similar experience. I think that it's tough to say what is going to be useful. We know that certain types of at-risk projects that the legislation calls for has to be applied, such as the rural housing 515, for example, are not compatible. We've learned that early on.

One area that may come up here may be expiring tax credit transactions. We may search the files for

Section 32 projects and open up that, and that could occur. I think those could be handled probably in a little more traditional 501(c)(3) scenario.

My guess is, to give you a quicker answer, is smaller projects, ones that don't have the necessary resources to move quickly and maybe smaller developers. And I think this is large by definition, but the industry seemed to indicate that they need this for expiring 236 projects, whatever it might be. So that would give you some trend. What we didn't think of is they might end up being smaller versus larger.

VICE CHAIRPERSON HAWKINS: Mr. Czuker and then Mr. Klein.

MR. CZUKER: Yes, thank you. I wanted you to address -- first of all, I echo my colleagues' comments, and I think this is an exciting new undertaking for CalHFA to be involved with. I'd like to just understand better what our downsize risk is since in the presentation there were a handful of things that may occur or could occur to refinance or to provide sufficient cash flow by increasing rents, but then in the presentation there was a discussion that rents in the neighborhood were declining and how rents dropped substantially because of jobs and employment in the neighborhood, and yet if we look at our projections, we're using a 3-percent vacancy rate.

So in an environment or a submarket where vacancy rates are rising and rents are declining, we're making optimistic assumptions that we'd be able to raise rents and maintain a 3 percent vacancy rate. So what I'd like to ask if some of these sources, whether they be city or HUD contracts, don't materialize as anticipated, is the two years enough of a window and what is our downsize risk if this has to be restructured prior to or at the end of the two-year window to deal with some of these occurrences that may not happen?

MS. WEREMIUK: One of the very first things I did was run the numbers without any change in the rent structure. And what would happen is that we could refinance this with 501(c)(3) bonds with the $9,555,000 loan carries out with the HUD money remaining in the deal. And that's -- that's the back end of the structure. Nothing else happens. This deal still works and still because of the residual receipts for the rehab money.

The 3 percent vacancy rate -- and I used a 5 percent vacancy rate in the long-term projections, which I did myself to see what happened if everything is greater. The 3 percent vacancy over the two-year term is because we have the Section 8 contract that's in place. And the real vacancy is less than 1 percent. It's de minimus. There aren't vacancies in these kinds of properties. So as long as there's a Section 8 contract in place, there's de minimus vacancy. And it works with 501(c)(3) bond as well.

We would probably, if the HUD HAP contract terminated, which is what we see in the 501(c)(3) scenario it comes back, yes, at between 50 percent and 60 percent rent level, which is very consistent with where the market is right now, so that there -- it could be a workout entering reserves in place to do that so that the major risk -- there are two risks. One is no other take-out or no rent increases.

MR. WARREN: I think that's -- if we did not make that clear before, the bond funds can remain in the project, become the residual receipts on a cash-flow basis, so that is the risk. That's not our goal. If all is gone, if all is apportioned, then we can't stay in the transaction, if permanent financing doesn't materialize. And we can always extend the two-year term.

MS. WEREMIUK: And one city has already submitted, and we're pretty comfortable given that they've gone to the council on one other and the council came back and made the loan. So the city, the locality money will be there no matter what happens.

VICE CHAIRPERSON HAWKINS: Okay. Mr. Klein, and this is not addressed to you, but we do need to watch our time here, so both the Board and staff, let's move quickly on each one and make our questions and answers as brief as possible, but still make sure that we answer. These transactions are very complex, and I think this a good example of what we can do.

MS. PARKER: Just one comment. I'm not sure with the overhead air whether or not everybody can hear speakers so, if you would perhaps speak up a little bit. I'm not sure -- I want to remind the reporter to not -- please coach us so that you can hear what we're saying.

VICE CHAIRPERSON HAWKINS: Perhaps bringing the mikes closer to you as you speak would be helpful. Thank you. I've been straining myself at times.

Okay, Mr. Klein.

MR. KLEIN: First of all, I would agree with Mr. Czuker that we have a prototype situation and as we do these, it would be possibly best to have it work into a two-year term with a possible two-year extension for more flexibility so that if complications arise, we can have time to adjust. Now, did I understand then you actually have the authority to --

MR. WARREN: Yes.

MR. KLEIN: -- Do the extension?

MR. WARREN: Yes.

MR. KLEIN: Up to what length of time?

MR. WARREN: Really, it's our discretion.

MR. KLEIN: Okay.

MR. WARREN: We have -- under SB 372 we have a great deal of discretion, and staff can do this. And we just have that ability. That's the way it was drafted.

MR. KLEIN: Great. It would be good just to note that and provide us, because it is very valuable in this type of a fact pattern.

Secondly, the MHP regs, regulations, actually currently say that they can call their loans in the next -- they can call it accelerated totally and within the next couple of years we'll hopefully have a very cooperative housing department that will work with the agencies. And I'm sure that's the case, but since this program is going to be out there and the loan could go a number of years, I would vote that right now when things are cooperative, that we make sure we don't do any loans that are MHP loans unless they specifically are fully subordinating all their rights to call these loans, as would be the case with Fannie Mae or Freddie Mac.

So I want to know, have you worked out that arrangement already?

MR. WARREN: On the MHP financing, yes. When the very first MHP came through, went through, we met with HCD. We shared our subordination agreement, discussed how we use it, the requirements on it, and they agreed to subordinate their debt to ours. So we are in agreement.

MR. KLEIN: And even though theirs actually --

MR. WARREN: Correct.

MR. KLEIN: -- Conflict with that? Do they need to amend their regs, technically?

MR. WARREN: No, it really isn't that issue. I think that our regulatory agreement takes precedent. Our deed of trust takes precedent. And the language in our subordination agreement is commonly recognized. I believe it specifically states in the event of dispute our documents prevail. I'm not sure if that's the wording or not, but it's clearly the understanding that if a project gets into trouble, then we as first-debt lender have the ability to control and basically work out a solution.

MR. KLEIN: Given that they're currently going through a revision of its regs, it would be good just to get a technical conformity so people understood the program to get that portion of the regs conformed so that Fannie Mae or CalHFA type of financing is very clear, or any bank financing, they're going to have to put a cash-flow type arrangement without acceleration rights to protect the primary lender.

Thank you.

VICE CHAIRPERSON HAWKINS: Thank you. And so I want to entertain a motion to approve the request.

MS. PETERSON: So moved.

MR. CZUKER: Second.

VICE CHAIRPERSON HAWKINS: Moved by Ms. Peterson, seconded by Mr. Klein.

And any questions, comments from the Board or the public?

Mr. Czuker, did you have something?

MR. CZUKER: No, I was the one that seconded, but I'll happily share or pass that honor to my colleague Mr. Shine.

VICE CHAIRPERSON HAWKINS: Mr. Shine?

MR. SHINE: Whatever you prefer.

VICE CHAIRPERSON HAWKINS: Thank you.

Oh, yes, there is a question.

MR. PICKEL: I'm William Pickel. I'm the development project manager for Christian Church Homes, and I just wanted to thank Kathy Weremiuk in particular for helping us structure this very interesting project. And I also know that Mr. Warren has been working on it with our consultant, Matt Schwartz of California Housing Partnerships. And it's been a lot fun, and they've been just incredible, tremendous help. So thanks to everyone.

VICE CHAIRPERSON HAWKINS: Thank you and bring some more.

MR. PICKEL: We hope to.

VICE CHAIRPERSON HAWKINS: Thank you.

Okay. May we have roll call?

MS. OJIMA: Ms. Peterson.

MS. PETERSON: Aye.

MS. OJIMA: Mr. Bayuk.

MR. BAYUK: Aye.

MS. OJIMA: Mr. Bell.

MR. BELL: Aye.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Aye.

MS. OJIMA: Mr. Franklin.

MR. FRANKLIN: Aye.

MS. OJIMA: Ms. Hawkins.

VICE CHAIRPERSON HAWKINS: Aye.

MS. OJIMA: Mr. Klein.

MR. KLEIN: Aye.

MS. OJIMA: Mr. Shine.

MR. SHINE: Aye.

MS. OJIMA: Resolution 03-22 has been approved.

VICE CHAIRPERSON HAWKINS: Thank you.

The next item.

MR. WARREN: Thank you, Madame Chair.

The next project for the Board's consideration is Baywood Apartments. This is an Agency portfolio Section 8 loan. This is a 77-unit apartment building located in Oakland. The mortgage request is for an acquisition loan of $4,100,000, 5.4 percent interest rate, two-year fixed, interest only. It's a combination of taxable and tax exempt funds. And a second loan, two-year, interest only, for $1 million at 4.5 percent interest rate. The bridge loan structure is ostensibly for risk-share purposes. The formula alone is the roll for the $4.1 million loan, 5.4 percent interest rate, 30-year fixed, FHA risk share.

I believe, Kathy, we have one typo to correct.

MS. WEREMIUK: Right.

MR. WARREN: On the summary, financing summary, where it says $4,165,000.

MS. PARKER: Page?

MR. WARREN: I'm sorry, page 190, "Project Summary," that should reflect $4,100,000 for both the acquisition and permanent. Everything else, the cash flows are correct as on page 191.

This is being refinanced under the Agency Section 8 portfolio refinance policy. It is a mismatch, which means that the Section 8 contract expires prior to termination of the existing loan.

So with that I will ask --

MS. PARKER: I'm sorry. I'm not sure we've all found page 190.

MR. WARREN: Oh, I'm sorry. In the interest of speed.

Page 190, you will see the project financing summary. There is an acquisition box and a permanent box. The number you see is $4,165,000. That is incorrect. It is $4,100,000. Both numbers.

And the resolution is accurate.

MS. PARKER: $4,100,000.

MR. WARREN: Right.

MS. PARKER: And then below it, permanent is $4,100,000.

MR. WARREN: Also $4,100,000.

With that I will ask Kathy to quickly move through the figures.

VICE CHAIRPERSON HAWKINS: Yes, Mr. Czuker?

MR. CZUKER: I need to ask Tom a conflict question, and that is that companies that I own or am involved with have done business with the nonprofit Las Palmas

Foundation that is a topic of this item. Should I excuse myself obviously and not participate in discussions on this particular item?

MR. HUGHES: Our -- the Agency's statutes that deal with conflicts prohibit the officers, the Board members, from being employed by or holding official positions or financial interest in housing sponsors, so if it doesn't rise to that level, it's not a technical conflict. Your disclosure, I think, would be adequate.

If there is a form otherwise, you can elect not to vote. So I think that, again, if doesn't rise to that standard, we'd be safe here.

MR. CZUKER: Since I'm in the joint venture or entities that I own are joint venture partners with Las Palmas Foundation, a nonprofit 501(c)(3), I would prefer to abstain from this item.

VICE CHAIRPERSON HAWKINS: Thank you. We will respect that.

MS. WEREMIUK: Baywood Apartments is a 77-unit senior building in the Piedmont area of the City of Oakland. And you can see this apartment building here. This is Piedmont Avenue, which is a boutique shopping street with grocery stores and restaurants. This is 41st Street. This is Broadway right here. There is a post office. And the immediate surrounding area is higher-density residential. It's on a knoll on a hill about 41 blocks from the ocean, and it's got spectacular views.

It is a concrete building -- this is a better view of the building -- with a large internal courtyard. And it has a front entrance on 41st Street with an interior first floor parking garage on 41st Street with a small number of parking spaces, only 16 spaces, although very ample street parking, as you'll see, along the front of the building.

This is a front elevation. One of the nicest features of the units are unit with balconies that all of the units have, and they're deep enough to be useful and create a very pleasant ambiance.

This is the interior courtyard. And this is -- on each floor there's a little bonus room. One of the floors has a room that's been developed into a library. This is a community area, community room, that's going to be rehabbed.

And this is a typical kitchen. This is -- along with the Agency's portfolio based on your earlier discussion, I can tell you it has a React score of 99. HUD doesn't give out scores of 100. It's in phenomenally good condition. We had a physical needs assessment done. Every unit was -- they went through every unit.

There's only $250,000 rehab required, primarily on the roof of the building, which is an old roof and has a dysfunctional solar system. And the roof and the HVAC units need to be changed out.

The borrower is Bentall Residential. Ken Reiner, who's the principal, is someone we know well from his relationship with Related Companies. We've done over 2,000 units of preservation lending with him in the last several years.

He's partnering with Las Palmas Foundation. Las Palmas has also done 900 units with the Agency and 2,000 units of affordable housing. They have an exceedingly good record in terms of service provision and were nominated by HUD and named in the Open Network program as the best served -- one of the -- they were nominated for an award for best service site in any HUD project, and they did a really wonderful turnaround of a large family preservation deal.

The -- we -- this is -- there's a Section 8 HAP contract, which I mentioned is a mismatch. The 50 percent rents are $672. The 60 percent rents are $713. The market rent -- the HUD rents are a bit higher than the market rents in the area, and the HAP contract continues without termination on the transfer of the property but will only be in place for eight more years.

The A loan on the property, the first loan, is underwritten to 30 percent, 50 percent rents, and the remainder at 60. And the B loan is underwritten to the HAP rents for the term of the HAP contract.

The rehab in the property is minor. The borrower is going to do a major recapitalization. They're going to do 60 percent of the units, all interior finishes, kitchens, bathrooms, carpets, paint. And also they plan to reconfigure the entire community area, updating it, decorating it, and making some of the spaces that are large and open but not useful service areas with computer rooms, larger management offices and services.

The -- because it's a mismatch, there is not a prepayment penalty on this property, but cash flow, we will be requiring a service program, as is consistent with our re-fi policy. And all of the reserves that are currently with the project, $400,000, will be coming back to the property and will stay with it for future -- future transition issues.

MR. WARREN: Okay. Thank you, Kathy.

I will -- I will -- Kathy lives in Southern California, and I need to remind her that this is not a 40-block walk to the ocean. This is a 40-block walk to the bay. So we'll have to reassign the projects as appropriate or have geography lessons.

So with that, this is another one of our programs in our refinance policy. We'd be happy to recommend approval and answer any questions.

VICE CHAIRPERSON HAWKINS: Thank you.

Any questions or comments from Board?

No questions? No comments?

Are there -- then I would request that somebody move to approve this project.

MR. SHINE: Yes.

VICE CHAIRPERSON HAWKINS: Mr. Shine.

Second?

MR. BELL: I'll second.

VICE CHAIRPERSON HAWKINS: Mr. Bell, thank you.

And are there any additional comments or questions or comments from the public?

Hearing none, may we have roll?

MS. OJIMA: Thank you.

Ms. Peterson.

MS. PETERSON: Aye.

MS. OJIMA: Mr. Bayuk.

MR. BAYUK: Aye.

MS. OJIMA: Mr. Czuker.

MS. PARKER: He's abstaining.

VICE CHAIRPERSON HAWKINS: He's abstaining, yes.

MS. OJIMA: Thank you.

Mr. Franklin.

MR. FRANKLIN: Aye.

MS. OJIMA: Ms. Hawkins.

VICE CHAIRPERSON HAWKINS: Aye.

MS. OJIMA: Mr. Klein.

MR. KLEIN: Aye.

MS. OJIMA: Mr. Shine.

MR. SHINE: Aye.

MS. OJIMA: Resolution 03-23 has been approved.

VICE CHAIRPERSON HAWKINS: Thank you.

MR. WARREN: Madame Chair, I'll have Irene Jenkins, who will present the next couple projects, come forward.

MS. JENKINS: Very briefly, on our new construction loan program, this construction loan program will be used in conjunction only with our permanent financing. Loan terms may be from 12 to 36 months, but we anticipate that our typical loan term will be 18 to 24 months. We're using generally a variable interest rate based on 30-day LIBOR plus 150 basis points.

We'll be resetting rates every quarter. However, when we close the loan at the previous reset rate, we'll hold that rate for six months, and then the loan will be subject to reset every quarter with a maximum change of 35 basis points at each reset and a maximum of 200 basis points over the life of the loan.

The format of our presentation for our construction loan purposes has changed somewhat, so I just want to point that out. In the project summary you will find a line indicating the construction loan amount. And we have included a separate sheet with the construction sources and uses so you can track the sources and uses during the construction period. And then we have presented as well our usual permanent loan sources and uses.

With that, I'll move on to the first construction loan, Villa Madera. Villa Madera is a new construction of a family project with a total of 72 units in Oxnard in Ventura County. The construction loan will be a total of $11,155,000 for a period of 18 months. The permanent loan will include a first mortgage of $3,810,000 and a rate of 5.4 percent for a 30-year term. A second mortgage, which is written to Section 8 project based vouchers, will be $885,000 at 5.4 percent for a term of ten years, which is the term of the Section 8 contract. In addition, we'll be providing bridge financing for the investor for pay-in for a total $3,735,000 at a rate of 4 percent simple interest for three years.

Locality involvement in this project is from the

City of Oxnard Redevelopment Agency. The project will be getting $1.6 million in residual receipts financing, and from the Oxnard Housing Authority, the 14 Section 8 project phase vouchers.

In addition, this project has MHP financing, a Federal Home Loan Bank Affordable Housing program loan, and tax credit equity. And deferred developer fees will be part of the permanent financing structure.

The borrower here is Mercy Properties, a California -- a Colorado nonprofit corp. which would be the general partner of a limited partnership. Mercy Housing California has developed 77 projects with over 4,000 units in California, and we have financed over the years five projects with 364 units. Mercy Services Corporation, which is a nonprofit affiliate of Mercy Housing California, will manage the project, and they currently manage over 4,000 units in California.

I will introduce Laura Whittall-Scherfee to present the details.

MS. WHITTALL-SCHERFEE: Villa Madera was originally reviewed and approved by the CalHFA Board of Directors at the September 12, 2002 Board meeting. At the time, the assumption was that it would receive state tax credits. When that did not happen, it was not financially feasible, and so the project had to be restructured.

The structure hasn't changed in terms of what the project design looks like. The project itself has stayed the same, but as Irene just stated, we now have MHP financing which has an added benefit of deeper affordability, affordability that wasn't there with the first project.

These slides you may remember. Some of them are very much the same. Here is the project. It's a 4.2 acre rectangular site. The entire Ford auto dealership comprises this square site, and we are a portion. The parcel -- the project is one of five parcels. It's the singular largest parcel out of the five.

This road is Oxnard Boulevard, which is the main boulevard through the city of Oxnard. North of the project is an existing used car dealership. To the south is a self-serve car wash and an older apartment building. On the east side is a vacant lot. This is the second half of the former Ford dealership. It's four parcels that will become commercial retail. And then to the west are older single-family residences.

The single-family residences in this area are typically from the 1950s and 1960s. And to give you an example of how the market is doing in Oxnard, recently a

1,500-square-foot home on a 6,900 square-foot lot built in the mid 50s sold for $336,000 within a mile of our project.

This looks east from Oxnard Boulevard across the commercial retail portion, past our project site into the back garages of the single-family projects.

This is the corner of Robert Avenue. Robert Avenue is this street right here. And this is A Street. A Street and Robert currently kind of dead-end into each other. A Street is going to be extended. It will be a private road. The cost of building this private road will be shared between the project and the owner of the commercial retail space.

This is another view of Robert Avenue that shows the car wash that's on the south end of the property. That's the south end of the project and the apartment buildings with more residential on the side.

This is a site layout of the project. Here you can see this proposed drive. They called it C, even though it comes off of A Street. And this is how you will get into the retail, commercial retail, and you will make a left-hand turn -- oops. Sorry. I did that backwards -- to get into the project. And there will be exits both out onto Robert Avenue and A Street, where they end, or exits will be out to the alley. The alley is an easement owned by the City of Oxnard, and there are garages that will be also accessed through the same alleyway.

The project will contain a community building, and there will also be three tot lots, a basketball court, and numerous barbecue areas. Here are some site elevations.

The project is in 13 buildings, and they were designed for nine different plans, because the idea was to make this whole project look like townhomes. The neighbors did not want block apartment buildings next to them, and so a lot of effort was put in and a lot of money to make this project appealing and make it look like it fit into the neighborhood; thus it does.

In terms of the market, there is a very strong, strong demand for three- and four-bedroom units in Oxnard. Mercy has two other projects also in Oxnard, Casa Merced, a 41-unit 202 for seniors completed in 1999, and Casa San Juan, a 64-unit family project completed in 1997.

Casa San Juan has approximately a thousand families looking for housing. They're on their waiting list. And what they did was they interviewed these families and asked them what was their single greatest housing need in terms of bedroom type, and they said three bedrooms and the answer was closely followed by four. That is why you see so many three- and four-bedrooms in this project.

There were no four-bedroom comps in the market for us to compare in terms of apartment rentals. Both the appraiser and the market study preparer had to look at single-family dwellings, and they had to go as far away as the City of Ventura to try to find comps. So there is definitely a need for large-family housing in Oxnard.

Right now the rents, there are 17 two-bedroom, one bed -- I'm sorry, 17 two-bedroom/one-bath units that will rent for between 18 and 65 percent of market, which is at $1,197. There are 43 two-bedroom/ one-and-a-half-bath units that will rent for between 19 and 76 percent of market at $1,449. That's the market, not the rent. And 12 four-bedroom/two-bath units that will rent for between 21 percent and 64 percent of market, and market rent is $1,554.

Estimated lease-up time is two to three months, and the project as a whole has average rents of about 44 percent of market.

MS. JENKINS: You'll notice that there are many sources of financing. Each of them imposes a somewhat different affordability, and we have underwritten to the most restrictive of the affordability requirements, so just a note on that.

VICE CHAIRPERSON HAWKINS: I'm sorry, Ms. Peterson.

MS. PETERSON: I just want to say that on behalf of the Tax Credit Committee, that this job did come to us last year. It was in an unusual situation of only needing state tax credit. At that point we did not have state tax credit available to utilize with the tax exempt bonds for these deals, and so I'm very happy that it was able to be restructured and to apparently be the recipient of an MHP loan from HCD. And also that this year, basically in part on Villa Madera, we have decided to set aside some of our state tax credits for use with tax exempt bond projects.

VICE CHAIRPERSON HAWKINS: Mr. Klein.

MR. KLEIN: I think the staff is doing an excellent job with this new program they're creating. And with the deep targeting that's involved in getting on to the point scale for the MHP loans, this size of project, I think, probably works pretty well with this deep targeting, although it can have some long-term expenses that could be atypical for the projects we get into.

I am very concerned that with the prevailing wage exemption ending, that next year production can be substantially hurt because we won't be able under the existing MHP program point scoring system to be able to handle any of larger projects. For the larger urban areas, it's a huge effort to aggregate the land site.

Now, it takes -- if they can do a 200-unit site instead of 450-unit sites, the ability to really deliver the housing is much more practical. But on a 200-unit project, I have some very significant concerns about whether you can have 35 percent of the project at 35 percent of median or below and make it work from a management standpoint, from the size of the families, the size of the units that will be involved.

And in terms of Linn's former comments on a general basis in response to Matt Franklin's question, he said that he expected a lot of demand for MHP loans to be handled in smaller projects, and I'm wondering if he sees the same problem for MHP loans on large projects with the deep targeting and whether there should be a change in the point system to deal with the huge burden we're going to face in prevailing wages.

The next write-up comments that it cost $24,000 more in construction for the prevailing wages per unit. And if we are to deal with larger project sizes, would that be a problem with the deep targeting?

MR. WARREN: I think that there is an issue that exists, I think, for both these transactions and for MHP in that because of the desired effect of deep targeting, just from a pure lending standpoint was the impact of that. And I think that remains to be seen. I know that in many MH -- not just MHP programs, but other projects like this in which localities have deeply targeted affordability, expenses, as actually Mr. Czuker has pointed out earlier today, you know, catch up with revenues.

And the question is on a long-term basis is there a policy issue there as far as long-term liability? And I think it's too soon to tell. But as an underwriter, obviously you're concerned about rents that cannot move in accordance with economic changes and what is the long-term impact of that. I think any program does that.

So I don't know. I mean, the short answer is I think whether it's an appropriate time to address this with HCD is another matter for others, but obviously you need to be cognizant of rents and expenses and it's a long-time liability.

MR. KLEIN: And I would like to make it clear with the 9 percent projects with much lower debt premium, I don't have the same concern. It's on the bond projects with the high -- relatively high debt premium that I have this concern in terms of the long-term underwriting of it.

So I think we're going to see it as a major problem next year, and I would hope that we have some communications and look at this issue, because there's a big lead time in changing these regs. They're imminent in a change of regs mode right now. There's some -- the process is ongoing, so if they're going to look at some changes, this is going to be their only chance, really, until the end of the year. And if we wait till next year, it will be too late for 2004 production.

VICE CHAIRPERSON HAWKINS: Yes, Mr. Franklin.

MR. FRANKLIN: I'd first assure Mr. Klein I'm taking detailed notes of today's meeting, and we will certainly take this under advisement, and the staff of CalHFA and HCD are working very, very closely together on a number of initiatives, and we will take a look at this for sure.

I had a separate program question, though. Is it right that this is the first construction loan that you all have done?

MS. JENKINS: Yes, in many years.

MR. FRANKLIN: Okay. And I was just curious on the strategy as far as the draw process. I'm aware that you have quite a number of architects on staff, but as far as managing the draw process and how you would be preparing for that.

MS. JENKINS: What we're doing, we'll be staffing to handle the draw process. Clearly, the success of this construction loan program hinges upon our processing these draws, not only accurately, but timely. And we're -- we're in the process of dealing with those issues, and we'll provide staffing on an interim basis, if we need to on a contract basis, but long term we'll be staffed to do the disbursements in-house. And we will have -- and we currently inspect all of our projects during the construction process, even though we're not the construction lender, because we as a permanent lender, we have interest, obviously, in the outcome of the construction process.

We will do the inspections. We'll do the draw down of the process on-site and a full loan balancing with every draw of the loan.

MR. FRANKLIN: Okay, thank you. And I would just note for the record the MHP funds are applied for, as opposed to approved at this point.

VICE CHAIRPERSON HAWKINS: Yes, Ms. Symonds.

MS. SYMONDS: Yeah. I'm glad to see that CHFA -- or, I'm sorry CalHFA and HCD are going to talk about this. In the late 80s we had got very aggressive in trying to do lower targets, and I know that the bond program, as we initially came out, which was agreed by everybody, didn't necessarily have appropriate financial liability, and, you know, we all learned. We're all older, grayer, and we do bond programs better, but I would hope that we could look at this issue not necessarily as just a point system, but maybe look at its financial viability.

So if appropriate projects could come forward that would hit the targets, it would, not with a wink, but they really did work, that we would be able to give those more points. So there's multiple ways, I think, to get at that issue.

VICE CHAIRPERSON HAWKINS: Thank you.

Any other comments?

Yes, Mr. Bell.

MR. BELL: And this is just a real technical correction in your staff report. On page 203, on the second line, that should be 2002 rather than 2003.

MS. WHITTALL-SCHERFEE: Duly noted. Thanks.

VICE CHAIRPERSON HAWKINS: Thank you.

MR. WARREN: There goes your bonus.

MS. WHITTALL-SCHERFEE: Luckily I didn't spend it.

VICE CHAIRPERSON HAWKINS: And with that I would like to request a motion for approval.

MR. SHINE: Move approval.

VICE CHAIRPERSON HAWKINS: So moved.

MR. FRANKLIN: Second.

VICE CHAIRPERSON HAWKINS: Mr. Franklin has seconded.

Any further discussion, comments, questions from the Board or the public?

Hearing none, may we have the roll?

MS. OJIMA: Thank you.

Ms. Peterson.

MS. PETERSON: Aye.

MS. OJIMA: Mr. Bayuk.

MR. BAYUK: Aye.

MS. OJIMA: Mr. Bell.

MR. BELL: Aye.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Aye.

MS. OJIMA: Mr. Franklin.

MR. FRANKLIN: Aye.

MS. OJIMA: Ms. Hawkins.

VICE CHAIRPERSON HAWKINS: Aye.

MS. OJIMA: Mr. Klein.

MR. KLEIN: Aye.

MS. OJIMA: Mr. Shine.

MR. SHINE: Aye.

MS. OJIMA: Resolution 03-24 has been approved.

VICE CHAIRPERSON HAWKINS: Thank you.

I'll then proceed to the next item, Oak Court Apartments.

MS. JENKINS: Oak Court Apartments is our second construction loan, a family project, 53 units in Palo Alto, Santa Clara County. The construction loan here will be 11,500,000 for a term of 18 months. Permanent first mortgage $2,600,000, 5.4 percent for 30 years.

This also has considerable local contribution, including a land donation valued at $5,874,000, which is structured as a 99-year loan, but to be forgiven after 99 years of affordability. In this case, the loan -- the land donation is actually to Palo Alto Housing Corporation, which is the sponsor, and Palo Alto Housing Corporation will lease the land to the partnership.

Also, Santa Clara County Housing Trust Fund is providing a $400,000 residual receipts loan. And other funding will include MHP financing with $4,555,000, Federal Home Loan Bank Affordable Housing program loan of $265,000, tax credit equity, and deferred developer's fee.

The borrower here is a limited partnership. The general partner is an affiliate of Palo Alto Housing Corporation which owns and operates 19 properties in Palo Alto. They've developed a total of 633 units, and they currently manage what they develop, and they will manage this one.

And I will turn it over to Tina to give you more details.

MS. ILVONEN: Okay. Oak Court is located in Palo Alto in the South of Forest Avenue neighborhood, which is a historical area of Victorians and single-family homes. It's two blocks from downtown. Downtown is here. And Stanford University is just off the slide down here a little ways.

The site is 1.23 acres. It was part of the Palo Alto Medical Foundation site, which was ten acres. And there was a research building located on the site, along with two single-family homes.

While we have this picture of the soil up, I'm going to talk about the environmental. There have been many site investigation reports and a closure letter from the San Francisco Regional Water Quality Control Board, which were received and reviewed. The closure letter confirms the existence of residual contaminations of chemicals in the soil and groundwater, which have migrated on-site from an upgradient source, the City of Paris Cleaners, which has been closed. Since the contaminants in the soil are low levels, are low concentrations and there's no on-site source, further investigation of the site for remediation of the normal

PCEs and TPH-impacted soils and groundwater is not necessary. Part of the closure letter or per the closure letter, there's no further action required, other than restricting the use of the groundwater.

This is new construction of 52 units with the exception of this one historic boarding house, which is located on the site and will be moved from its present location to the corner of Ramona and Channing. The building will contain one three-bedroom apartment on the second floor that's expected to be used as the manager's unit and all of the community facilities.

The interior of the structure will be almost new, and the only items that will be retained are windows, doors, and framing and pitch of the roof. The clapboard siding will be replaced and repaired as needed. Since this is essentially a gut rehab of this building, no P and E is required.

This is a new child care center across the street on Ramona. And these are single-family homes across the street on Channing that show the historical view of the neighborhood.

This a site plan looking to the east. The buildings on the property will be wood framed with cement board siding and wood trim. Everything will be composition asphalt shingle.

The restored historic house will provide a recreation room equipped with a kitchenette, rest room, as well as offices and a computer learning center. Other project amenities will include a play area, tot lot, and laundry room. The one-bedroom units are flats, and the two and threes are a combination of flats and townhomes.

Interior finishes include carpeting in the living room and bedrooms, sheet vinyl flooring in the bathrooms, and VCT in the kitchens and entryways. Kitchens will feature gas ranges with ventilated hoods, dishwashers, disposals, laminate counter surfaces.

The heating system is gas-fired forced air furnace with wall heaters only in the one-bedrooms. Most units have balconies, and podium units will have individual picketed fenced yards.

MR. SHINE: Would you mind moving back one slide, please.

MS. ILVONEN: Certainly. This slide shows -- this is the historic boarding house down here which will be moved from its present site over here all the way down to here. This is the play area. And these are the buildings along the sites -- the streets. This is the entrance to the underground garage right here on the Ramona.

Okay. The next slide is elevations. And I just wanted to go over why the costs are so high on this project per unit, of $290,000 per unit. There's the historic house rehab, which costs about $650,000, which adds $212,000 per unit. The City design requirements required that the building is fitted to the character of the neighborhood and look like single-family homes, so they have a lot of expensive features with many windows and door finishes and stairways, balconies, porches, and front yards.

There's stringent parking requirements of 2.25 spaces per unit, and on a 1.23-acre site, the parking had to be underground. The City required that the underground garage be fully mechanically ventilated, and it cost approximately $1.9 million or $36,000 per unit. The prevailing age -- prevailing wage adds $1.3 million to the cost or about 24 and a half million per unit -- sorry, 24.5 thousand per unit, and the hard costs are $147,000 per unit.

This slide shows the results of the market study with the rents that are being charged for the project. Oak Court amenities are similar to other market-rate units surveyed in the area. The sizes are a little bit smaller. The review of surveyed projects indicates a market -- rental market with high demand and limited supply with vacancies between 2 and 7 percent.

Occupancy in Palo Alto has increased from 94 percent in 2002 to 95 percent in 2003. The area economics has undertaken a demand estimate which takes into account pent-up demand as well as turnover and growth. According to their estimates, the project needs to capture between .2 percent to 9 percent of the demand, depending on the unit size.

And these are the rents that have been estimated for the project at $1,245 for the one-bedrooms, $1,727 for the twos, and $2,436 for the threes. And I will stop the presentation there.

MS. JENKINS: With that we'll ask for any questions.

VICE CHAIRPERSON HAWKINS: Mr. Czuker.

MR. CZUKER: Again, this is one of the newer projects that we were proposing a construction loan?

MS. JENKINS: Yes, sir.

MR. CZUKER: Are we locking in the various sources of repayment prior to commencement --

MS. JENKINS: Yes.

MR. CZUKER: -- And disbursement of the construction loan, since obviously deferment is such a small fraction -- since the construction loan is such a large number compared to the permanent loan being such a small number, are we locking in the sources of repayment of the construction loan prior to the first advancement of proceeds under the construction loan?

MS. JENKINS: Yes, sir. We will be requiring assignment of the beneficial interest in all of the financing required to take out our construction loan, and that will leave the tax credits, the MHP, and so forth. That would be a condition of our construction loan closing.

MR. CZUKER: Thank you.

VICE CHAIRPERSON HAWKINS: Mr. Klein.

MR. KLEIN: I apologize, I was out for part of this, but under our construction loan program, are we going out and selling our bonds for a permanent up front, or are we doing a floating rate that's hedged during construction? How is our -- what's our financial structure behind our construction and permanent financing?

MR. WARREN: Really not much different than what we're doing today. We will sell bonds pursuant to CDLAC time frames, 90 days. At the time bonds are sold, the finance revision enters into the slots for delivery or commencement in approximately two years, and we do that today. And then our money will float during that two-year period.

So like our Loan-to-Lender program, this is exactly the same situation. We're passing through 3 percent, for example. But the permanent loan swap is established at the time the bonds are closed, and we just simply float the rate during that two-year period. When we have -- I think as Irene mentioned, we have adjustments pursuant to LIBOR and things like that.

MR. KLEIN: So we're doing a forward swap program?

MR. WARREN: That's correct. Fixed rate is the perm.

MR. KLEIN: And are we doing inside step cap on the construction during the construction period?

MR. WARREN: 35-percent basis point maximum increase per reset, because every three months 200 basis point maximum reset for the term of the loan.

MR. KLEIN: Okay. Now, that's to our borrower?

MR. WARREN: That is to our borrower.

MR. KLEIN: But on our side of the transaction, are we doing a short-term swap or are we floating with cap?

MR. WARREN: I'll defer to Ken. I don't think so.

VICE CHAIRPERSON HAWKINS: Ken, unfortunately, is not in the room.

MR. WARREN: I don't think so, Mr. Klein. I don't think we are.

MR. KLEIN: We're not buying a cap on that?

MR. WARREN: Internally, no, I don't think we are.

That's a question for Ken. I don't believe so. We can get back to you on that.

MR. KLEIN: At this point we have a very small amount of floating-rate loans, so I'm sure you can manage it, but if we get to large amounts on these construction programs --

MR. WARREN: I agree. If we enter into large construction loans like the student housing, that's another matter. We're not there yet.

MR. KLEIN: Okay.

VICE CHAIRPERSON HAWKINS: Thank you. And Ken can address it or further what's been discussed when he returns.

All right. Any other questions?

Hearing none, I would like to entertain a motion to --

MR. KLEIN: Motion for approval.

VICE CHAIRPERSON HAWKINS: Mr. Klein.

MR. CZUKER: Second.

VICE CHAIRPERSON HAWKINS: And Mr. Czuker.

Any questions or comments from either the Board or the public?

Hearing none, may we have roll?

MS. OJIMA: Thank you.

Ms. Peterson.

(No response was heard.)

MS. OJIMA: Mr. Bayuk.

(No response was heard.)

MS. OJIMA: Mr. Bell.

MR. BELL: Aye.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Aye.

MS. OJIMA: Mr. Franklin.

MR. FRANKLIN: Aye.

MS. OJIMA: Ms. Hawkins.

VICE CHAIRPERSON HAWKINS: Aye.

MS. OJIMA: Mr. Klein.

MR. KLEIN: Aye.

MS. OJIMA: Mr. Shine.

MR. SHINE: Aye.

MS. OJIMA: Resolution 03-25 has been approved.

VICE CHAIRPERSON HAWKINS: Thank you. And I appreciate the detail on the costs so that we didn't need to spend a lot of time on that. That's very helpful.

The next item.

MS. JENKINS: The next loan is more typical of what you've been seeing in the past.

VICE CHAIRPERSON HAWKINS: Oh, hold on one moment. We need to give Ms. Peterson a chance to respond to the vote on the motion, call her name.

MS. OJIMA: Ms. Peterson.

MS. PETERSON: Aye.

VICE CHAIRPERSON HAWKINS: Thank you.

MR. WARREN: It was approved. Thank you, Jeanne.

MS. JENKINS: Mission Gateway is a new family development, 121 units in Union City in Alameda County. On this project we'll be doing a permanent first mortgage of $6,575,000 at 5.4 percent for 30 years and a Loan to Lender of $18,515,000 for 3 percent -- at 3 percent for 18 months.

Again, the local involvement is extensive. Union City Redevelopment Agency is providing the land valued at $6,100,000 and a residual receipts loan of $2,750,000. The MHP is applied for at 7 million, and a Federal Home Loan Bank Affordable Housing program for $1 million.

The borrower is a limited partnership with an affiliate of Mid-Peninsula Housing Coalition as its general partner. Mid-Peninsula has been in this business for over 30 years, has developed more than 80 family and senior projects in the peninsula area, and we have financed 12 of their developments with over 1,100 units beginning in 1982. The project will also be managed by Mid-Peninsula Management Corporation.

I'll turn it over to Tina for the details.

MS. ILVONEN: Okay. This is the site. And we are looking to the west. Mission Gateway is located at the north end of Union City along Mission Boulevard. The area immediately around the project is a mix of single-family and multifamily uses. There are also two gas stations nearby. There's a Shell station right here across Whipple and another gas station kitty-corner across Tamarack.

This is another view of the site. Presently on the site there's retail here, including a Fast Stop Market. This is a former auto dealership right here. This is a mobile home park, and these are single-family homes.

The parcels are irregularly shaped with 764 feet of frontage along Mission Boulevard and are separated by Dry Creek which runs through the project right here. The two parcels will be separated by an improved sidewalk along Mission.

Included in the project scope will be restoration of Dry Creek, which has been poorly maintained for many years.

The next slide is a picture of the former auto dealership site. And while we're looking at that slide, I will talk about the environmental. There were soil and groundwater investigation reports completed in November 2001. There were former leach lines found on this property, and the soil along the former leach line was sampled. Except for petroleum oil and grease, no chemicals of concern were detected above regulatory action levels.

The Fast Stop Market that we mentioned on the Market site at Tamarack is listed on the leaking underground storage tank database. As of November 2001, Fast Stop Market is still under investigation. In addition, the entire site was used for agriculture in the past.

URS has finished their review of the environmental reports and recommends sampling of the soils over a larger area of the site for pesticides and review of the list files for the Fast Stop Market and the Shell station, which is located south of our site. Prior to transfer of the ownership of the land to the partnership, the Redevelopment Agency will relocate tenants and clean the site of all environmental hazards.

This next slide is showing some of the tenants that need to be relocated in the mobile home park. And the next slide shows some of the single-family homes on the site that will also be demolished.

The next slide shows what Mission Gateway will look like when completed. This is the corner of Tamarack and Mission Boulevard. And this area right here is the 3,000 square feet of neighborhood retail space. It's expected that that space will contain a beautician, an insurance company, and a deli/video store.

The next slide shows more building elevations, and the apartments will be flats and townhomes with exterior staircases accessing the upper units.

Interior finishes include carpeting in the bedrooms, sheet vinyl flooring in the baths, and vinyl composition tiles in the kitchens. Kitchens will feature gas ranges with ventilated hoods, dishwashers, disposals, and laminate counter surfaces. The heating system is forced-air hydraulic press, which uses hot water to heat the air, and ceiling fans will be provided in the living rooms and bedrooms.

The next slide shows the site plan. And the project will consist of two- and three-story structures on concrete footings, above-ground parking submerged a half story below grade. The buildings will be wood framed with stucco siding and clay tile roofs. Each residential building will be accessed by an elevator from the garage to the podium level. The project will have 284 parking spaces, 67 on grade and 217 in the garage.

Between the structure on the podium buildings, extensive open space and landscaping. There will also be 4,000 square feet of community space, including community rooms with a kitchen, children's art room, computer lab, and management office.

Other on-site amenities include a laundry room in each building, a pool and a tot lot, barbecue area and basketball court. And all these amenities are up here. Here's the pool. Here's the community building.

The next slide shows the results of the market study compared to project rents. The subject property will provide amenities similar to market-rate projects in the area. The market rents are $1,157 for the one-bedrooms, $1,437 for twos, and $1,823 for the three-bedrooms, and $1,939 for the four-bedrooms.

According to the market study, there is a current demand for over 5,000 family rental units in the Mission Gateway market area targeting households between 35 percent SMI and 60 percent AMI. Overall vacancy rate for owner and rental housing units in Union City is only 1.2 percent as of 2000. And the vacancy rate on the project survey was 2.5 percent for the market-rate units and 0 percent for affordable projects.

With that I'll stop.

MS. JENKINS: We will obviously ask for your questions and your approval. Thank you.

VICE CHAIRPERSON HAWKINS: Thank you.

Any questions?

Ms. Peterson.

MS. PETERSON: Only one comment, and that is the deals are getting more and more expensive, and at some point -- obviously it's really nice to have the same amenities as the market-rate units do, and I'm sure we're all mindful of the fact that we don't want to jeopardize any successful federal programs by having them come under increasing scrutiny.

VICE CHAIRPERSON HAWKINS: Yes, Mr. Klein, and then Mr. Czuker.

MR. KLEIN: Clearly, again, this is another prevailing wage problem. And we probably have $30,000 a unit in here or more from prevailing wages, so we'd have $255,000 units, which is still expensive without dealing with that issue.

I would say as well that it is very valuable to have the services and amenities at the levels that we have in this project. It is important to be able to produce these units, again, these projects at 200 and 300 units so you can spread the amenity cost, so you can reduce the burden per unit in cost of the units actually produced and be able to support this prevailing wage burden.

There's going to have to be some -- something to address the deep targeting and still be able to do unfinanced housing on the larger scale. At 121 units, it's -- we're about at the upper scale where I can understand how we deal with the high percentage of deep targeting. I -- at 2- or 300 units where many great projects have good amenities and services that would not be available at 100 units, they can't afford a child care center. They can't afford to have these other important attributes. We can't have that percentage of the deep targeting, at least based upon our historical experience in the last 20 or 30 years in housing in this country with a high percentage of the units.

So I think this is an excellent project. A lot of work has gone into it, but we're going to have some challenges here in maintaining production and jobs unless we -- and keeping the bond financing program working unless we deal with the MHP point system very quickly. I know I've said that before, but I think it's very important timing and it's critical.

VICE CHAIRPERSON HAWKINS: I agree. And unfortunately, one size doesn't fit all, and so we're facing an in-fill situation, particularly in Southern California in Los Angeles. And I know on another board that I serve, it's very difficult to provide after-school tutorial programs in anything less than a hundred units and you become -- plus the transportation problem and all the issues, but I think as we overcome the resistance to affordable housing by doing these beautiful projects, the cost goes up, and then we provide less of them. But the cost will balance. Thank you.

Any other questions or comments?

All right. I think that we will ask JoJo for roll. Oh, I'm sorry. I'm skipping ahead. Lunch is getting closer.

May I have a motion?

MR. KLEIN: I move the approval.

VICE CHAIRPERSON HAWKINS: Mr. Klein.

MR. CZUKER: Second.

VICE CHAIRPERSON HAWKINS: Mr. Czuker has seconded.

Now may we have roll call?

MS. OJIMA: Ms. Peterson.

MS. PETERSON: Aye.

MS. OJIMA: Mr. Bayuk.

MR. BAYUK: Aye.

MS. OJIMA: Mr. Bell.

MR. BELL: Aye.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Aye.

MS. OJIMA: Mr. Franklin.

MR. FRANKLIN: Aye.

MS. OJIMA: Ms. Hawkins.

VICE CHAIRPERSON HAWKINS: Aye.

MS. OJIMA: Mr. Klein.

MR. KLEIN: Aye.

MS. OJIMA: Mr. Shine.

MR. SHINE: Aye.

MS. OJIMA: Resolution 03-26 has been approved.

VICE CHAIRPERSON HAWKINS: Thank you.

And with that we will break for lunch and return a few minutes -- how long are we going to take before we reconvene? We'll have a working lunch. Okay. So lunch will be provided shortly.

(Lunch recess taken from 12:14 p.m. to 12:47 p.m.)

VICE CHAIRPERSON HAWKINS: We need to get back to work. We have one project that we did not approve yet.

Okay. Let's move on to, I believe, it is Linden Manor Apartments in Riverside.

MR. WARREN: Thank you very much, Madame Chair. I want to thank Steve Stogel for sticking around. Steve came the longest way today and regrettably he ended up being last, so we'll process Steve --

VICE CHAIRPERSON HAWKINS: Sorry.

MR. WARREN: That's my fault. I should have mentioned it.

Linden Manor is a 192-unit family project in

Riverside. This is somewhat of a significant project for the Agency. This was the very first 236 refinancing in the country that occurred back in '97, and it was really our very first preservation effort back then. And Steve and his partner, Robin Solomon in Washington, really put this together. So it's -- for those of us in the industry, this is a significant event or was a significant event.

What we were doing at the time that the project went through, the bonds were issued through CSCDA and they were private and credit enhanced with the credit provider. The Agency was the hierarchy administrator and worked with HUD for about a year to get the actually first 236.

The prepayment restrictions from the private credit enhancer is now lifted. And Steve and his partners have asked us to come and actually provide permanent financing through a bond re-funding. The original bonds were approved back in, I believe, late '97, early '98.

So the financial request today is for a bond re-funding. This is not requiring CDLAC approval, and we will do this in our normal customary bond issue. We have a first mortgage rate, a first mortgage request of $3.86 million, 5.4 percent interest rate, 30-year fixed. And then we have a taxable tail. Although we're showing it as a separate loan, it will end up being a single loan of $556,000, again, 6.5 interest rate because of the taxable nature of the funds for 30 years. Under bond re-funding, you can only re-fund the tax exempt proceeds, the amount of unpaid bond proceeds. The other --

MR. KLEIN: I didn't hear that.

MR. WARREN: Oh, I'm sorry.

MR. KLEIN: Under the tax exemption you can only fund out what?

MR. WARREN: The amount of the remaining unpaid principal balance of the bonds.

MS. PARKER: I don't know why I'm standing up. I know nothing about sound systems.

Dom, can you help us?

MR. WARREN: I'll just speak loudly. We can only re-fund out the tax exempt debt that's in the amount of the remaining bonds that are outstanding at the time of the re-funding. Obviously, the original bonds are higher and taxable.

The final piece is the interim reduction payment or IRP stream. This is the previously funded loan subsidy from when the original 236 loan was first funded many years ago. This stream is dedicated. It is not subject to annual appropriations. And with all 236s, this stream can be capitalized at interest, and there is money generated for project purposes. This is not part of the project debt. It is essentially an annuity, which we can capitalize with tax exempt proceeds that we use for project purposes. So it has like a one-to-one debt coverage ratio.

So with that I'm going to ask Roger Kollias to quickly go through the project pictures.

MR. KOLLIAS: This is Linden Manor. Linden Manor is located at the northeast corner of Linden Street and Iowa Avenue in Riverside. Riverside, California. The view you're looking at right now, to the top of the page is to the north. There's our subject site. This is State Highway 60 right here, Interstate 215, State Highway 60.

Parking for the project is provided along the perimeters of the parcel. And ingress and egress to the property are via curb cuts on both Linden Street and Iowa Avenue.

The improvements consist of 17 two-story walk-up structures of wood frame and stucco construction. There are 129 units consisting of 56 one-bedroom/one-bath, 104 two-bedroom/one-bath, and 32 three-bedroom/two-bath.

This is the entrance to -- one of the entrances to Linden Manor. Here's a view of the community room and the interior views of the community room. Here's a tot lot for the children. This is typical building elevations and landscaped areas. And again, here is a site plan which shows the property.

Market rents for comparable properties in the area average $650 for a one-bedroom unit, $800 for a two-bedroom unit, and $1,050 for a three-bedroom unit.

The subject will have all of its units encumbered at either 50 or 60 percent rent level. The one-bedrooms will rent between $435 and $531; the two-bedrooms, between $467 and $582; and the three-bedrooms between $510 and $668.

There are three sets of regulatory restrictions against the property. CalHFA will regulate 20 percent of the units at 50 percent for a term of 30 years. There's an existing TCAC regulatory rating that regulates 100 percent of the units at 60 percent or less of AMI. This agreement was originally for a period of 30 years ending in 2030. And one of the requirements of the interest reduction payment agreement is that 20 percent of the units be restricted at 50 percent and 80 percent be restricted at 60. And this agreement remains in effect until June of 2012.

There was a Phase I environmental site inspection conducted which identified certain items of asbestos-containing material. The report recommended that an operation and maintenance program be developed and maintained, and this has been done. And in doing so this will -- this is sufficient to maintain the project in accordance with the current regulatory standards and sound business standards.

The property was acquired by the original entity in -- and the property was built in 1970 and was acquired by the current ownership entity in 1998, at which time the property was renovated pursuant to the requirements of the Low Income Housing Tax Credit Program. No additional -- the property is in good condition. It's been well maintained. No additional work is -- is expected or anticipated at this time.

The property is -- the rents -- excuse me, I did the rents.

The property is owned by Riverside Gardens Preservation Limited Partnership, a California limited partnership, of which Housing Corporation of America, a Utah nonprofit corporation, is its managing general partner.

MR. WARREN: Thank you, Roger.

As Roger indicated, the property was rehabilitated back in '98 when it was acquired, and we did not see any need to add rehabilitation.

Public benefit, I think, from our refinancing is previously all the affordable units were located in the one-bedrooms. That has been changed in that we've now required the affordability at the 50, 60 be spread throughout the entire project.

So -- and we also have healthy reserves and healthy cash flow, so we look for the project to be successful in the long term. And with that we'd be happy to recommend approval and answer any questions.

VICE CHAIRPERSON HAWKINS: Any questions from the Board?

Yes, Mr. Bell.

MR. BELL: On the Caltrans work on the freeway, is there going to be a temporary or permanent loss of the bridges and then how significantly do you think that will impact the occupancy?

MR. WARREN: I'm sorry, Mr. Bell, I forgot to mention that. Let me do that.

The condemnation, Mr. Stogel and his partners are currently in negotiations with Caltrans. That hasn't been established. What they are looking for is a number of variations which would minimize the impact of the bridges and such like that, but Mr. Stogel has indicated it hasn't finalized. And this commitment is contingent upon a successful resolution of that.

As the Board write-up calls for, if there is significant business interruption, then we'll have to put in additional reserves for that period of time. And Mr. Stogel and his partners are currently in discussions. But it is contingent upon that resolution, and it's just not done yet.

MR. BELL: Thank you.

VICE CHAIRPERSON HAWKINS: Any other comments or questions?

Yes, Mr. Klein.

MR. KLEIN: This is a 501(c)(3)?

MR. WARREN: No. It's just a bond re-funding. It's tax exempt debt.

MR. KLEIN: There's no new allocations?

MR. WARREN: No new allocations.

MR. KLEIN: The -- is -- on the top of page 4 where it says, "100 percent of the units are restricted at 60 percent or less of AMI."

MR. WARREN: Pursuant to TCAC, yes.

MR. KLEIN: Oh, from the prior?

MR. WARREN: From the prior tax credit of 4 percent tax credits.

MR. KLEIN: I see. So no new credits?

MR. WARREN: No new credits.

MR. KLEIN: That's why that's there?

MR. WARREN: It still exists.

MR. KLEIN: And I would like to point out that the operating payroll administrative is $1,800 a unit versus $2,800 or $3,400 a unit that we're seeing in some of these other projects. The other projects are much smaller. I'm pointing out from a resource standpoint to be able to do some of these larger projects really stretches our resources further. And it's good to see a real efficient operation on a project that's almost 200 units, but there's some real economies there that are important. And even on large projects, because of services there are some very valid reasons for higher expense, but it's good to see the discipline and the expenses on this project.

VICE CHAIRPERSON HAWKINS: Thank you, Mr. Klein.

Any other comments or questions?

Hearing none, may we have a motion to approve this project?

MR. BELL: So moved.

VICE CHAIRPERSON HAWKINS: Mr. Bell has moved.

MR. FRANKLIN: I second.

VICE CHAIRPERSON HAWKINS: Mr. Franklin has seconded.

Thank you for your good work, gentlemen.

And any other discussion, any comments from the public?

Hearing none, may we have the roll?

MS. OJIMA: Thank you.

Ms. Peterson.

MS. PETERSON: Aye.

MS. OJIMA: Mr. Bayuk.

MR. BAYUK: Aye.

MS. OJIMA: Mr. Bell.

MR. BELL: Aye.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Aye.

MS. OJIMA: Mr. Franklin.

MR. FRANKLIN: Aye.

MS. OJIMA: Ms. Hawkins.

VICE CHAIRPERSON HAWKINS: Aye.

MS. OJIMA: Mr. Klein.

MR. KLEIN: Aye.

MS. OJIMA: Mr. Shine.

MR. SHINE: Aye.

MS. OJIMA: Resolution 03-27 has been approved.

VICE CHAIRPERSON HAWKINS: Thank you.

MR. WARREN: Okay. Thank you.

VICE CHAIRPERSON HAWKINS: Thank you for your patience.

MR. STOGEL: You are very thorough. We appreciate it.

MR. WARREN: The last item which is really a discussion item for the Board has to do with the Earthquake Insurance Waiver Program.

A few months ago, I asked the URS Corporation, Bill Graff of URS, to examine -- he's our engineering consultant for earthquake measures -- to examine the possibility and define for us what would be our risk, if under certain types of projects under certain parameters, if we waived the insurance requirement the Agency now has on all of our projects. We've required earthquake insurance on all properties since 1990 and in some cases earlier than that, acquisition or rehabilitation or whether they are new construction.

And with the costs that have risen over the last several years, not just in earthquake insurance premiums, but insurance costs generally, operating costs, payroll, and the most recent and stifling costs involved in workers' comp, it's becoming exceedingly difficult to finance and maintain these projects over the long term.

And the other issue that occurred that Bill pointed out to me is that after Loma Prieta, after the Northridge earthquake in 1994 and other significant seismic events, the Uniform Building Code, which is commonly referred to as UBC 97, has been significantly strengthened in all areas of seismic construction, and particularly in the area of stick-build construction, which is our primary -- our primary area.

So the question that was posed is can a project be designed and reach certain tolerance levels that would be safe for us to waive the annual earthquake insurance premium cost and use that decreased operating expenses for greater debt and thereby lessening the need for locality to contribute to add financing? And in your paper today is a memo from me and a more detailed technical evaluation that Bill Graff wrote for us.

So the answer that Bill came back to us is basically yes, qualified with a couple of important exceptions. We would want to employ the earthquake insurance waiver only for newly constructed projects that are built pursuant to UBC 97, which is essentially everything, and that each of these projects would go through a stringent seismic review.

Right now, if a project has some issues regarding the seismic issues, we put them through what's called a Level 3, which is essentially a structural analysis in which the structure then, through hand calculations, is placed against earthquake modeling programs the bureau has developed over the years. And consequently from that we can tell what the damage factors are.

For example, on new construction, one of our target levels is 8 percent damage in a seismic event. And we felt that given the financial strength of the Agency and the ability to weather a significant seismic event at properties throughout the state, coupled with the fact that they would be built pursuant to the UBC standards, it's a reasonable risk for us to take from a policy standpoint, given the extra money that can be generated.

The cost of the earthquake insurance premium in the past was fairly small, comparatively speaking, but it's risen so much that the pricing advantage that we bring to the table on bond financing is essentially being negated almost in its entirety because the cost of the earthquake insurance premium.

There's an example in my memo which basically says for a project in San Francisco, the savings from a debt standpoint was approximately $600,000 for a 20-year loan or an equivalent rate would have been 6.12 for a simple 5.5 rate.

So we felt that this was an appropriate thing to do, but there are a couple of exceptions. The waiver program would not apply to any acquisition rehabilitation program at this juncture. We're not convinced that that's a hundred percent safe bet, and we need to do more work with URS to determine guidelines, so those are excluded.

Older projects in our portfolio may at some time in the future petition us for waiver of their insurance, depending upon the evaluations they go through. Again, that's not going to happen today. We need to take this in stages. We really can't afford to have the entire portfolio petitioning us tomorrow to have their policies waived. So probably within a year, we'll have a much better idea on existing projects as to whether they can waive the insurance. So you want to take this in stages.

During construction, if we do elect to waive insurance, then the engineering that we impose on these projects will be verified by URS or their engineers to confirm that it is built in accordance with these guidelines. And the final caveat is that if a seismic zone is particularly active, and Bill and his folks are able to -- are now able to identify those for us, then the waiver will not be offered to that program, to that project, and insurance will be necessary if they want to use our financing.

So that in a nutshell is where we're at. In summary, the main change that's occurred is the financial strength of the Agency, and the second is the increased building standards which we think would save the type of projects that we do, which are mainly stick-built, two- and three-story.

So with that, I'm asking the Board -- we're here today to present this and ask if the Board has any questions, comments, or concerns.

VICE CHAIRPERSON HAWKINS: Mr. Klein.

MR. KLEIN: I defer to my colleague.

MS. SYMONDS: I was just going to ask, what is your definition of the seismic zone is active? I mean, does that mean if a zone becomes active next year, then the properties would have that? Or if seismic 3 is an active zone and, therefore, it wouldn't apply?

MR. WARREN: Right now, the earthquake seismic maps exist today which show which zones are very active. In California law, certain buildings can't be built there anyway, and there are proposals expanding that, so we know where the active areas are today and would use those maps.

If a zone is discovered, I think we have to take that on a case-by-case basis; in other words, imposing insurance at a later date, for example.

MS. SYMONDS: It's been a while since I did seismic safety, but like the Bay Area is one seismic zone.

MR. WARREN: No. There are zones with a heightened degree of activity, but there are certain areas in which they are very active, in other words, sitting on top of a fault line. Those would be precluded in which they are simply not safe by the nature.

But a zoned area like the Bay Area or the East Bay, no, that would qualify, but the building would then be examined from the potential in that particular area, design and so on and so forth. In other words, it would be a case-by-case basis. But we don't want to exclude an entire geographic region. It defeats the purpose of the program.

MS. SYMONDS: And so what if an area has started to become active, do you then go back to the property and say you need it? In Southern California we've had --

MR. WARREN: It changes over a period of time. I really -- at this juncture I would probably say no, but it depends on what the definition of active is. And I think that's a question we'd have to answer and our engineers would have to give us an assessment. Bill could address that issue, but I think he had to go. But I think that's an issue we probably need to define, Ms. Symonds. If something did become active over a period of time, they may well get revisited. We'll see.

VICE CHAIRPERSON HAWKINS: Mr. Klein and then Mr. Czuker.

MR. KLEIN: I am very supportive of this. I would just like to anecdotally give you two instances of earthquakes where I know firsthand how the recent code, building codes, have affected earthquake risk on residential construction. In the Northridge quake, it was five blocks from 2,000 new bed spaces at student housing at Cal State Northridge, where we had been a developing and a financing consultant for the state university system.

Only being five blocks away and having been finished a year before the earthquake, it was a very severe quake, but the effect was there with a few hairline cracks in the plaster. There were some broken windows. There were air conditioning units that were pulled loose from their anchors, but otherwise it was de minimus type damage as a finished structure.

I would also say in the Colinga quake, which is 15 or 20 years ago, I looked at the time of the quake at some FHA two-story wood-frame housing built right before the quake. The FHA standards were higher than the then current state code, but more similar to the more recent state codes, and it was the same profile. So there's -- these wood-frame structures really survive very well, and most of the institutional lenders, including Fannie Mae, have waived this earthquake insurance requirement.

I would say that during construction, there is a different kind of risk, because you're going to have walls up that don't have all of the reinforcing cross members in place and you lose sections of walls, so that I would rather see us be conservative and have it during construction, particularly because we can capitalize the cost into the tax credit basis so we have a discount to that cost. It's not going to affect our loan sizing on an ongoing basis.

And I would also say that on the acquisition rehab program, I understand Linn is proceeding conservatively, one increment at a time, but looking forward as long as there's not tuck-under parking, which has particular structural problems and are very vulnerable to earthquakes, those buildings that did -- apartments did that did have tuck-under parking collapsed in the Northridge quake, for example. I would suggest that we try in the future to move to a standard where we at least permit some acquisition rehabs to also get the waiver if they don't have a particular vulnerability to earthquakes.

But in terms of the current proposal, very supportive of it. I think the fact patterns of the last 50 years in California are supportive historically, but I would like to see us be conservative during the construction phase.

VICE CHAIRPERSON HAWKINS: Thank you.

Mr. Czuker.

MR. CZUKER: Well, I would like to concur with what Mr. Klein has just said and add that institutional lenders, conventional institutional lenders, have a -- or many of them have a system of obtaining an engineering report that establishes what they call a probable maximum loss. And that, which is abbreviated PML, report is required on every loan that those institutions make with a rating system that if the rating is under 20, that they will not require earthquake insurance. And if the rating is over -- 20 or over, that they will require earthquake insurance.

And since that is a conventional institutional litmus test that's used in the private sector to determine risk profiles where earthquake insurance thresholds are mandatory or where the risk profile is low enough not to require earthquake insurance, we may want to consider at least studying how that would apply to both acquisition rehab, new construction, refinancing our existing portfolio, or even providing waivers to the existing portfolio. For the most part, new construction would not be -- would not require the earthquake insurance in most cases, given the higher building standards.

VICE CHAIRPERSON HAWKINS: Mr. Bell.

MR. BELL: In view of what Mr. Czuker said and Mr. Klein, I think it would be valuable for me and I would hope for the other Board members to have some kind of a survey done or some kind of information provided on the best practices used by these conventional lenders as well as government lenders to know exactly how they determine when a waiver would be given and how they do the rating. As Mr. Czuker said, there's a rating scale being used by at least one or more of the conventionals.

MR. WARREN: We put through -- all of our projects through an identical model today that's been built by URS. So we have established a model, and the folks are happy with that. I think the next project we bring to you that has a waiver contemplated, we'll share that. We'll share the methodology. But we are doing exactly that today.

MR. BELL: Appreciate it.

VICE CHAIRPERSON HAWKINS: Okay.

MR. FRANKLIN: Just to build on Mr. Bell's point, could you give us a feel for -- and I think it's been implied here both in your comments and in some of the comments of other Board members, but I think it might be helpful for the Board. Your sense of the conventional first lenders, the primary lenders, the B of A, the Wells of the world, first of all, Fannie Mae, Freddie Mac, where they are, and then to the extent you're aware of some good examples of other government agencies, the policies. Not so much on the specifics of when the waiver is granted. Not so much the specifics of when the waiver is granted, but more so whether or not they require insurance up front.

MR. WARREN: May I introduce Bill Graff. We started early on Bill, so Bill is here.

I think Mr. Czuker's comments are exactly correct. The conventional lenders do put them through these testing protocols. At the end of the day, the new constructions do not require. The acquisition rehabs, particularly brick and multi-story do. That's exactly right. URS is also the consultant at S & P, for example, so it's the same. Am I correct on that?

MR. GRAFF: Yes.

MR. WARREN: So they do it exactly the same there. Occasionally, investors will require it, Mr. Franklin, and occasionally a bond investor will. So, for example, we have bond issues right now with MBNA in which earthquake insurance is required, and they will for a few more years. But even MBNA is comfortable with this.

So the general sense is that science has advanced to the point that you can do a good analysis today, but that's -- we're generally there. There is the obvious --

MR. FRANKLIN: Just to be clear, for new construction, it has been required.

MR. WARREN: That's right. Acquisition, rehabilitation, my sense is the industry is kind of all over the map.

VICE CHAIRPERSON HAWKINS: Thank you.

And my sense is that the Board supports your waiver process, and just we'll expect that you monitor it and give us a report on how it's coming and --

MR. WARREN: What I'd like to do, Ms. Hawkins, is at the next Board meeting, I'll ask Bill to come back and maybe share, just give a brief summary of how he models these risks and how Bill is looking at it. And Bill has seen every project in our portfolio for the past --

MR. GRAFF: Ten years.

MR. WARREN: -- Ten years. So we have an excellent database, but I'll ask Bill to make some time for us to give the Board a full representation at the next meeting.

VICE CHAIRPERSON HAWKINS: Thank you very much.

And we'll move now to the business -- discussion of the recommendation and action to adopt the five-year

Business Plan, which is very important. And so we'll begin with --

MS. PARKER: I'll just make some opening comments while the staff are moving up.

We -- this is the 11th Business Plan the Board has adopted and passed. We're very excited about this one, particularly because of the opportunity of having Prop 46 funds to complement the existing funds that the Agency uses, not only through its bond cap, its recycling funds, its use of taxable funds, but also its use of the Housing Assistance Trust funds that we have to try to leverage throughout California to create more affordable housing.

We've included for your information a long list of our accomplishments. We believe that they're growing, and it's not that we don't want to celebrate them today, but in the interest of time, I do want to have us move to the presentation. But I think there's a couple of areas that we're particularly proud of. Some -- they're niche programs, but they are making a difference. The fact that we started a down payment assistance program almost two years ago in high cost areas where we were doing no lending. In the Bay Area we've done almost 400 loans in those area. It doesn't sound like a lot, but we were doing pretty much zero.

We have looked at the most recent report by the allocation committee on the Treasurer's Teachers Extra Credit Program. And if you look at the implementation of that program, CalHFA has been the primary lender for all of the program activity. It's not a hundred percent, but probably between 80 and 90 percent of all the loans done in that program, we are doing that.

Obviously Linn has talked about where we are with multifamily.

MR. SHINE: How many loans have we done?

MS. PARKER: Let's see. We've done -- we're probably, if I count what's in the pipeline, which are 10, 15, 300.

The other thing that I want to point out too about multifamily, not only the production that we've done, but this is the -- we've just completed our first $100 million for the HELP program. And whenever I'm out at the localities, they continue to praise that program. It's probably one of the single most innovative programs that the Housing Finance Agency has come up with.

Clearly, we need to talk about insurance. It's not so much the focus on production. It's really a focus on what we have been doing on the infrastructure. And with what we have done with the infrastructure, it really puts us in a position to move forward in product development and product implementation that we were never able to do under the old systems.

So with that sort of just a brief introduction, I want to have the homeownership folks start off and just touch on the highlights. Again, nothing is any big surprises here because we've been talking about them since the implementation of the bond.

MR. SMART: Good afternoon. We've been very successful in the last number of years. As you can see, during the last four fiscal years, we have been very successful. We have met our billion dollar goal for each of the last three years and are well on our way to achieving that goal this coming -- or this current fiscal year. In fact, as of March 31st, we had purchased over $800 million in first mortgages. We have a fairly good pipeline that will achieve that goal by the end of the fiscal year.

What's significant here and what I wanted to illustrate was although Down Payment Assistance represents only 1 and a half to 3 percent of our total dollar volume, it is significant in the number of loans and grants that were actually originated. In '99-2000, we actually purchased 12,000 loans. Most of those, of course, were the first mortgage program, about 7,500 -- excuse me, 8,400 loans. The balance were in the CalHFA program, so it's a basic 3 percent Down Payment Assistance program.

You see that the volume in the Down Payment system grew in the following fiscal year in which we purchased over 9,000 Down Payment Assistance loans and grants, comparable in 2001-02. And we're well on our way to doing the same this fiscal year. And as we're going into the following years, we anticipate that the same will hold true.

With respect to ethnicity, we've done very well. We've been averaging over 70 percent with respect to our minority lending. Primarily, the Hispanic population has done very well, averaging about 58, 59 percent in the last three years.

We are working with marketing, of course, to provide more outreach to the African American and Asian communities to further loans in those particular groups.

MS. SYMONDS: Have you done a comparison of the ethnic populations within eligible income levels relative to these numbers?

MR. SMART: Ms. Symonds, I didn't catch that question.

MS. SYMONDS: I wonder if you've ever looked at your -- these are raw numbers of the percentage of the populations by year. I wonder if you looked at the percentages of the population served relative to the percentage of the ethnic groups by income eligibility.

MS. PARKER: Toni, maybe I can answer that question. Let me step in, in the interest of time.

What's unfortunate about it is the demographic information that's in any meaningful relevant time frame, but I think what would probably be the best way to answer your question is that Fannie Mae did a fabulous demographic study about 18 months ago and really looked at what the demographics are going to be at the bar over the next decade. And if you look at those people who really fit the income criteria, the demographic, it's really more involved. And that's the reason why they have pushed so much instead of the products that they are developing.

So if you look at what we are doing, we really model, I think for California, what the first-time home buyer market looks like. It's primarily a minority borrower, Hispanic in California. And, you know, roughly our lending, given incomes, should be, you know, the group that we are actually serving. So that's -- without doing a horrendous data study that would cost a significant amount of money, particularly trying to create data that might not be available, we think that we're on the track from using some data sources that

Fannie Mae has spent a great deal of money on that's looking specifically at that for their marketing of products.

MS. SYMONDS: I was wondering about some differentiation within the ethnic groups.

MS. PARKER: That's what --

MS. SYMONDS: I'm wondering, for example, what is the African American population within that eligible group relative to Asian relative to --

MS. PARKER: Oh. You're saying are we adequately --

MS. SYMONDS: I'm not suggesting that you guys aren't appropriately focusing on ethnic homeownership. What I'm wondering is within the different ethnicities, what is the current, on a statewide level, proportion of eligible people?

MS. PARKER: Well --

MS. SYMONDS: Is it 70 percent Hispanic or it is 30 percent Hispanic and 70 percent --

MS. PARKER: You have to know whether or not -- you have to look at each income group and know from that how many of them are current homeowners versus not homeowners from that standpoint for your market and then their income. And that's pretty some sophisticated data to --

MR. FRANKLIN: If I may, I think part of the difference is I think, Toni, you're speaking demographics, not income, not homeownership. And I hear, Terri, you're referencing homeownership. This is kind of the issue, I think, is, you know, of course these loans are made by private conventional lenders.

MS. SYMONDS: Right.

MR. FRANKLIN: And I think -- I think you would find on just straight demographics and income that while we have a very large Hispanic population, that it's not as big of a differentiation as with the African American. But, you know, I think that as you know I was with Wells Fargo in the single-family mortgage group, and I think the whole industry is facing this challenge, quite frankly. They're doing a better job of reaching and serving the Latino population than they are the African American. And it's a big challenge, but I think it's a challenge that a number of partners share. I would, you know -- I don't think it's unique to this program. Instead I think it's in the industry, and it's just a big, big challenge. It really is.

MS. PARKER: When I saw Fannie's data, it was really interesting because they spoke to the difference in lending techniques in the African American community versus the Hispanic community. And they're really trying to launch a whole education campaign.

MR. FRANKLIN: Right.

MS. PARKER: Because the African American community doesn't use necessarily traditional banks. They really take more advantage of sub-type lenders, so there's a real education, which has been talked about, you know, sort of a financial literacy.

MR. FRANKLIN: Right.

MS. PARKER: So, you know, we're aware of it. But from our standpoint, the thing that we would need to do, that's really almost getting into trying to broker deals with people in those particular communities and whether you can -- we've had a question whether we can do that or not. Since we usually work with lenders, we buy the loans as opposed to the person who actually makes the loans. But I think that obviously there are broad statistics. Everybody from CAR keeps them on what percentage of homeownership is by ethnicity and where they fit from a population standpoint overall. So --

VICE CHAIRPERSON HAWKINS: And it's my understanding the minority numbers are growing rapidly in ratio to other numbers. But just anecdotally from having been a lender and serving all these programs, I found that the income parameters first -- for first -- for new immigrants, many times what happens is each does not hit a limitation mark, but they have a tendency to be --

MR. FRANKLIN: In the Latino community?

VICE CHAIRPERSON HAWKINS: Yes, in the Latino population. So they find a perfect fit, because they occupy the same dwelling space together and then make limitations on qualifying. And anecdotally I found that to be the case.

MS. PARKER: I'm still not sure we answered your question, but I'd be happy to talk with you about it afterwards. The Fannie data is really fascinating, and I think it's really meaningful because it essentially shows you can have a great interest rate and you can have a great product, but if you are not -- if you don't use the system that certain minority population utilize for lending, you're not on the radar.

MS. SYMONDS: And I agree. That might be a mechanism, since you're going through private lenders, if you're monitoring -- it's not that you are bad, it's that certain groups will go and be served by certain organizations. But if you start to look at those and match that -- in Rural Development, that's what we did with the RT program. And we found that we needed to do more work in this area because those lenders tended to hit population groups that we were under represented in. It wasn't that they were necessarily doing a bad job. They did a great job, but it was taking off. But we used to just monitor it for our own decisions about demographics.

VICE CHAIRPERSON HAWKINS: Okay. Thank you.

MR. SMART: Moving on, this chart illustrates the distribution of income where our program is.

MS. PARKER: Next chart.

MR. SMART: This is it.

MS. PARKER: Oh, I'm sorry.

MR. SMART: We've been fairly successful in reaching the low and very low income home buyers in our program. We do that with a variety of incentives, particularly with an interest rate break and down payment assistance. As you can see, the largest group there is the low income 51 to 80 percent of AMI.

If you look at the last -- the current fiscal year, you can see that the moderate income levels have been increasing and the rising home prices and the income, or I should say the interest rate compression we're experiencing. It's bringing a lot more income in California in the purchase of homes in the state.

One of our objectives is to provide an equitable distribution of our funds throughout the state, particularly in high-cost areas. And this chart illustrates basically that we've met those goals consistently in the high-cost areas. Over 55 percent of our loans have been originated in high-cost areas, in part -- part of the success for that has been the HiCAP program where we have $25,000 down payment assistance and the interest rate break to home buyers in those areas.

Objectives and strategies are pretty much the same as we've listed in past years, but we do target our -- the low income buyers, teachers, having funds available on a 365-day basis. Strategies, of course, 30-year fixed rate, first mortgages at the lowest rates possible, deferred payment structures for down payment assistance, programs to assist home buyers in HiCAP, and partner in Localities Affordable Housing Partnership program in which we now have 197 local agencies participating in 270 programs.

Our Business Plan goals for this year are somewhat modest, but we show an increase in the personal program of 50 million in the '03-04 business year. Nonprofit developers utilizing mutual self-help construction method. Our CHAP program, our basic 3 percent loan program, is tied to our first. Eight out of every ten loans is a CHAP loan versus based on our first mortgage production. In the HiCAP program, we have a 5 percent increase built in for the next fiscal year. Prop 46, since November passage of that program, we have been working diligently to implement those programs, particularly with the biggest down payment assistance offering. I think it's been $112 million in assistance we've participated in five or six years take-down on those funds.

We have budgeted 19 and a half million for the coming fiscal year. HIRA, that's kind of a carve-out for home buyers who receive special counseling, nonprofits in revitalization areas. And we don't expect a whole lot of success in that program, and so we budgeted accordingly. The Extra Credit Teacher program, we're anticipating a 500 unit -- annual buy of 500 units per or roughly $4 million in down payment assistance which is $7,500 at 3 percent.

And, of course, the School Facility Fees is a grant program, and that's college new construction. We anticipate about 2,600 grants a year. The bottom line total is one and one quarter billion dollars in the homeownership program and a five-year total of $6.7 billion.

Questions?

MS. PARKER: As you know, Ken and -- Ken Williams and Jerry Smart are both doing homeownership. Ken has come back and is running all of the special lending programs that are particularly in Prop 46.

So why don't we go, we'll move along. And, Nancy, do you want to go over mortgage insurance?

MS. ABREU: Thank you.

VICE CHAIRPERSON HAWKINS: Ms. Peterson, did you have something?

MS. PETERSON: I just wanted to on behalf of the Treasurer thank CalHFA and particularly its Executive Director and the single-family staff for all the work that they have done in helping us to implement the Extra Credit Teachers program and to vision it for the future and so on. This has been really the concept of the Treasurer several years ago, and we're just very pleased, and I wanted to express his personal thanks to everybody who has been involved at CalHFA.

I know that people have spent time in having focus groups and so on. And my understanding is that the program may have some parameters that will change, but we're trying to, in concert, make a better mousetrap out of it so that people will both be able to take advantage of it in local school districts as a retention and recruitment tool and also that that number of loans, which I think was set, the goal, for 500 annually, will be able to be met. So thank you very much.

VICE CHAIRPERSON HAWKINS: Thank you.

Nancy.

MS. ABREU: Great. Thanks, Carrie.

What I'll do is review quickly the accomplishments of the insurance team during the last year. Most of this is not new. We've talked to the Board about this in several meetings and most recently in January in talking about our strategies for the coming year and our production targets.

As you all are very well aware, we spent the last 12 to 15 months in particular in what I call internal review, infrastructure rebuild, and program refinement. We've basically taken a look at the insurance services group kind of from top to bottom, anywhere from programs to staffing to our operations and processes. And that has led to a couple things that we'll talk about today.

On volume, which we'll talk further about, you see that our volume is down this year about 24 percent from the prior year. And that's really a deliberate reduction, if you will. And I say deliberate because as we went through our programs, there were several in particular that -- programs we were insuring that did not meet our published purpose. It was not a first-time home buyer. It did not meet low to moderate. They would not purchase transactions. We were basically on the standard rotation with all your traditional private mortgage insurance, and since we felt very strongly that

that was not our charter, we disengaged from that operation with the concurrence of the lender, and they agreed wholeheartedly.

Similarly, the volume, as you see, is down to about $527 -- or $500 million, also as a result of some of the mergers that you're familiar with that have gone on here in the State of California and across the nation as the large mortgage entities are merging and gathering economies of scale. Some of our small originators have been gobbled up by the megalenders, megaservicers, and small, what they will term boutique single state, single targeted niche products fall off the radar screen, particularly when you're going through trying to consolidate nine different origination systems and six servicing systems into one.

Small boutique products don't make the radar screen, at least at this point. So in some of our programs, the STRS in particular, when we look at volume, it's down significantly because of the consolidations going on in the mortgage industry.

We have executed and negotiated our reinsurance treaty with General Electric Mortgage Insurance Corporation. Effective March 1st, they are our reinsurance partner in a quota share basis, and they will also be providing administrative support to us beginning

July 1st. And even though we technically have not started on the administrative services side, I can tell you just having them as a partner has been very critical and very helpful as we've progressed in looking at our technology, looking at our processes, simple things as what do you do in terms of a cancellation, what do you do in refunds, what does your master policy look like. We've been able to really leverage the resources that GEMICO brings to the table to take us from kind of 1988, 1990 processes and operations into 2002, 2003.

On the management information side, we have utilized some resources which you know about, the internal resources of Dom and his staff, but also Milliman USA and another company called Strategic Decision Support to take a look at our portfolio to understand. We knew what programs we had, but we had no idea of what were the risk correlates, what were the loan to values of the products, what was the FICO score, where were they located.

So we can now go through and stratify our portfolio by a lot of demographics, and that's key to us in a couple areas; one, as we work with the rating agencies, S & P in particular, in looking at our portfolio; two, as we look at what new products should we offer and what should they look like; and, three, in just working with our partners. And as we talked, Terri mentioned we've been meeting with both Fannie Mae and Freddie Mac on new product development. So it's key to know what we have to know where we want to go and where the unmet needs are.

Staffing, we've staffed up in almost every area, most recently in product development and outreach, which would be key to us as we go back into the market now, increase our name recognition and volume. And also as part of the rebuild, we were able because of changes in the operations processes to increase the premium revenue to the Agency 44 percent.

As far as volumes, I said we're down about 24 percent from last year. When the numbers are in, unfortunately it may be down even a little lower than that. Volume is not coming in. I don't think it's so much a result of anything we've done, other than the two items I mentioned strategically, you know, disengaging with one lender, and the slowdown in the STRS, so much as it is the lenders right now, I don't think I need to tell any of you, are focused on refinances. And with the recent reductions in the rate again this week, you know volumes of re-fi's are at all-time highs, so lenders are not looking for new production.

The other thing we continuously find, and we've talked about this before, is that private MIs and the GSEs have really gone into the market that CalHFA has led the way on the lower FICO score distribution and also on your higher loan to value. They're all up there with, you know, 100, 103 percent LTVs and MI rates are down to credit scores as low as 560 and 540.

So, you know, we're kind of getting to a point that we'll have to make some decisions as a group of, you know, how do we compete, if we will, with the private mortgage insurers. And that has a lot of impact on the volume.

Kind of the strategies for the coming year, really to continue doing what we have been doing the last 12 months. We're going to continue to implement the partnership with GE. They have been in negotiations with us or discussions as we try to determine how we'll leverage the $85 million of funds we receive under Prop 46. We're certainly going to utilize and leverage their technology.

And the way the process will work is once we issue a certificate of insurance, they basically do the entire back-end process for us and basically just leverage their current relationships with the companies they work with.

We're working to seek any legislative authority to adapt to changes in market dynamics, and I kind of talked through the market dynamics a minute ago about where the private mortgage insurers are going. Also we've done some work, and I know we've talked to Mr. Bell and Mr. Franklin about if you look at the California population today, 83 percent of the population lives in what is either considered a high-cost area as determined by CalHFA or a high-cost, high-demand as determined by HCD. And you look at the median prices of homes in those areas, and they're significantly higher, especially in about 45 percent of our counties than the GSE's current loan of $322,700. So we think there may be an opportunity for us in California to do something on loans above the GSE limits but below median sales price to help that net group of homeowners get into a home.

And we've, as I said, had some preliminary conversations with our partner GE, and we're also in negotiations with one of the major lenders in the state to potentially do something with us on that in that market. So that kind of talks about where we're looking to leverage the $85 million. If you look at the $85 million and apply our ten-to-one ratio, which is the capital commitment we have to S & P, and our quota share, we can do somewhere about 2 and a half billion to

3 billion dollars' worth of mortgage insurance. So we're really trying to look at where the need is.

And to Ms. Symonds' point, we met with Fannie Mae yesterday and spent some time, about an hour, with their emerging market groups that happens to be based in Pasadena serving the nation, but they have four target markets in the state that they're going to be looking for a partner to do some localized initiatives with what they call, as Terri mentioned, trusted advisors, and have asked if we would be willing to partner with them. They have about 20 ideas in the African American communities that they're looking at in Los Angeles, San Bernardino, and Riverside that we talked a little bit about, maybe not so much for the Agency in direct lending, but maybe on the insurance side. So we will be scheduling some follow-up meetings just to see how we can work into a partnership with them in their whole emerging market strategies for California within the next couple weeks.

And again, I mentioned here, we've completed the redraft of our underwriting guidelines and master policy, a lot of that through the work of our reinsurance partner, GEMICO. We've been able to leverage some of the work they have institutionalized within their organization.

So I feel from an insurance group we're better positioned now than we have been in a long time and hopefully can get some new products out in the marketplace within the next 30 to 60 days.

VICE CHAIRPERSON HAWKINS: Thank you.

Mr. Klein.

MR. KLEIN: I think we all owe Nancy a debt of great gratitude for her organization and tasks she undertook and has carried out so well in the last year.

And I'd like to understand just briefly, Nancy, on the $85 million, if you have a ten-to-one ration for capital reserves, how do you transition to the 2 and a half billion?

MS. ABREU: That's a good question. We spent a lot of time at dinner last night on the back of an envelope trying to decide if the numbers were correct, and you reminded me, Mr. Klein, I was supposed to have my trusty comptroller double-check my numbers. But we have a 75-25 quota share relationship with GEMICO, so backing into it, I think it comes out to somewhere between 2 and half to 3 and a half billion dollars because of the leverage with GEMICO.

MR. KLEIN: Right. Over time it looks like you get to the higher end of that leverage.

MS. ABREU: Right. Right.

MR. KLEIN: And it would seem that while you do have that capital, it would be a good time to try and fill that niche that is not being served by the government credit institutions. It seems like a perfect opportunity, and certainly we have great faith in your ability to reach into those new prototypes.

MS. ABREU: Thank you very much, Mr. Klein.

VICE CHAIRPERSON HAWKINS: Thank you.

I'd just like to add that, Nancy, you've done a great job.

Having observed this closely over the years, and there's another factor, just anecdotally again, that lenders have been offering products where there's no private mortgage insurance required by doing the first and the second, therefore, there's a lot less product. So now what wasn't happening historically, the private insurance has entered looking at the product that we've provided historically, I believe, and so, therefore, now we need to get even more creative and sharpen our pencils more in order to serve rather than compete with an existing provider. So Nancy has a great challenge.

And I commend you for what you're doing.

MS. ABREU: Thank you very much. With that, I'll let Linn talk about multifamily.

MR. WARREN: Thank you very much. Multifamily has had a very good year. As these accomplishments indicate, we were able to achieve 150 percent of our production goal with an estimated $308 million in commitments, and that does include the activity of today's Board.

As Terri indicated, the HELP program continues today to mark -- this year marks the benchmark year of $100 million in financing commitments to 81 localities, a large number of units, in the thousands, and HELP will serve as really the platform and launching pad for new initiatives.

This year we also addressed the Agency Section 8 portfolio. We took our first one today, as a matter of fact, through this financing program that is setting the stage for recapitalizing approximately 150 projects within the portfolio. It's been a long time coming. We did a number of experiments. I think staff is pleased to finally put this behind us and actually do them. But it is an issue that the Agency needed to address and we did.

As Irene described to you earlier today, we did embark on a construction lending program, which we think will be very competitive and will also help the financial liability of projects as well as the Agency. And we also were able to roll out the Prop 46 acquisition program, which we have great expectations for.

In midyear we embarked on a financing program for HOPE VI projects. These were presented -- projects that were presented to us by a number of sponsors in Northern California asking us to be involved. In a fairly short period of time, through the efforts of Tina Ilvonen and others, we were able to put together a HOPE VI financing program, and we are now involved in, I believe, four of these projects.

Now, the future of HOPE VI at HUD is obviously in doubt, and although I think the preliminary steps for HOPE VI there is a program there, but the dollars are not necessarily attached to it, but what we found over the last couple of years is the trend toward privatized recapitalization of public housing projects is a trend that probably is not turning back. And in dealing with local housing authorities, we have found that if it is not HOPE VI, it will be something else.

So this is a world that we've learned a lot about. We've established some very good relationships with the HAs throughout the state, and we think that we can -- it's a good marriage of our capacity and the capacities of the HAs. So they're changing and so are we, so even if HOPE VI is not continuing in the form as we know it, it will certainly have been a good learning experience.

Multifamily has continued to grow over the years for a lot of reasons. The financing opportunities through MHP and tax credits and the sophistication of our borrowers have certainly contributed. And this Board has given very good direction to us over the years to grow our business and to really contribute to the industry.

As you can see, we have had a steady progress with 202 resulting in $308 million. We had a slight dip in 2001. That was mainly due to it being a pretty good snow year and staff spent a little more time than they should have on the slopes; but outside of that, it was good year. I speak only for myself.

But we think this will continue. What happens next year, we're not a hundred percent sure, but we do know that the industry is now increasingly turning to us for financing, and we think we can meet that demand.

The Board has probably seen this before. These are really the five primary areas of our project. New construction, which is a construction lending program. Obviously, we have historically had a great deal of involvement in the MHP program since its very beginning. We expect this to continue, although other lenders, private lenders, are also actively involved in MHP, so we expect to be in a fairly competitive situation here.

Preservation is kind of interesting. Over the years, we have rolled out a number of programs. We saw the first 202 today. Actually, we've also had the very first 236 today. I didn't realize the symmetry of that until just now.

The Section 8 portfolio which we've worked on Prop 46 and a number of other preservation issues. So what we have here in the preservation area is a lot of expertise in a lot of areas. And we intend to offer these services to our borrowers as needed. So we're not going to probably pursue a single monolithic preservation program, put instead supply our expertise and our financing as opportunities arise.

In the area of mixed income, we've had a great deal of involvement with urban in-fill. The Board has also seen this year our beginning involvement in the student housing program with the University of California. The very first of these will be up for the Board's review probably in July. It's an Albany Village site with UC Berkeley. It's a fairly good-sized loan, $125 million.

But the privatized program at UC as set forth matches very well with our 501(c)(3) bond capacity, and we think it's a very good match. We have some regulatory issues to work through, but we've had a number of meetings over the last few months and all are very much in agreement that this might be a very good role for the Agency in the future.

I mentioned HOPE VI. It should be HOPE VI slash whatever else comes along over the years.

One other by-product of Prop 46 is the area of supportive housing. The Agency pioneered, we think, in the state some very innovative special needs financing going back as far as 1997, and we've continued in that vein since that time.

What we're doing now is staffing up for this in Sacramento. And we're taking on not only the underwriting and loan origination role, but that of role as a coordinator. One of the difficulties with supportive housing today is nobody really talks to each other. And as we bring the financial expertise into the same group, then we think we can facilitate projects even if we aren't the primary financier. It's a little bit different than our traditional role, but then supportive housing is pretty nontraditional in itself.

The final area, as Terri was kind enough to mention, the HELP program has been very well received. We think that what we learned from this program, the guidelines, certainly the relationships that we've established with these folks over the years, allows us to go into more locality-based lending. We're looking seriously at tax increment lending. The current budget crisis may impede the successful implementation of that. We shall see.

We've been asked by a number of localities to come up with financing mechanisms for small project in-fill. We had a very successful meeting about a month ago with L.A. City, in which they're looking seriously at dealing with the number of strip centers in downtown L.A. and replacing them with in-fill housing. So we think we have a lot of areas that we can help with, but again, trying to build what are essentially boutique programs versus a single program. And as opportunities arise in localities, then we can bring our financial resources to bear, do those deals, if you will, and move on. So it's a little bit different. And Doug Smoot and Ralph Palmer are two folks that are heading up that group, so we have great thought for that.

Finally, for this coming year, what does it look like? In spite of the fact that we did trend a million dollars, I think next year remains to be a little bit uncertain. It will be the first year that the prevailing wage will basically be out there on the street. It's still a very competitive environment in which the Agency does have to sell itself, if you will, and compete directly with the lenders for the public benefit of these projects.

The interest rate environment may change. Current trends are down, but I think the general mood in the industry is that rates do have to move someday. And what would be the impact on these projects is hard to tell.

The budget crisis clearly impacts a number of localities. We know that from the local programs that have had to severely curtail some of the lending programs and actually curtail hiring personnel because of the budget crisis. How that will impact the financing, which is really the engine that drives affordable housing today with the tax credits, is hard to say, but I think that we need to be somewhat conservative in our estimates. If we beat it, we think that's great, but there is uncertainty out there in this world.

We've put aside a hundred million dollars of outflow for student housing. This is probably in a funding level, a commitment level. And the preservation acquisition and Prop 46 funds combined to be $90 million. I think the success of this program will really depend on marketing. And although I think this is an aggressive role, it really does depend on how much the industry embraces this program versus other traditional ways of finance of at-risk.

The HELP program we'll keep at $21 million a year. The local initiatives, which includes tax credit or tax increment and others, is $10 million. And our small business in which we are trying to encourage small developers to do small amounts is at $3 million. So it gives a total volume of 478. And we'll see how it goes.

So with that, that's the multifamily plan for the coming year.

VICE CHAIRPERSON HAWKINS: Yes, Mr. Klein.

MR. KLEIN: From a Board member that started six years ago, the Agency was primarily focused on its first-time home buyer task, I would like to say that it's extremely impressive to see an increase of almost 400 percent in our multifamily program. It's now one of the strong pillars of this organization, as was originally envisioned, and the staff has done a wonderful job, a very creative job, of getting strong, solid projects into place, and it is extremely gratifying to know how much that CalHFA is now contributing in multifamily. And I am inspired by your goal. I think if anyone can do it, this staff can, but we also have to recognize we've made phenomenal progress in a very short time period with solid results.

MR. WARREN: Thank you, Mr. Klein. I appreciate that.

MS. PARKER: Madame Chair, just in closing, obviously the entire plan does have some underlying assumptions, obviously the market conditions that we have to add with bond financing from CDLAC that we have assumed tenure will not pass; but if it does, that does provide some more resources and more opportunity.

And obviously with our partnerships we're able to achieve the ones we've talked about with Nancy's group from an insurance standpoint our investors, and also from some of our locality partnerships. But the staff are all ready to meet the challenge. It is a 20 percent increase over our prior five-year Business Plan.

So with that we would ask for your vote of concurrence.

MR. SHINE: So moved.

MR. KLEIN: And second.

VICE CHAIRPERSON HAWKINS: Thank you very much.

Is there any further discussion, other Board members? Any questions?

That was Mr. Shine and Mr. Klein.

MS. OJIMA: Right.

VICE CHAIRPERSON HAWKINS: How poetic.

Are there any comments or questions from the public?

Hearing none, we will move to --

MR. KLEIN: Do you want to take a vote on the motion?

VICE CHAIRPERSON HAWKINS: Yes. That's what we're moving to, to the roll. Where did you think I was moving?

MR. KLEIN: To close.

VICE CHAIRPERSON HAWKINS: No.

Go ahead.

MS. OJIMA: Thank you.

Ms. Peterson.

MS. PETERSON: Aye.

MS. OJIMA: Mr. Bayuk.

(No response was heard.)

MS. OJIMA: Mr. Bell.

MR. BELL: Aye.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Aye.

MS. OJIMA: Mr. Franklin.

MR. FRANKLIN: Aye.

MS. OJIMA: Ms. Hawkins.

VICE CHAIRPERSON HAWKINS: Aye.

MS. OJIMA: Mr. Klein.

MR. KLEIN: Aye.

MS. OJIMA: Mr. Shine.

MR. SHINE: Aye.

MS. OJIMA: Resolution 03-29 has been approved.

VICE CHAIRPERSON HAWKINS: Thank you.

MS. PARKER: Thank you, Madame Chair. Since Dick LaVergne was not able to make it, Jackie and I will present the Agency's operating budget. We're prepared to go through a discussion of this to any great depth that the Board would like.

Clearly, the support budget has increased not only in dollars but also in personnel years, and we can go through that. We have added -- just so you don't have to be mind readers to try to figure out the 32 positions we've added where they have been added, Jackie has a little handout that shows all the positions, and the document shows an asterisk where we're adding additional ones. They're tied to workload. Jackie and Dick make the agency staff go through a budget exercise. Dick LaVergne and I practice being finance analysts, much to torture of the directors, programs in the Agency.

But to the extent that you are our authorizing arm, they don't have to go through the budget crisis that other state agencies do. We do make them justify so that we can stand up and go though the process as rigorously as anyone else so that, you know, our public use of our resources is taken into consideration.

So we're presenting our budget. Jackie can go through some of the points where the major increases are and be happy to answer any questions.

MS. RILEY: Along with that, we did put our staff through some pretty rigorous workload standard operations that we normally do a small amount of that. This year we were very mindful of the number of positions that we were getting requests for. I might add, of the 32 positions that we placed in, there were an additional 16 positions that were requested that were turned down. So we didn't do this hastily and made everybody go through, as Terri said, some rigorous hoops and hurdles and all that. But I wanted to make sure that we were mindful of minding the store here in the difficult budget times in the State of California.

With that we did add positions, specifically 32. Eight of those are for the Prop 46 programs. Two of those are in multifamily. Two of those are in single family. Three actually are in fiscal services. And one is in the insurance division.

Aside from those positions, obviously as you listened to the budget plan -- or I'm sorry, the Business Plan and you notice how business is increasing, the operations side of the house also has to keep pace with the program side. They drive our engine, and fortunately we're almost able to keep up with them. We try and do that.

So we've added additional positions on the operations side of the house, too. That's specifically legal. Every time there is more multifamily programs, legal has to do the documents and review all of those programs and loan closings.

We've also added more positions on the fiscal services side. Once again, those folks are minding the Agency's resources. And as Ken Carlson keeps coming up with newer and creative ways of financing things, things become more difficult. And the accounting side, Bruce's shop, has quite the task keeping up with him.

In addition, we also added some positions to information technology. When new programs are created, programs have to be created consequently to go along with those. We also have a very vigorous help desk and had to increase our resources on our help desk. So we have added, you know, those positions.

In addition, we have some lending positions. If you listened and paid attention to all of those line items that Linn talked about in all his various programs, he has been very ambitious, and we're adding more positions in multifamily and also in single family this year.

Asset management -- excuse me for one second, just to keep up as we keep building more multifamily projects, asset management has to keep pace too, so there are positions there.

MS. PARKER: I'm sorry. I was -- one of the things I did mean to highlight to you, we have included a position in multifamily with the potential of hiring a chief that may act to serve the Bay Area. And we have included it, because I wanted to make this Business Plan from an operations standpoint as inclusive as we could in the dollars that we need for the entire fiscal year.

There is a person who's been in contact with Linn. Obviously a part of -- it wasn't that Linn was on the slopes skiing. He was trying to rebuild a multifamily team. And many of the people that you've seen before us today are really the product of Linn's time last year trying to get a team together and now growing them.

But given the work, it continues. We're in discussions with the possibility of someone who may come to the Bay Area, and so we've included a position to make sure that person knows that there will be Board support behind that and see whether or not that may lead to the necessity of someone more localized serving that particular area.

So we will continue to keep the Board informed about our progress on this. But I wanted to include it to give you a heads-up that we may have an opportunity. If we can, we'll want to move along with it.

MS. RILEY: Moving on to the operations side of the house, all of our line items, if you have looked at the budget, have increased. Specifically, those are for the additional resources, the additional personnel that we've added, also our pretty aggressive marketing campaign.

We are moving some staff into additional quarters probably September of this year. Along with that, there are some one-time dollars added for that move.

And lastly, where it shows up a large increase is in consulting and professional services. We have, as has been discussed here with the Board, some legal costs for litigation and added the resources to support that.

In addition, there is $500,000 that has been included as a placeholder for a loan origination system for multifamily. RFPs were sent out, and we had four people submit proposals to us, just within the last month. And those range from $200,000 to $500,000. We had not had time and still hadn't, that starts next week, as far as going through those proposals and actually analyzing them.

We know that we will be coming back to the Board in July to talk about that and to request approval, you know, whatever we have decided to do, but, as Terri said, wanted to place the resources in the budget but know we won't be acting upon that until we come back and get Board support for that.

With that we know there's a lot of dollars, a lot of positions, but as you've heard, we have a very ambitious Business Plan. We have some ambitious goals. And we really feel we need these resources to go forward and accomplish all the things that we have put in our Business Plan, so we would ask your approval.

MS. PARKER: We'll continue to keep the Board monitored about the dollars. Obviously, the Business Plan for salaries includes what was bargained for salary increases. To the extent that those don't materialize, obviously -- salary, 5 percent salary increases?

MS. RILEY: It's not included, no.

MS. PARKER: Oh. I apologize. To the extent that something changes on that, we will need to come back and essentially talk to the Board about that. So instead --

MS. RILEY: Some of the state budget -- excuse me, Terri, on budgeting we actually do follow and the rest of the state departments, if indeed that salary increase goes through for rank and file in July, are required to absorb those costs, but they were not included in here.

MS. PARKER: That's our contribution. Thank you for correcting me, Jackie.

With that we'll be happy to answer any questions.

VICE CHAIRPERSON HAWKINS: Yes, Mr. Czuker.
Thank you.
MR. CZUKER: I think I can speak for everyone to say that we're very pleased with the progress that CalHFA has been making, and we're very supportive of the increase in the staff and the budget that's before us. If I understood you correctly, you're leaving a window of opportunity open to hire a multifamily director for Northern California?
MS. PARKER: No. Well, not quite. It's we're not -- we're not hoping to have a Linn twin. It's -- would be right now we've got a chief in Northern California and a chief in Southern California position. This would be perhaps to have someone at that level for servicing the Bay Area. So it would be -- the way the organization is, Linn is the director. Irene Jenkins is his sort of assistant director. And this would be a situation where there could be three people at the chief level.
MR. CZUKER: And I wanted to continue to comment by saying that most of the projects before us today were Northern California projects, and I think that one thing I would like to see is more of an emphasis on marketing in Southern California where populations are larger, demographics support and certainly need exists. And I

think that we can make a greater penetration into opportunities for financing affordable housing in the Southern California area and hope that with marketing and with the budget resources we'll make a greater effort in the future.

MS. PARKER: Mr. Czuker, just to add on to that, we have had a position available to be a chief in the Southern California office, and Linn and Jackie have been working on the recruitment effort for quite some time, and that is also reflected in the budget before you.

MS. RILEY: And in addition, there is another position slated for multifamily in the -- in this budget for support.

MR. CZUKER: And in terms of marketing dollars to help Southern California succeed in bringing forth applications for financing, that would obviously be something we're hoping for.

MS. PARKER: I think what we're trying to do here is look at whether or not proximity of staff is going to make a difference in being able to achieve higher dollar volume levels in that sense, so by having people as close as we can.

Obviously, if you look at the work that's being done by Linn's staff in Southern California -- it depends every time we come whether there is more Northern Southern -- Northern or Southern California projects. And if you looked at our pipeline in totality, there is a tremendous amount of projects that are going on in Southern California.

A lot of what is in our pipeline is going to be next year's -- next year and the next two years' worth of work through multifamily, legal, and all of the rest of the organization. So we will be showing you that, and we're certainly concerned about servicing that area of the state.

VICE CHAIRPERSON HAWKINS: Yes, Mr. Klein.

MR. KLEIN: What is the volume in the multifamily pipeline, roughly?

MR. WARREN: I'm sorry, I didn't hear the question.

MS. PARKER: Volume in the pipelines. Aren't you close to between 4- and 500 million?

MR. WARREN: Yeah, it's about 550 million.

MR. KLEIN: Thank you.

And, Jackie, that was a great report.

VICE CHAIRPERSON HAWKINS: Thank you.

Yes, Ms. Peterson.

MS. PETERSON: I want to preface what I'm going to say by saying that the Treasurer and the Treasurer's office, TCAC, CDLAC, are very pleased with all of the work that CalHFA has done in the past four years since Treasurer Angelides has been the Treasurer and has found it to be really quite remarkable.

The Treasurer has also asked that I convey with respect to the budget proposal today his belief, and I'm sure as a fiscal officer of the state, that all of us, whether we're included in the budget or not or whether we get funding from the state or not, need to be extremely fiscally responsible, given the state of -- the state of state and the state of the state budget.

And I know Jackie has said that she received many more requests for positions than have ended up in this budget. However, I can't help but notice that over just the past two fiscal years that there's a 50 percent increase in the staff full-time positions. And so that's, like I say, something that the Treasurer asked that we make sure, that all of us make sure, that we on the Board make sure and that staff make sure that all of the increases, both personnel and operations-wise, have been scrutinized most carefully.

I guess that's the end of the sentence.

VICE CHAIRPERSON HAWKINS: Thank you, Ms. Peterson.

Yes, Mr. Klein.

MR. KLEIN: I would just like to say that in the context of the Treasurer's comments, we have a great deal of our staff committed to multifamily. And to have a several-hundred-percent increase in multifamily production with a 50 percent increase in the staffing is showing that our staffing increases are substantially trailing our increases in production. And hopefully we're contributing a great deal of more sales tax revenue and job tax revenue that will contribute to making the Treasurer's job easier.

MS. PETERSON: Well, that's tremendous. And actually, over the past two years is over a hundred-percent addition in staff on the multifamily side, and maybe part of this is coming from -- this is not anything that I -- this is -- this was my direction. I was given direction to say this, but -- but it's also true that just on the multifamily lending side of CalHFA alone, there will now be more staff than in both of the affordable housing agencies housed in the Treasurer's office.

MR. KLEIN: That points out the Treasurer needs more staff.

MS. PETERSON: Indeed.

VICE CHAIRPERSON HAWKINS: Are there other questions or comments?

I'd just like to add that I think it's great from the standpoint and I think the transactions are more complex now on the multifamily side and therefore takes more time, doesn't it, to put these transactions together? And -- and historically speaking, it's amazing how on the single-family side, how much our volume increased, yet because of streamlining the systems and what a great job Ken Williams did over the years, we were able to absorb that volume.

And so I think we've done a very good job historically, and I feel comfortable with what I've observed as far as this increase from what I've seen produced with this increase.

So just any comments? Any other comments?

I'm ready to take --

MR. KLEIN: I'd just like to also say that with the increase of housing production in the state, I think the Agency should be highly supportive of the Treasurer actually getting more staff because that staff is under so much stress. And recognizing the discipline we all have to have --

MS. PETERSON: This was not solicited.

MR. KLEIN: -- That can be supported by fee revenue from the applicants, not by the state budget, which is a very important distinction. But if we're going to continue to show the dramatic progress in expanding affordable housing in the state, the Tax Credit

Committee and the Bond Allocation Committee are going to have to have additional staff to handle the work. It's just a practical constraint.

MR. FRANKLIN: I would just add, being the subject of a very high percentage of Mr. Klein's remarks today, I'm somewhat miffed that I wasn't included in this final comment here as we close the Board meeting.

VICE CHAIRPERSON HAWKINS: I think I need to make another comment. I think I did not mean to leave out anyone else on the staff of CalHFA when I mentioned Ken Williams, but as he returned, it just brings to mind that it's been great, Terri, that you are able to retain good people and, of course, the rest of the staff, including Jerry Smart and others, have done a great job.

So are we ready for a motion?

MR. KLEIN: I'd like to make the motion to approve the budget.

VICE CHAIRPERSON HAWKINS: Mr. Klein has moved that we adopt the budget.

MR. SHINE: Second.

VICE CHAIRPERSON HAWKINS: Mr. Shine has seconded.

Is there any discussion?

Mr. Shine seconds.

And is there any other discussion or questions from the Board or the public?

Hearing none, may we have the roll?
MS. OJIMA: Ms. Peterson.
MS. PETERSON: Abstain.
MS. OJIMA: Mr. Bayuk.
MR. BAYUK: Aye.
MS. OJIMA: Mr. Bell.
MR. BELL: Aye.
MS. OJIMA: Mr. Czuker.
MR. CZUKER: Aye.
MS. OJIMA: Mr. Franklin.
MR. FRANKLIN: Aye.
MS. OJIMA: Ms. Hawkins.
VICE CHAIRPERSON HAWKINS: Aye.
MS. OJIMA: Mr. Klein.
MR. KLEIN: Aye.
MS. OJIMA: Mr. Shine.
MR. SHINE: Aye.
MS. OJIMA: Resolution 03-30 has been approved.
VICE CHAIRPERSON HAWKINS: Thank you.
MS. PARKER: Thank you very much. We look forward to our Board meeting in July where I know Linn will have a number of titillatingly new projects to entice you with.
We -- on behalf of the staff, we do want to thank you for your interest and participation at all of our

Board meetings. There's some good questions that you ask that makes our job that much more interesting.

VICE CHAIRPERSON HAWKINS: One moment. One moment. Hold on one moment. We have Item No. 8 and 9. Is there any further comments on any other subject from anyone from the Board or the public, other than the budget, as I asked before?

No.

The meeting is adjourned. Thank you.

(Whereupon the meeting concluded at 2:21 p.m.)

THIS PAGE INTENTIONALLY LEFT BLANK

REPORTER'S CERTIFICATE

I hereby certify the foregoing meeting was held 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.

In witness whereof, I have hereunto set my hand this 29th day of May, 2003.

Yvonne K. Fenner

Yvonne K. Fenner
Certified Shorthand Reporter
License No. 10909

THIS PAGE INTENTIONALLY LEFT BLANK

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Timothy Commons Family Apartments
Santa Rosa, Sonoma County, CA
CalHFA # 03-041-C/N

SUMMARY

This is a final commitment request for a construction and permanent loan. Security for the loans will be 419 Timothy Road, Santa Rosa, CA. The property will be owned by Timothy Commons, a California Limited Partnership, whose general partner is Burbank Housing Development Corporation.

Timothy Commons is a 32-unit, new construction family apartment project in Santa Rosa.

LOAN TERMS

Construction

First Mortgage	$4,000,000
Interest Rate	3.00% initial rate, variable
Term	18 Months, interest only
Financing	$3,625,000 Tax-exempt
	$375,000 Taxable

Permanent

First Mortgage	$800,000
Interest Rate	5.25%
Term	30 year fixed, fully amortized
Financing	Tax-exempt

CalHFA construction financing is subject to the assignment by the borrower of tax credit equity and all rights under non-CalHFA financing commitments.

LOCALITY INVOLVEMENT

- The City of Santa Rosa has approved $1,224,066 in HOME funds. The interest rate is 3.0% simple interest, all due and payable in 55 years.
- The City of Santa Rosa has approved a loan of $137,414 from their In Lieu Fee Fund, a fund for the construction of affordable housing funded from development impact fees. The loan term is 55 years, and simple interest accrues at 3.0%. Repayment is from residual receipts.
- Sonoma County has loaned $150,000 for a term of 30 years. Repayment is from residual receipts.

The City and County funding sources will be subordinate to the CalHFA First Deed of Trust and the Regulatory Agreement during the construction and permanent period.

OTHER FINANCING

- AHP has approved a loan of $160,000 for a term of 32 years at zero percent interest, which will be subordinate to the CalHFA First Deed of Trust during the construction and permanent period.
- Limited Partner Capital in the amount of $2,336,726.
- MHP has approved a permanent loan of $1,749,239 at 3% interest for a 55 year term. The MHP loan will be subordinated to the CalHFA First Deed of Trust and the Regulatory Agreement during the permanent period.

PROJECT DESCRIPTION

Project Location

- The property is located in Santa Rosa, 50 miles north of San Francisco.
- The property is bounded to the north by Sebastopol Avenue, and to the north and east by Highway 12. Highway 101 is one-half mile to the east. Dulton Avenue is to the west, and Barham Road is to the south.
- Adjacent to the property is a single family project built in the late 1990s. To the east, west and north is a parcel containing a mixture of light industrial and commercial tenants, including a former, now vacant, Sears warehouse, an automobile repair shop and a carpet supply/installation company. Burbank Housing is currently in discussions with the owner of this parcel to purchase and re-zone them for residential development.
- The property is in the County of Sonoma Redevelopment Area and the City of Santa Rosa Redevelopment Area. Completed revitalization plans for the redevelopment area include infrastructure, roadway and commercial property improvements, installation of a parkland/trail, economic revitalization, and housing assistance. During the past five years, the Redevelopment Area agencies have funded $7,312,400 for these improvements. Future plans include additional commercial revitalization, expansion of affordable housing stock and infrastructure/roadway improvements. Within a few blocks of the property, three mixed-use projects (single family and attached residential, retail and office uses) and two residential projects are in the planning stages and will contribute to the further redevelopment of the area.
- The property is less than one-half mile from a large city park, a bus stop is one block away, and a grocery store, an elementary school, post office and children's health center are all within one-quarter mile away. The downtown area and the central retail mall for the Santa Rosa area is within a ten minute walk from the subject property.

Site

- The site is 1.8 acres of an original two acre site purchased by the developer in 1999. The parcel is zoned R 3-18-Multiple Residential District, with a maximum density of 18 units per acre. The remaining .20 acres fronts Sebastopol Avenue and will be split off and sold by the developer for commercial use.
- The site is currently vacant. The site was previously improved with an orchard, a farm house and associated buildings, which were demolished in the late 1970's.

- Access to the site is via Sebastapol Avenue, a major arterial connecting to Highway 101, Highway 12 and downtown Santa Rosa.

Improvements

- The project will consist of five, two-story townhouse-style buildings, with 16 stacked flats and 16 townhouse-style units and one community building. There will be a playground area, a laundry room and 66 parking spaces on site. Frontage along Timothy will have attractively landscaped areas with low fencing to provide privacy. There will also be an open-space green area for a community garden and picnic area.
- The project will be wood frame on concrete foundation, Hardiplank siding, composition shingle roofs, central heating systems, ceiling fans in the living rooms and gas water heaters systems.
- The units will have a stove/oven, dishwasher, disposal, oak veneer cabinets, and Formica countertops in the kitchen. The units will have vinyl flooring in the kitchens and baths, and carpet in all other living areas. All units will have private yards or patios.

Unit Mix:

No. of Units	No. of Bedrooms	No. of Bathrooms	Unit Square Footage
4	studio	1	415
4	1	1	550
8	2	1	812
12	3	1.5	1,192
4	4	2	1,407

Off-site improvements

- The property has already been improved with roads, sidewalks and curbs. Additional improvements will include installing a looped domestic water line from Sebastopol Road to serve the site and minor driveway cuts.

Relocation

- No relocation is required for this project, as the site is vacant.

MARKET

Market Overview

- The Primary Market Area (PMA) is the City of Santa Rosa and portions of Sonoma County which are in Santa Rosa's planning area. The population of Santa Rosa is 157,750, per 2003 census data issued by the City. The population of the PMA is 164,246. The average income in the PMA for 2003 is $71,123, which represents an increase of over 15% from 2000 to 2003. Average income is expected to increase by 15% in the next five years. There are 60,898 households in the PMA, and 77% of the population is under the age of 54 years, with an average of 2.63 persons per household.

- According to census data, 42% of the residents in the PMA are renters. However, the market survey stated that the percentage of renters is likely higher, due to the low percentage of the population who can afford the $310,000 (in 2002) median-priced home in Santa Rosa.
- Economic sectors in Sonoma County and Santa Rosa have historically been tourism and agri-business. Since the 1990s, the area has become home to a number of telecommunications employers. Due to the downturn in this sector, unemployment in the region has gone from 2.8% in 2001 to 5% in 2003. The unemployment rates are still lower than the national average, which was 4.8% in 2001 and 6.2% in 2003. Currently, the service sector accounts for 27% of the employment base, government is 15%, retail is 19%, and manufacturing is 19%.

Housing Demand

- Six market rate apartment projects were surveyed in the market study totaling 487 units. Because there are no four bedroom apartments available, three single family 4 bedroom rentals were included in the market study. The market study found that of the market rate properties surveyed, the average occupancy level was 92%.
- There are 11 Tax Credit family apartment projects with 856 units in the PMA; the vacancy rate is under 1%, and there is a combined waiting list of 1,022 pre-screened applicants for these projects. There are five Tax Credit family projects totaling 433 units currently in the development phase.
- The market study found there is significant demand for affordable housing throughout Santa Rosa, and particularly for larger family units. There is demand for two, three and four bedroom units, as the number of persons per household in the PMA has been consistently increasing from 2.37 persons per household in 2001 to 2.63 in 2003.
- Overall, there is an estimated demand of 26,119 income-eligible households within the PMA. The subject project need only capture 1.2% of the market in order to achieve lease-up (1.5% for studio, 0.8% 1 bedroom, 0.8% for 2 bedrooms, 1.2% 3 bedrooms and 1.1% 4 bedrooms).
- The Santa Rosa Housing Authority has a Section 8 waiting list of 1,900 households, and an additional 6,000 households on a mailing list to be informed when the waiting list opens. Of the 1,900 households on the waiting list, 41% are waiting for two and three bedroom units. There are an additional 1,900 households on the Sonoma County Housing Authority Section 8 waiting list. Burbank Housing, the developer of the project, also maintains a list, and has 1,500 households currently waiting for housing.

Housing Comparison

- The market rate units all have amenities such as a pool, spa and carports. The average unit size for the market rate units is less than 1% larger than the subject. The market survey concludes that because the subject is newer and provides on site amenities such as open area and a tot lot, the subject is comparable to market rate projects.
- The market study found that other Tax Credit-assisted units are similar in quality, amenities and size to the subject.

PROJECT FEASIBILITY

Market rate rents for comparable properties average $696 for a studio unit; $840 for a one-bedroom unit; $1,047 for a two-bedroom unit; $1,314 for a three-bedroom unit, and $1,680 for a four bedroom unit.

Rent Differentials (Market versus Restricted)

Unit Type	Subject Rents	Market Rate Average (Comparable Properties)	$ Difference	% of Market
Studio		**$696**		
30%	$290		$406	42%
One Bedroom		**$840**		
30%	$307		$533	37%
Two Bedroom		**$1,047**		
30%	$352		$695	34%
50%	$694		$353	66%
60%	$843		$204	81%
Three Bedroom		**$1,314**		
50%	$787		$527	60%
60%	$960		$354	73%
Four Bedroom		**$1,680**		
50%	$869		$811	52%
60%	$1,062		$618	63%

Estimated Lease-up Period

The market study anticipates that the project will be leased-up within 30 to 60 days of construction completion. The only timing consideration to lease-up is the time it takes to process applications and to move tenants into the units.

OCCUPANCY RESTRICTIONS

CalHFA 20% of the units (6) will be restricted at 50% or less of AMI.
The CalHFA Regulatory Agreement will be for a term of 30 years.

City HOME And In Lieu Funds 35% of the units (11) are restricted 30% or less of AMI
25% of the units (8) are restricted to 50% or less of AMI
40% of the units (12) are restricted to 60% or less of AMI
The City of Santa Rosa Regulatory Agreement will be recorded against the property for a 55 year term.

County

48% of the units (15) are restricted to 50% or less of AMI.
29% of the units (9) are restricted to 60% or less of AMI.
23% of the units (7) are restricted to 80% or less of AMI.
The Sonoma County Regulatory Agreement will be recorded against the property for a 55 year term.

TCAC 100% of the units (31) are restricted to 60% or less of AMI.

ENVIRONMENTAL

The subject site had been utilized as a farm and orchard, and has been vacant since the late 1970s. A Phase I Environmental Report, dated January 24, 1995, concluded that there are no site-specific contamination issues. However, the site is within the McMinn Avenue Site Regional Study area, which is on the state Superfund list. Sites listed as having possible impact include those that are within a one-mile radius of a superfund area. At the time of the report, there were eight active sites close enough to the site to potentially cause impact. Remediation efforts at these superfund sites have yielded low levels of contamination in the ground water.

A Phase II Environmental Assessment report was completed on January 29, 2001. The report analyzed soil borings and groundwater samples collected on site and on nearby sites up gradient from the subject. The Phase II concluded that there are undetectable levels of contamination in the soil and no potential of contamination from human contact with soil. However, there are low levels of contamination in the groundwater. The report states that since the site is served by the City of Santa Rosa water supply, there is no potential for direct human contact with impacted groundwater. The report also found that groundwater contamination levels found are not considered a risk for vapor intrusion into the proposed structures. However, the Fire Department of the City of Santa Rosa has required the installation of vapor barriers under the slabs of the buildings. Per the Fire Department, this requirement is standard for those sites located in a superfund site. The requirement for a vapor barrier has been incorporated into the plans.

As a condition of closing the construction loan, an update to the Phase I and II reports, and an outside review of the environmental reports, is required. If additional remedial action is recommended, the work will be required to be completed during the course of construction.

The Borrower has requested an earthquake insurance waiver, and a seismic evaluation is underway. If the earthquake waiver is denied, the loan amount may decrease so that the earthquake insurance premium can be paid.

A Geotechnical Investigation dated April 3, 2001 reports that the property is not within the limits of an active fault zone.

ARTICLE XXXIV

A satisfactory opinion letter will be required prior to construction loan funding.

DEVELOPMENT TEAM

Borrower

Timothy Commons, LP

Timothy Commons, LP was formed in January 2003 for the purpose of developing the subject property. The General Partner is Burbank Housing Development Corporation, a nonprofit public benefit corporation (BHDC), and the Initial Limited Partner is Burbank Housing Management Corporation (BHMC), a nonprofit public benefit corporation. BHDC has developed over 2,000 units of affordable housing in 55 projects during the past 22 years in California. Three projects (Panas Place, Canyon Run and West Oaks) have been funded by CalHFA and are part of the Agency's existing portfolio. Two projects (Carrillo Place and Winter Creek) have a CalHFA final commitment for a permanent loan and are currently under construction. The permanent loans are scheduled to close by year end.

BHDC's mission is to develop and improve affordable housing opportunities in Sonoma County for very low-income people of all ages and backgrounds.

Construction Security 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 completion and repayment guarantee from the general partner's parent corporation, in lieu of a letter of credit.

Management Agent

Burbank Housing Management Corporation

Burbank Housing Management Corporation, a California non-profit public benefit corporation, will manage the project. They currently manage over 1,400 units developed by BHDC, including the three projects that are part of the Agency's portfolio mentioned above.

Architect

Katherine Austin

Katherine Austin, AIA, is a self-employed architect since 1995. Ms. Austin has 11 years of architectural experience with an emphasis on affordable apartment projects. During her career she has designed 20 multifamily projects totaling 447 units. Since starting her architect firm in 1995, Ms. Austin has designed 15 projects totaling 279 units. She designed Carrillo Place, which is currently under construction. The permanent loan will be financed by CalHFA.

Contractor

Wright Contracting, Inc.

The project will be constructed by Wright Contracting, Inc., which has been engaged in institutional and commercial construction throughout Northern California since 1953. They have completed 20 affordable housing projects totaling 1,270 units. Wright Construction is also the general contractor for the Winter Creek and Carrillo Place family projects and has completed ten projects with Burbank Housing. Both projects are under construction and are currently within the construction contract budget.

Prior to closing the construction loan, the contractor will post performance and payment bonds in the amount of the construction contract.

Date: 24-Jun-03

Project Profile:

Project:	Timothy Commons		
Location:	Timothy Ave.		
	Santa Rosa 95407	*Cap Rate:*	7.50%
County:	Sonoma	*Market:*	$4,500,000
Borrower:	Burbank Housing	*Constr.*	$4,700,000
GP:	TBD		
LP:	TBD		
Program:	Tax Exempt	***LTC/LTV:***	
CalHFA #:	03-041-C/N	*Loan/Cost*	11.8%
		Permanent Loan/Value	17.8%
		Construction Loan/Value	85.1%

Project Description:

Units	32
Handicap Units	10
Bldge Type	New Const.
Buildings	6
Stories	2
Gross Sq Ft	35,560
Land Sq Ft	78,408
Units/Acre	18
Total Parking	60
Covered Parking	0

Financing Summary:

	Amount	Per Unit	Rate	Term
CalHFA *First* Mortgage	$800,000	$25,000	5.25%	30
City of Santa Rosa HOME & In Lieu	$1,361,480	$42,546	3.00%	30
AHP	$160,000	$5,000	0.00%	30
Sonoma County Redevelopment	$150,000	$4,688	3.00%	30
MHP	$1,749,239	$54,664	3.00%	55
Deferred Developer Fee	$210,429	$6,576		
Tax Credit Equity	$2,336,726	$73,023	0.00%	-
CalHFA Bridge	$0	$0		
CalHFA Construction Loan	$4,000,000	$125,000	3.00%	18 mos.
CalHFA HAT	0			

Unit Mix:

Type	Manager		30% AMI		50% AMI		60% AMI		Market		Total
	number	rent	number	rent*	number	rent*	number	rent*	number	rent*	
Studio	0		4	290	0	0	0	0			4
1 bedroom, 1 bath	0		4	307	0	0	0	0	0	0	4
2 bedroom, 1 bath	0	0	3	352	3	694	2	843	0	0	8
3 bedroom, 1.5 bath	1		0	0	4	787	7	960	0	0	12
4 bedroom, 2 bath			0	0	1	869	3	1062	0	0	4
subtotal	1		11		8		12		0		
			* net rent								32

Fees, Escrows, and Reserves:

PERMANENT LOAN

Fees	**Basis of Requirements**	**Amount**	**Security**
CalHFA Permanent Loan	0.50% of CalHFA Permanent	$4,000	Cash
Escrows			
Construction Defect	2.50% of Hard Costs	$75,193	Letter of Credit
Reserves			
Operating Expense Reserve	10.00% of Gross Income	$16,915	Cash
Annual Replacement Reserve Deposit	$241 per unit	$7,700	Operations*
		*$27,000 in years 1-4	

CONSTRUCTION LOAN

Fees			
CalHFA Construction Loan	1.00% of *CalHFA Construction Loan*	$40,000	Cash
Inspection fee	$1,500 x months of construction	$18,000	Cash
Guarantees			
Bond Origination Guarantee	1.00% of Construction Loan	$43,750	Cash
Completion Guarantee-Borrower	5.00% of Construction Loan	$200,000	Letter of Credit or Guaranty
Performance Bond-Contractor	100.00% of Construction Contract	$3,467,708	Bond
Payment Bond-Contractor	100.00% of Construction Contract	$3,467,708	Bond

Sources and Uses

Timothy Commons

SOURCES: Name of Lender / Source	Permanent Amount	Construction Amount	Permanent $ per unit	Permanent Percentage
CalHFA First Mortgage	800,000	4,000,000	25,000	18.95%
City of Santa Rosa HOME & In Lieu	1,361,480	1,361,480	42,546	32.26%
AHP	160,000	160,000	5,000	3.79%
Sonoma County Redevelopment	150,000	150,000	4,688	3.55%
MHP	1,749,239	0	54,664	41.44%
Total Institutional Financing	**4,220,719**	**5,671,480**	**131,897**	**100.00%**
Equity Financing				
Tax Credits	2,336,726	239,887	73,023	91.75%
Deferred Developer Equity	210,129	0	6,567	8.25%
Developer Cash		104,685		
Total Equity Financing	**2,546,855**	**344,572**	**79,589**	**100.00%**
TOTAL SOURCES	**6,767,574**	**6,016,052**	**211,487**	**100.00%**

USES:	Permanent	Construction	Permanent $ per unit	Permanent Percentage
Acquisition	562,064	562,064	17,565	8.31%
Rehabilitation	0	0	0	0.00%
New Construction	3,569,341	3,569,341	111,542	52.74%
Architectual Fees	259,056	259,056	8,096	3.83%
Survey and Engineering	0	0	0	0.00%
Const. Loan Interest & Fees	262,760	262,760	8,211	3.88%
Permanent Financing	12,000	12,000	375	0.18%
Legal Fees	27,200	27,200	850	0.40%
Reserves	77,000	77,000	2,406	1.14%
Contract Costs	28,687	28,687	896	0.42%
Construction Contingency	369,903	369,903	11,559	5.47%
Local Fees	737,156	363,487	23,036	10.89%
TCAC/Other Costs	195,643	195,643	6,114	2.89%
PROJECT COSTS	**6,100,810**	**5,727,141**	**190,650**	**90.15%**
Developer Overhead/Profit	498,750	120,897	15,586	7.37%
Project Administration	130,046	130,046		1.92%
Consultant	37,968	37,968	1,187	0.56%
TOTAL USES	**6,767,574**	**6,016,052**	**211,487**	**100.00%**

Annual Operating Budget — Timothy Commons

		$ per unit
INCOME:		
Total Rental Income	253,620	7,926
Laundry	2,016	63
Other Income	0	-
Commercial/Retail	0	-
Gross Potential Income (GPI)	**255,636**	**7,989**
Less:		
Vacancy Loss	11,318	354
Total Net Revenue	**244,318**	**7,635**
EXPENSES:		
Payroll	45,400	1,419
Administrative	28,000	875
Utilities	25,900	809
Operating and Maintenance	30,750	961
Insurance and Business Taxes	11,300	353
Taxes and Assessments	800	25
Reserve for Replacement Deposits	27,000	844
Subtotal Operating Expenses	**169,150**	**5,286**
Financial Expenses		
Mortgage Payments (1st loan)	53,012	1,657
MHP	7,347	230
Total Financial	**60,358**	**1,886**
Total Project Expenses	**229,508**	**7,172**

Cash Flow **Timothy Commons** **CalHFA Development Number:**

RENTAL INCOME		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	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%*	*2.5*
Affordable Rents		253,620	259,961	266,460	273,121	279,949	286,948	294,121	301,
TOTAL RENTAL INCOME		**253,620**	**259,961**	**266,460**	**273,121**	**279,949**	**286,948**	**294,121**	**301,**
OTHER INCOME									
Other Income Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.5*
Laundry		2,016	2,066	2,118	2,171	2,225	2,281	2,338	2,
Other Income		0	0	0	0	0	0	0	
TOTAL OTHER INCOME		**2,016**	**2,066**	**2,118**	**2,171**	**2,225**	**2,281**	**2,338**	**2,**
GROSS INCOME		**255,636**	**262,027**	**268,578**	**275,292**	**282,174**	**289,229**	**296,459**	**303,**
Vacancy Rate : Market		*0*	*0*	*0*	*0*	*0*	*0*	*0*	
Vacancy Rate : Affordable	3% on MHP	*4.43%*	*4.43%*	*4.43%*	*4.43%*	*4.43%*	*4.43%*	*4.43%*	*4.4*
Less: Vacancy Loss	5% on others	11,318	11,601	11,891	12,188	12,493	12,805	13,125	13,
EFFECTIVE GROSS INCOME		**244,318**	**250,426**	**256,687**	**263,104**	**269,681**	**276,423**	**283,334**	**290,**
OPERATING EXPENSES						250			
Annual Expense Increase		*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.0*
Expenses		141,350	147,004	152,884	159,000	165,360	171,974	178,853	186,
Replacement Reserve		27,000	27,000	27,000	27,000	7,700	7,700	7,700	7,
Annual Tax Increase		*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.0*
Taxes and Assessments		800	816	832	849	866	883	901	
TOTAL EXPENSES		**169,150**	**174,820**	**180,716**	**186,848**	**173,925**	**180,557**	**187,454**	**194,**
NET OPERATING INCOME		**75,168**	**75,606**	**75,970**	**76,255**	**95,756**	**95,866**	**95,880**	**95,**
DEBT SERVICE									
CHFA - 1st Mortgage		53,012	53,012	53,012	53,012	53,012	53,012	53,012	53,
MHP		7,347	7,347	7,347	7,347	7,347	7,347	7,347	7,
CHFA - HAT Loan (amortizing)		0	0	0	0	0			
CASH FLOW after debt service		**14,810**	**15,248**	**15,612**	**15,897**	**35,398**	**35,508**	**35,522**	**35,**
DEBT COVERAGE RATIO		**1.25**	**1.25**	**1.26**	**1.26**	**1.59**	**1.59**	**1.59**	**1**

Cash Flow

RENTAL INCOME		Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year
Market Rent Increase		*0*	*0*	*0*	*0*	*0*	*0*	*0*	
Market Rents		0	0	0	0	0	0	0	
Affordable Rent Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.5*
Affordable Rents		324,655	332,771	341,091	349,618	358,358	367,317	376,500	385,9
TOTAL RENTAL INCOME		**324,655**	**332,771**	**341,091**	**349,618**	**358,358**	**367,317**	**376,500**	**385,9**
OTHER INCOME									
Other Income Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.5*
Laundry		2,581	2,645	2,711	2,779	2,849	2,920	2,993	3,0
Other Income		0	0	0	0	0	0	0	
TOTAL OTHER INCOME		**2,581**	**2,645**	**2,711**	**2,779**	**2,849**	**2,920**	**2,993**	**3,0**
GROSS INCOME		**327,236**	**335,417**	**343,802**	**352,397**	**361,207**	**370,237**	**379,493**	**388,9**
Vacancy Rate : Market		*0*	*0*	*0*	*0*	*0*	*0*	*0*	
Vacancy Rate : Affordable	3% on MHP	*4.43%*	*4.43%*	*4.43%*	*4.43%*	*4.43%*	*4.43%*	*4.43%*	*4.4*
Less: Vacancy Loss	5% on others	14,488	14,850	15,221	15,602	15,992	16,392	16,802	17,2
EFFECTIVE GROSS INCOME		**312,748**	**320,566**	**328,581**	**336,795**	**345,215**	**353,845**	**362,691**	**371,7**
OPERATING EXPENSES									
Annual Expense Increase		*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.0*
Expenses		209,233	217,602	226,306	235,358	244,772	254,563	264,746	275,3
Replacement Reserve		8,085	8,085	8,085	8,085	8,489	8,489	8,489	8,4
Annual Tax Increase		*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.0*
Taxes and Assessments		975	995	1,015	1,035	1,056	1,077	1,098	1,1
TOTAL EXPENSES		**218,293**	**226,682**	**235,405**	**244,478**	**254,317**	**264,129**	**274,333**	**284,9**
NET OPERATING INCOME		**94,455**	**93,885**	**93,175**	**92,317**	**90,898**	**89,716**	**88,358**	**86,8**
DEBT SERVICE									
CHFA - 1st Mortgage		53,012	53,012	53,012	53,012	53,012	53,012	53,012	53,0
MHP		7,347	7,347	7,347	7,347	7,347	7,347	7,347	7,3
CHFA - HAT Loan (amortizing)									
CASH FLOW after debt service		**34,097**	**33,527**	**32,817**	**31,959**	**30,539**	**29,358**	**28,000**	**26,4**
DEBT COVERAGE RATIO		**1.56**	**1.56**	**1.54**	**1.53**	**1.51**	**1.49**	**1.46**	**1**

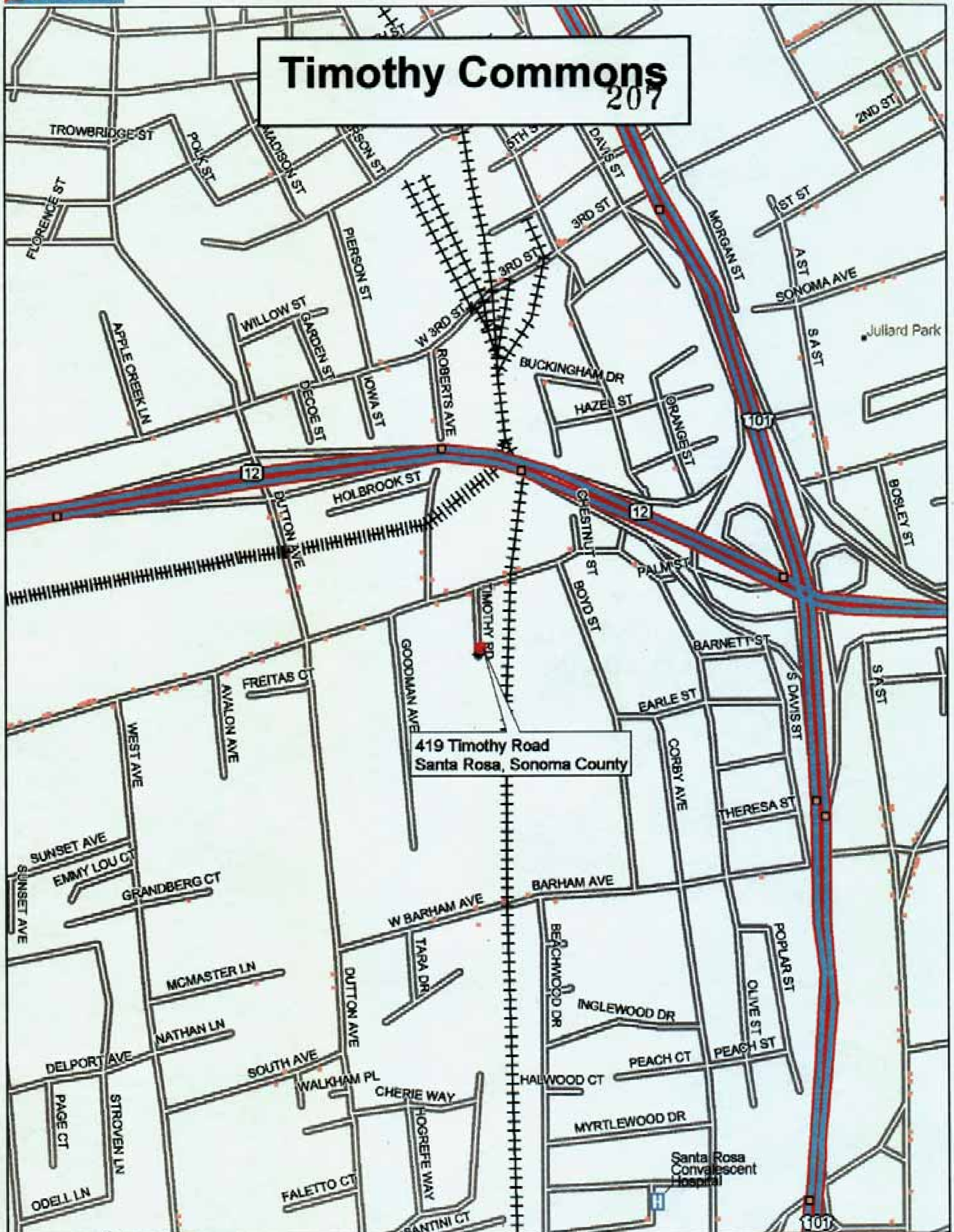
Cash Flow

RENTAL INCOME		Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	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		415,586	425,976	436,625	447,541	458,729	470,197	481,952	494,
TOTAL RENTAL INCOME		**415,586**	**425,976**	**436,625**	**447,541**	**458,729**	**470,197**	**481,952**	**494,**
OTHER INCOME									
Other Income Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.*
Laundry		3,303	3,386	3,471	3,557	3,646	3,738	3,831	3,
Other Income		0	0	0	0	0	0	0	
TOTAL OTHER INCOME		**3,303**	**3,386**	**3,471**	**3,557**	**3,646**	**3,738**	**3,831**	**3,**
GROSS INCOME		**418,889**	**429,362**	**440,096**	**451,098**	**462,375**	**473,935**	**485,783**	**497,**
Vacancy Rate : Market		*0*	*0*	*0*	*0*	*0*	*0*	*0*	
Vacancy Rate : Affordable	3% on MHP	*4.43%*	*4.43%*	*4.43%*	*4.43%*	*4.43%*	*4.43%*	*4.43%*	*4.*
Less: Vacancy Loss	5% on others	18,546	19,009	19,485	19,972	20,471	20,983	21,507	22,
EFFECTIVE GROSS INCOME		**400,344**	**410,352**	**420,611**	**431,126**	**441,904**	**452,952**	**464,276**	**475,**
OPERATING EXPENSES									
Annual Expense Increase		*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.*
Expenses		309,715	322,104	334,988	348,388	362,323	376,816	391,889	407,
Replacement Reserve		8,914	8,914	8,914	8,914	8,914	8,914	8,914	8,
Annual Tax Increase		*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.*
Taxes and Assessments		1,189	1,213	1,237	1,262	1,287	1,312	1,339	1
TOTAL EXPENSES		**319,818**	**332,230**	**345,139**	**358,563**	**372,524**	**387,042**	**402,141**	**417,**
NET OPERATING INCOME		**80,526**	**78,122**	**75,472**	**72,563**	**69,381**	**65,910**	**62,135**	**58**
DEBT SERVICE									
CHFA - 1st Mortgage		53,012	53,012	53,012	53,012	53,012	53,012	53,012	53
MHP		7,347	7,347	7,347	7,347	7,347	7,347	7,347	7
CHFA - HAT Loan (amortizing)									
CASH FLOW after debt service		**20,167**	**17,764**	**15,114**	**12,205**	**9,023**	**5,551**	**1,776**	**(2**
DEBT COVERAGE RATIO		**1.33**	**1.29**	**1.25**	**1.20**	**1.15**	**1.09**	**1.03**	

Scale 1 : 1,100,000

1" = 17.4 mi

THIS PAGE
INTENTIONALLY
LEFT BLANK



Scale 1 : 8,800

1" = 733 ft

THIS PAGE
INTENTIONALLY
LEFT BLANK

RESOLUTION 03-31

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Timothy Commons, LP (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 32-unit multifamily housing development located in the City of Santa Rosa to be known as Timothy Commons Family Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated June 24, 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 June 24, 2003, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

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

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNT
03-041-C/N	Timothy Commons Family Apartments Santa Rosa/Sonoma	32	
		Construction First Mortgage:	$4,000,000
		Permanent First Mortgage:	$ 800,000

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 03-31 adopted at a duly constituted meeting of the Board of the Agency held on July 10, 2003, at Sacramento, California.

ATTEST: ______________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
University Neighborhood Apartments
Berkeley, Alameda County, CA
CalHFA # 00-019-N

SUMMARY

This is a final commitment request. Security for the Agency loans will be a condominium parcel and the underlying land located at 1719-1725 University Avenue in Berkeley California. The borrower will be UNA Associates, L.P., a California limited partnership whose general partner is Affordable Housing Associates. Hearth Homes, a non-profit supportive housing developer in the Bay Area, will be the administrative partner.

University Neighborhood Apartments is a new, 27-unit, special needs, and family development. Fourteen (14) of the units will be reserved for households with a family member who has been diagnosed with a disability. All 27 units will be handicapped accessible. The ground floor of the building will contain approximately 4,754 square feet of commercial space which will be subdivided into a separate legal condominium parcel and will not be security for the Agency loan. This project received an allocation of 9% tax credits.

LOAN TERMS

Permanent

First Mortgage	$1,940,000
Interest Rate	3.00 %
Term	30-year fixed, fully amortized
Financing	Taxable HAT Funds
Second Mortgage	$1,520,000
Interest Rate	3.00 %
Term	10-year fixed, fully-amortized
Financing	Taxable HAT Funds

SPECIAL NEEDS LOAN TERMS

The Agency will make a reduced rate, 30-year First Mortgage loan, and a reduced rate, 10-year Second Mortgage Loan. These loans afford the Agency an opportunity to use HAT Earned Surplus funds to deepen the project's affordability. (HAT Earned Surplus Funds are funds returned to the Agency by Section 8 limited dividend projects financed by the Agency prior to 1980 and require that the Borrower provide a tenant grievance procedure in compliance with Agency Statutes).

LOCALITY INVOLVEMENT

The City of Berkeley has approved three loans totaling $1,903,000 for this project from their Housing Trust Fund. The loans will be subordinate to the Agency's loans, and will be secured on the residential parcel and the land. The loans will have a 6% simple interest rate, and have a term of 32 years. Payment will be deferred. All deferred payments are due and payable on the maturity date of the loan.

The County of Alameda Housing and Community Development Department approved an $80,000 loan of HOPWA funds to the project. The loan will be deferred and will have an interest rate of 3% and a term of not less than 32 years. This loan will be subordinate to the Agency loans and will be secured by the residential parcel and the land.

The City of Berkeley has approved a HUD Section 108 Loan in an amount not to exceed $800,000. The borrower currently anticipates borrowing $435,116 for the project. The loan will have an interest rate of 7% and a term not to exceed 20 years. The loan will be fully amortizing and repayable from the project's commercial income. The City has received a commitment from HUD for the Section 108 funds. As security for the HUD loan, the City has pledged to HUD a future stream of CDBG funds, as well as a subordinate lien position on the commercial condominium parcel. This loan will not be secured on the residential parcel or the land. The Agency Regulatory Agreement will require that the commercial parcel not be leased to tenants whose proposed uses are incompatible with the residential nature of the project.

OTHER FINANCING

This project received a preliminary reservation of nine percent (9%) Federal Tax Credits on June 5, 2003 in the amount of $467,501 annually for 10 years with an applicable percentage of 8.10% for improvements and 3.50% for acquisition.

The project received an award of $286,200 from the Federal Home Loan Bank's Affordable Housing Program in May of 2002. Bank of America will be the lender. The AHP loan will have a term of 30 years and a zero (0%) percent interest rate. The loan is forgivable provided that the Borrower conforms to the AHP regulatory requirements. It will be subordinate to the Agency loans.

The project received a grant from the State of California Supportive Housing Initiative Act ("SHIA") in the amount of $367,110 for supportive services for this project from September 2002 until June 2005, as part of an application submitted by Alameda County. Unspent service dollars from the start of the grant period in 2002 may be used, provided that a modified service plan and budget are submitted to Alameda County for submission to the Department of Mental Health (DMH) SHIA staff. The Agency will require DMH SHIA staff approval of a modified SHIA service plan and budget as a condition of our permanent loan.

The City of Berkeley provides funding for these types of services at other housing developments from CDBG funds. City staff indicated that they would be receptive to a request for supportive services funding in 2005 when the SHIA funding ends.

PROJECT-BASED SECTION 8 ASSISTANCE VOUCHERS - HOUSING ASSISTANCE PAYMENT ("HAP") CONTRACT

The Housing Authority of the City of Berkeley (PHA) allocated 14 project-based Section 8 Vouchers to this project on February 6, 2001. The commitment is for ten years with an option to renew. The commitment is subject to annual appropriations. The Borrower must choose tenants from persons identified as disabled from the PHA's waiting list. At construction loan closing, the PHA will issue an Agreement to enter into a Housing Assistance Payment (HAP) contract which will establish the rental rates. The HAP contract will be executed at permanent loan closing.

The Borrower has requested three additional project-based vouchers for this property and the City has requested a site and neighborhood review from HUD in connection with this request. This request will be voted upon by the PHA on July 15, 2003. The borrower will be required to choose tenants for these three units from the PHA's waiting list, but will not be limited to choosing persons identified as handicapped.

CalHFA loan terms and conditions will be modified in the event that the rents established for the Section 8 voucher units are lower than the Fair Market Rents (FMR's) used for this final commitment, or in the event that the City does not award the three additional Section 8 Assistance Vouchers to the project.

CalHFA will require an assignment of the HAP contract and a pledge of rents from the borrower. The borrower will be required to seek and accept any renewals of the HAP contract for the term of the Agency loans.

CalHFA will require a transition reserve for this property. In the event that it is not needed to transition the property from Section 8 to restricted rents, the reserve will convert to an all-purpose reserve and will remain an asset of the property for the term of the CalHFA loans.

PROJECT DESCRIPTION

Project Location

- The project is located at 1719-1725 University Avenue in Berkeley California.
- University Avenue is a major artery in Berkeley,beginning in the Marina in the west and terminating at the University of California Berkeley campus in the east.
- The project is eight blocks from the University of California, and 1.5 miles from the freeway. It is eight blocks from downtown Berkeley.
- The site is bounded by residential uses to the rear, by the Flamingo Motel to the east and by a small retail building with a residential unit in the rear to the west. Across the street is a church. The nearest cross street to the project is McGee Avenue.
- University Avenue Area is 65% commercial, 30% residential and 5% industrial. Shopping is available, with most of the shops occupied by local merchants. The typical structure is 45 years old and of wood frame or masonry construction. Many of the buildings do not have on-site parking and are in average or below average condition.

- The site is one block from a bus stop served by several bus lines. It is eight blocks from two different Bart stations (the downtown Berkeley Station and the North Berkeley Station).
- The site is one block from a full service produce and grocery store. It is one-half mile from two different medical centers and a pharmacy. Ohlone Park is one block away from the site and Martin Luther King Park is one-half mile from the site.

Project Site

- The project is located on a level 18,750 square foot, 0.43 acre parcel.
- The project received a conditional use permit to allow for a four (4) story, mixed use development on the site. The City asked the developer to meet with a neighborhood advisory group to reach a consensus on the design of the project. It took 14 months of meetings to arrive at a design compromise. The redesigned building steps down from four stories at University Avenue to two stories at the rear of the project. Every unit had to be individually designed to accommodate the new massing and the materials used on the building façade were significantly upgraded to enhance curb appeal, resulting in an overall increase in the construction budget of $1.2 million dollars or $44,445 per unit. The design process significantly increased the architect's fees.
- There is a vacant commercial building on the site and a parking lot. There is a small, historic cottage on the back of the site which will be moved three blocks down University Avenue to a City-owned vacant lot.
- Both vehicular and pedestrian access will be from University Avenue.

Improvements

- The project will consist of a four (4) story building. The total square footage is 39,879, of which 35,125 square feet is residential and 4,754 square feet is commercial.
- The commercial space is on the ground floor. There are five (5) retail parking spaces and twenty–seven (27) residential parking spaces. The parking area is completely enclosed. A security gate will separate the commercial parking from the residential parking areas. There will also be a maintenance room, a mechanical room, trash rooms, and an entry lobby on the ground floor.
- The top three stories will contain 27 residential units.
- The building will be separated into two separate legal parcels prior to the permanent loan closing. All of the major systems will be separated to accommodate the parcelization, as well as appropriate fire separations between the commercial and residential uses. The Agency will require that the parcelization process be completed as a condition of permanent loan closing, and that appropriate cross easements be created to support both parcels.
- The first floor will be constructed of concrete. The top three floors will be wood frame and stucco. The building will be fully sprinklered. There will be one elevator.
- The building will be built around a large central courtyard on the second floor. A multi-purpose room will be located near the outdoor courtyard. There will be 687 square feet of community space consisting of a community room, a computer work area, and a kitchenette. Additional common areas include the manager's office, an office for counseling services, and the laundry room.

- All of the units will be designed to universal design principles, providing accessibility for persons with a wide range of physical disabilities, including persons in motorized wheel chairs. There will be a central, gas, radiant floor heating system. All bathrooms will have accessible features and grab bars. Sixteen of the bathrooms will have barrier free showers accessible to persons in wheel chairs (roll-in showers).

Unit Mix

No. of Units	No. of Bedrooms	No. of Bathrooms	Unit Square Footage
4	1	1	676-710
7	2	1	880-974
8	2	2	916-946
8	3	2	1,077-1215

Off-site Improvements

- No off site improvements are required.

SPECIAL NEEDS SERVICES

The Borrower has entered into a Memorandum of Understanding with Toolworks, a Bay Area Service Provider, to provide supportive services for the special needs residents of the development. The supportive services will include:

- A staff person who will provide case management and service coordination. In the first year this person will be full time; the staffing may be reduced to one-half time after the program is set up, and depending upon funding availability.
- Individual assessments of services required or desired by the resident.
- Coordination of off-site services including medical referrals, psychiatric services, and job training.
- Direct services by Toolworks if desired by eligible residents, or referrals to off-site services if desired by the resident.
- Independent living services, attendant care, community integration and vocational training if desired by the residents

Toolworks was established in 1975 to provide vocational and support services for people with disabilities. Its focus is training and placing disabled adults in the workplace. It provides living skills and practical help to enable people to live independently. Toolworks has an annual budget of $7.5 million dollars, 70% of which comes from business contract revenues, 25% from fees and 5% from grants. Toolworks operates several businesses which employ over 150 program clients. It provides case management services to an additional 150 clients. This project will be Toolworks' first opportunity to provide site-based services in a residential building.

Relocation

- No relocation is required.

MARKET

Market Overview

The City of Berkeley is the Primary Market Area. The City is built out. There is little vacant land for new development. The current population is 106,300. The average household income is $87,849. There are 45,666 households in the City. The median resident age in the City is 33.21 years. Fifty-seven percent (57%) of the households are renters, many of whom are students and young renters. The population grew by 0.2% from 1990 to 2000 but is projected to grow by 4% from 2000 to 2010. There are 77,200 jobs in Berkeley with strong future job growth projected.

Housing Demand

- Berkeley has rent control for buildings built before 1981. Rent controlled units that become vacant are decontrolled. Once a vacancy is filled, the unit is re-controlled and subject to rent increase limitations. Only 7% of the rental stock was built after 1981. This project will not be subject to rent control.
- Historical occupancy rates in Berkeley are higher than in other cities in the East Bay because of the impact of the University on the housing supply.
- The average rent in Berkeley decreased from $1,300 to $1,207, a 7.2 % decrease, from 2002 to 2003, and the vacancy rate stayed constant at 4.9%, indicating a weakness in the rental market. Vacancy rates in 2000 were at 2%.
- There are three developments, with 99 units, available for special needs residents. The average occupancy in these buildings is 99%.
- Rental concessions are currently not being offered in Berkeley.

Housing Comparison

- There are no new market rate housing developments planned or under construction in Berkeley.
- Most of the existing housing stock is in older, smaller buildings with fewer amenities and less parking.

PROJECT FEASIBILITY

Market rate rents for comparable properties average $1,400 for a one-bedroom unit; $1,800 for a two-bedroom unit; and $2,200 for a three-bedroom unit. The market rents in Berkeley are substantially higher than the Alameda County Fair Market Rents (FMR's). The Section 8 rent levels for the 17 voucher units will be set at the lower of market rent or the FMR's.

Rent Differentials (Market versus Restricted)

Unit Type	Subject Rents	Market Rate Average (Comparable Properties)	$ Difference	% of Market	HUD Fair Market Rents
One Bedroom		**$ 1,400**			**$1,176**
17%	$226		$1,174	16%	
30%	$422		$978	30%	
Two Bedroom		**$1,800**			**$1,475**
30%	$505		$1,295	28%	
50% CalHFA	$826		$974	46%	
50% TCAC	$865		$935	48%	
60%	$1,046		$754	58%	
Three Bedroom		**$2,200**			**$2,025**
50% CalHFA	$912		$1,288	41%	
50% TCAC	$995		$1,205	45%	
60%	$1,204		$996	55%	

Estimated Lease-up Period

- The lease up time, if the property were being leased at market rents, would be approximately six (6) months.
- The lease up time for the nine rent restricted units is approximately two (2) months.
- The lease up time for the 17 voucher units is approximately two (2) months, but can be longer depending upon the difficulty incurred by selecting tenants from the PHA waiting lists. The PHA will pay the rent for the first two months the unit is vacant.

OCCUPANCY RESTRICTIONS

CalHFA 40% of the units (10) will be restricted at 50% or less of AMI and 40% of the units will be restricted to persons with a diagnosed disability. (These may be the same units).

The CalHFA Regulatory Agreement will be for a term of 30 years.

City 20% of the units (6) will be restricted at 30% or less of the AMI for a term of 30 years. As a condition of zoning approvals, three units (3) will be restricted to households with incomes at or below 50% of the AMI. These units are to be disbursed throughout the property.

TCAC

100% of the units (26) will be restricted for a term of 55 years. 30% of the units (8) will be restricted at 30% of AMI or lower. 50% of the units (13) will be restricted to 50% of AMI. 20% of the units (5) will be restricted to 60% of AMI.

The TCAC award was based upon the property reserving 53% of the units (14) for special needs residents who have been diagnosed with HIV/AIDS, are homeless, have a diagnosed physical disability or mental disability, or have a diagnosed developmental disability. The TCAC regulatory agreement will require that the borrower provide social services to the special needs residents for a minimum of ten years, as well as providing after school programs and ESL programs for all residents at the site.

HOPWA

Two units (2) will be restricted at 17% or less of AMI for a term of 30 years. These two units will be reserved for 30 years for persons diagnosed with HIV/AIDS...

AHP

81% of the units (21) will be restricted to 50% of AMI or lower.

SHIA

The SHIA grant is targeted to special needs households who, on average, should be at or below the federal poverty level. ("Average" refers to all of the special needs households in the multi-agency SHIA grant application submitted by Alameda County in 2001 and is not project specific).

ENVIRONMENTAL

A Phase I Environmental Assessment report was completed on November 29, 1999, and updated on May 3, 2003. Lead paint, asbestos and mold growth were identified in a building on site which is scheduled to be demolished. As a condition of permanent loan closing, the borrower will be required to develop a demolition and removal plan for the toxics, and provide a certification from a licensed toxics removal contractor that the asbestos, lead paint and mold was removed in accordance with the plan, ASTM and other applicable environmental standards, and local ordinances.

The Agency asked for further investigation to support the Phase I contractor's opinion that a gas station permitted for the site in 1922 was never built, and also that the current use, a paint store, operated in such a manner as to not raise environmental concerns. Additional historical information was supplied on June 18, 2003 in an update which provided additional support for the conclusions in the original Phase I report. No further investigation or remedial action is required.

A seismic evaluation was completed on April 28, 2003. The development meets the minimum standards.

The Borrower has requested an earthquake insurance waiver and a review of this request is underway. If the waiver is denied, the Agency First Mortgage loan amount will be decreased so that the earthquake insurance premium can be paid.

ARTICLE XXXIV

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

DEVELOPMENT TEAM

Borrower

UNA Associates, L.P., Ownership Entity
UNA Associates, LP is a California limited partnership that was formed on June 15, 2000 to be the owner and operator of the University Neighborhood Apartments project. UNA Associates, LP has two general partners, Affordable Housing Associates (AHA), the Managing General Partner, and Hearth Homes, the Administrative Partner. AHA has the majority ownership and ultimate responsibility over all aspects of the project development. Hearth Homes has a minority ownership stake and has acted as the administrative partner during the development of UNA. The two partners entered into a Memorandum of Understanding (MOU) at the beginning of the development process. The Agency will require that the MOU be revised to reflect the above-described roles and responsibilities as a condition of this final commitment.

Affordable Housing Associates – Managing General Partner
Affordable Housing Associates (AHA) is a California non-profit housing corporation. It has over ten years experience developing affordable housing projects in Alameda and Contra Costa County. AHA has developed 14 projects, for a total of 351 units. AHA has one project currently under construction, the rehabilitation of a 32-unit apartment building in East Oakland, and another seven projects in the development pipeline totaling an additional 328 units of housing over the next three years. AHA manages 13 of the 14 projects they have developed. All of the new projects under development, except for University Neighborhood Associates, will be managed by AHA. AHA, in addition to the development and management of affordable housing projects, has also operated an in-house construction and rehab crew since its inception. This is AHA's first new construction project with the Agency. AHA financed Hookston Manor, a rehabilitation project in Pleasanton, with the Agency.

Hearth Homes- Administrative Partner
Hearth Homes is a new, non-profit housing development corporation whose mission is supportive housing development for persons with disabilities. This project is its first development project. Hearth Homes has taken the lead on several aspects of the project, with significant oversight from AHA. It contributed its knowledge of Universal Design Principles; it selected the service provider; it raised funds; and it handled community outreach to neighbors of the UNA project.

Management Agent

Mid Peninsula Management Corporation
Mid-Pen Housing Management Corporation (MPHMC) was formed in 1970. It manages 74 housing developments owned by Mid-Pen Housing Coalition ranging in size from 10 units to sites over 220 units, with a total of over 4,500 units, and over 12,500 residents. MPHMC manages ten (10) special needs developments.

MPHMC also operates as a third party property manager. It currently manages six housing developments that are owned by other entities. MPHMC has a property supervisor in the East Bay who will be responsible for this project. MPHMC managed AHA's first new construction project, Shattuck Senior Homes, during its rent-up, marketing, and stabilization phases. The management reverted to AHA in its third year of operation. MPHMC has extensive experience working with CalHFA.

Architect

Kava Massih Architects
Kava Massih Architects was formed in 1996 by principals, Kava Massih, Gerry Tierney, and Jerry Mastora. Each principal brought twenty-four years of experience to the firm. KMA has designed sixty (60) mixed-use, residential, commercial, public, and private buildings. KMA has designed two of AHA's affordable housing developments, the award-winning Shattuck Senior Homes and Adeline Lofts. KMA has designed eight other affordable housing developments for other developers in the Bay Area. In their previous practice, both Gerry Tierney and Kava Massih have designed a total of four CalHFA projects.

Contractor

JH Fitzmaurice
JH Fitzmaurice (JHF) is one of the Bay Area's oldest general contractor firms. Established in 1922, JHF has provided construction services to a range of public and private owners. JHF has complete over 95 projects for a variety of uses, including hospitals, public schools, private buildings, multifamily developments, civil projects, commercial buildings, and tenant improvements. JHF built AHA's Adeline Lofts project, a 38-unit industrial reuse development. In addition to Adeline Lofts, JHF has built, or is currently building over 18 other affordable housing projects. They recently completed International Boulevard Phase II in Oakland, which was financed by CalHFA.

Project Summary

University Neighborhood Apartments

Date: 24-Jun-03

Project Profile:

Project:	University Neighborhood Apartments	*Appraiser:*	Mike Webster, MAI
Location:	1719-1725 University Avenue		Webster & Company
	Berkeley 94702	*Cap Rate:*	7.50%
County:	Alameda	*Sales Value*	$ 5,100,000
Borrower:	UNA Associates, L.P.	*Income*	$ 5,250,000
GP:	Affordable Housing Associates	*Final Value:*	$ 5,200,000
LP:	TBD	*Commercial Value*	$ 880,000
Source:	HAT Funds	***LTC/LTV:***	
Program:	Family/Special Needs	*Loan/Cost*	33.9%
CalHFA #:	00019N	*A& B Loans/Value*	66.5%

Project Description:

Units	27
Handicap Units	27
Bldge Type	new construction
Buildings	1
Stories	2., 3 & 4
Gross Sq Ft	38,979
Land Sq Ft	18,750
Units/Acre	63
Total Parking	32
Covered Parking	32
Commerical Sq Ft	4,754
Residential Sq Ft	35,125

Financing Summary:

	Amount	Per Unit	Rate	Term
CalHFA First Mortgage (HAT)	$1,940,000	$71,852	3.00%	30
CalHFA Second Mortgage (HAT)	$1,520,000	$56,296	3.00%	10
City of Berkeley	$1,903,000	$70,481	6.00%	32
Section 108 - City/HUD	$435,116	$16,115	7.00%	20
County of Alameda HOPWA	$80,000	$2,963	3.00%	32
AHP	$286,200	$10,600	0.00%	32
Deferred Developer Equity	$117,466	$4,351		
9% Tax Credit Equity	$3,918,105	$145,115		

Unit Mix:

Type	Manager		17% AMI		30% AMI		50% AMI		60% AMI		Total
	number	rent	number	rent*	number	rent*	number	rent*	number	rent*	
1 bedroom			2	$226	2	422					4
2 bedroom	1				4	505	5	$826			10
2 bedroom							3	$865	2	$1,046	5
3 bedroom							3	$912	3	$1,204	6
3 bedroom							2	$995			2
subtotal	1		2		6		13		5		
											27

*The First Mortgage is underwritten to the restricted rents above.

**The project has 17 project based Section 8 Vouchers. The Second Mortgage is underwritten to this income stream

Fees, Escrows, and Reserves:

Fees	**Basis of Requirements**		**Amount**	**Security**
Loan fees	1.00%	CalHFA A & B Loans	$34,600	Cash
Escrows				
Inspection fee	$1,500	Per month	$21,000	Cash
Construction Defect	2.50%	Construction Costs	$144,662	LOC
Reserves				
Operating Expense Reserve	10.00%	First Year Gross Income	$43,182	Cash
Social Services Reserve			$100,000	Cash
Transition/All Purpose Reserve			$174,000	Cash
Annual Replacement Reserve Deposit	$350	Per Unit	$9,450	Cash Flow

Sources and Uses

University Neighborhood Apartments

SOURCES: Name of Lender / Source	Total Amount	Commercial Amount	Residential Amount	Dollars per Residential Unit	Percent of Residential Sources
CalHFA First Mortgage (HAT)	1,940,000	0	1,940,000	71,852	20.76%
CalHFA Second Mortgage (HAT)	1,520,000	0	1,520,000	56,296	16.27%
City of Berkeley	1,903,000	0	1,903,000	70,481	20.37%
Section 108 - City/HUD	435,116	435,116	0	-	0.00%
County of Alameda HOPWA	80,000	0	80,000	2,963	0.86%
Deferred Costs	0	0	0	-	0.00%
AHP	286,200	0	286,200	10,600	3.06%
Total Institutional Financing	**6,164,316**	**435,116**	**5,729,200**	**212,193**	**61.31%**
Equity Financing					
Deferred Developer Equity	117,466	0	117,466	4,351	1.26%
Tax Credit Equity	3,918,105	420,589	3,497,516	129,538	37.43%
Total Equity Financing	**4,035,571**	**420,589**	**3,614,982**	**133,888**	**38.69%**
TOTAL SOURCES	**10,199,887**	**855,705**	**9,344,182**	**346,081**	**100.00%**

USES:	Total Amount	Commercial Amount	Residential Amount	Dollars per Residential Unit	Percent of Residential Sources
Acquisition	1,102,937	0	1,102,937	40,850	11.80%
Rehabilitation	0	0	0	0	0.00%
New Construction	6,043,081	597,502	5,445,579	201,688	58.28%
Architectural Fees	532,717	52,672	480,045	17,779	5.14%
Survey and Engineering	19,000	1,998	17,002	630	0.18%
Const. Loan Interest & Fees	411,958	35,165	376,793	13,955	4.03%
Permanent Financing	91,865	13,237	78,628	2,912	0.84%
Legal Fees	55,000	2,472	52,528	1,945	0.56%
Reserves	318,567	0	318,567	11,799	3.41%
Contract Costs	18,000	1,780	16,220	601	0.17%
Construction Contingency	378,302	37,404	340,898	12,626	3.65%
Local Fees	185,000	18,292	166,708	6,174	1.78%
TCAC/Other Costs	253,707	20,064	233,643	8,653	2.50%
PROJECT COSTS	**9,410,134**	**780,585**	**8,629,549**	**319,613**	**92.35%**
Developer Overhead/Profit	759,753	75,120	684,633	25,357	7.33%
Consultant Fees	30,000	0	30,000	1,111	0.32%
TOTAL USES	**10,199,887**	**855,705**	**9,344,182**	**346,081**	**100.00%**

Annual Operating Budget

University Neighborhood Apartments

		% of total	$ per unit
INCOME:			
Total Rental Income	429,123	99.4%	15,893
Laundry	2,700	0.6%	100
Commercial/Retail	0	0.0%	0
Gross Potential Income (GPI)	**431,823**	**100.0%**	**15,993**
Less:			
Vacancy Loss	17,921	4.2%	664
Total Net Revenue	**413,902**	**95.8%**	**15,330**
EXPENSES:			
Payroll	29,387	7.6%	1,088
Administrative	24,320	6.3%	901
Utilities	22,360	5.8%	828
Operating and Maintenance	15,860	4.1%	587
Insurance and Business Taxes	10,000	2.6%	370
Taxes and Assessments	0	0.0%	-
Reserve for Replacement Deposits	9,450	2.5%	350
Subtotal Operating Expenses	**111,377**	**28.9%**	**4,125**
Financial Expenses			
Mortgage Payments (1st loan)	98,149	25.5%	3,635
Mortgage Payments (2st loan)	176,127	45.7%	6,523
Total Financial	**274,276**	**71.1%**	**10,158**
Total Project Expenses	**385,653**	**100.0%**	**14,283**

Cash Flow **University Neighborhood Apartments** **CalHFA # 00019N**

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Section 8 Increment Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Section 8 Increment	183,494	187,164	190,907	194,725	198,620	202,592	206,644	210,777
Affordable Rent Increase/Section								
Affordable Rents/Section 8 units								
Affordable Rent Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Affordable Rents	245,629	250,542	255,553	260,664	265,877	271,194	276,618	282,151
TOTAL RENTAL INCOME	**429,123**	**437,705**	**446,460**	**455,389**	**464,497**	**473,786**	**483,262**	**492,927**
OTHER INCOME								
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	2,700	2,768	2,837	2,908	2,980	3,055	3,131	3,209
Other Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	**2,700**	**2,768**	**2,837**	**2,907.60**	**2,980**	**3,055**	**3,131**	**3,209**
GROSS INCOME	**431,823**	**440,473**	**449,296**	**458,296**	**467,477**	**476,841**	**486,393**	**496,137**
Vacancy Rate : Section 8	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	17,921	18,280	18,647	19,020	19,401	19,790	20,187	20,591
EFFECTIVE GROSS INCOME	**413,902**	**422,193**	**430,650**	**439,276**	**448,075**	**457,051**	**466,207**	**475,546**
OPERATING EXPENSES								
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	101,927	106,004	110,244	114,654	119,240	124,010	128,970	134,129
Replacement Reserve	9,450	9,450	9,450	9,450	9,450	9,923	9,923	9,923
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*0.02*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	0	0	0	-	0	0	0	0
TOTAL EXPENSES	**111,377**	**115,454**	**119,694**	**124,104**	**128,690**	**133,932**	**138,893**	**144,051**
NET OPERATING INCOME	**302,525**	**306,739**	**310,955**	**315,172**	**319,385**	**323,119**	**327,314**	**331,494**
DEBT SERVICE								
CalHFA - 1st Mortgage	98,149	98,149	98,149	98,149	98,149	98,149	98,149	98,149
CalHFA - 2nd Mortgage	176,127	176,127	176,127	176,127	176,127	176,127	176,127	176,127
CASH FLOW after debt service	**28,249**	**32,462**	**36,679**	**40,896**	**45,109**	**48,843**	**53,038**	**57,218**
DEBT COVERAGE RATIO	**1.10**	**1.12**	**1.13**	**1.15**	**1.16**	**1.18**	**1.19**	**1.21**

Cash Flow

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year
Section 8 Increment Increase								
Section 8 Increment								
Affordable Rent Increase/Section								
Affordable Rents/Section 8 units								
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50*
Affordable Rents	285,592	292,732	300,050	307,551	315,240	323,121	331,199	339,47
TOTAL RENTAL INCOME	**285,592**	**292,732**	**300,050**	**307,551**	**315,240**	**323,121**	**331,199**	**339,47**
OTHER INCOME								
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50*
Laundry	3,456	3,543	3,631	3,722	3,815	3,910	4,008	4,10
Other Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N
TOTAL OTHER INCOME	**3,456**	**3,543**	**3,631**	**3,722**	**3,815**	**3,910**	**4,008**	**4,10**
GROSS INCOME	**289,048**	**296,274**	**303,681**	**311,273**	**319,055**	**327,032**	**335,207**	**343,58**
Vacancy Rate : Section 8								
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00*
Less: Vacancy Loss	14,452	14,814	15,184	15,564	15,953	16,352	16,760	17,17
EFFECTIVE GROSS INCOME	**274,596**	**281,461**	**288,497**	**295,710**	**303,102**	**310,680**	**318,447**	**326,40**
OPERATING EXPENSES								
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00*
Expenses	150,877	156,912	163,188	169,716	176,505	183,565	190,907	198,54
Replacement Reserve	10,419	10,419	10,419	10,419	10,419	10,940	10,940	10,94
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	
TOTAL EXPENSES	**161,295**	**167,331**	**173,607**	**180,135**	**186,923**	**194,504**	**201,847**	**209,48**
NET OPERATING INCOME	**113,300**	**114,130**	**114,890**	**115,575**	**116,179**	**116,176**	**116,600**	**116,92**
DEBT SERVICE								
CalHFA - 1st Mortgage	98,149	98,149	98,149	98,149	98,149	98,149	98,149	98,14
CalHFA - 2nd Mortgage								
CASH FLOW after debt service	**15,151**	**15,981**	**16,741**	**17,426**	**18,030**	**18,026**	**18,451**	**18,77**
DEBT COVERAGE RATIO	**1.15**	**1.16**	**1.17**	**1.18**	**1.18**	**1.18**	**1.19**	**1.1**

Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28
Section 8 Increment Increase								
Section 8 Increment								
Affordable Rent Increase/Section								
Affordable Rents/Section 8 units								
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	365,582	374,721	384,089	393,692	403,534	413,622	423,963	434,562
TOTAL RENTAL INCOME	**365,582**	**374,721**	**384,089**	**393,692**	**403,534**	**413,622**	**423,963**	**434,562**
OTHER INCOME								
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	4,424	4,535	4,648	4,764	4,884	5,006	5,131	5,259
Other Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	**4,424**	**4,535**	**4,648**	**4,764**	**4,884**	**5,006**	**5,131**	**5,259**
GROSS INCOME	**370,006**	**379,256**	**388,738**	**398,456**	**408,418**	**418,628**	**429,094**	**439,821**
Vacancy Rate : Section 8								
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	18,500	18,963	19,437	19,923	20,421	20,931	21,455	21,991
EFFECTIVE GROSS INCOME	**351,506**	**360,294**	**369,301**	**378,533**	**387,997**	**397,697**	**407,639**	**417,830**
OPERATING EXPENSES								
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	223,335	232,268	241,559	251,221	261,270	271,721	282,590	293,893
Replacement Reserve	11,487	11,487	11,487	11,487	11,487	12,061	12,061	12,061
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	**234,821**	**243,755**	**253,045**	**262,708**	**272,756**	**283,782**	**294,650**	**305,954**
NET OPERATING INCOME	**116,685**	**116,539**	**116,256**	**115,826**	**115,240**	**113,915**	**112,989**	**111,876**
DEBT SERVICE								
CalHFA - 1st Mortgage	98,149	98,149	98,149	98,149	98,149	98,149	98,149	98,149
CalHFA - 2nd Mortgage								
CASH FLOW after debt service	**18,535**	**18,390**	**18,106**	**17,676**	**17,091**	**15,766**	**14,839**	**13,727**
DEBT COVERAGE RATIO	**1.19**	**1.19**	**1.18**	**1.18**	**1.17**	**1.16**	**1.15**	**1.14**


University Avenue
227
1719-1725 University Avenue
Berkeley, Alameda County
Lincoln
Cloverdale
Citrus Heights
Fair Oaks
Sacramento
Davis
Dixon
Elk Grove
Santa Rosa
Rohnert Park
Sonoma
Napa
Vacaville
Fairfield
Petaluma
Novato
Vallejo
Martinez
San Rafael
Richmond
Stockton
Walnut Creek
Brentwood
Berkeley
Danville
San Joaquin River
San Francisco
Alameda
San Leandro
Livermore
Union City
Burlingame
Fremont
Redwood City
Palo Alto
Milpitas
Mountain View
Sunnyvale
Santa Clara
San Jose
Los Gatos
Boulder Creek
Morgan Hill
Santa Cruz
Watsonville
Hollister
Salinas
Monterey
Seaside
Putah Creek
Lake Berryessa
Tomales Bay
Suisun Slough
Scale 1 : 1,100,000
1" = 17.4 mi

THIS PAGE
INTENTIONALLY
LEFT BLANK

University Avenue

229

THIS PAGE
INTENTIONALLY
LEFT BLANK

RESOLUTION 03-32

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from UNA Associates, L.P., a California limited partnership (the "Borrower") seeking a loan commitment under the Agency's Taxable Loan Program in the amount described herein, the proceeds of which are to be used to provide a loan for a development to be known as University Neighborhood Apartments (the "Development"); and

WHEREAS, the application from the Borrower has requested that the Agency make the loan to UNA Associates, L.P., under the Agency's Taxable Loan Program for the Development; and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated June 24, 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 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 CalHFA Staff Report, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNT
00-019-N	University Neighborhood Apartments Berkeley/Alameda	27	
		Permanent First Mortgage:	$1,940,000
		Permanent Second Mortgage:	$1,520,000

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 the Board for approval. "Material modifications" as used herein means modifications which, 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 way.

I hereby certify that this is a true and correct copy of Resolution 03-32 adopted at a duly constituted meeting of the Board of the Agency held on July 10, 2003, at Sacramento, California.

ATTEST: ______________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Housing Alliance
Castro Valley, Alameda County, CA
CalHFA # 00-034-N & # 00-034-L

This is a final commitment request. Security for the loans will be the land and improvements located at 22198-22200 Center Street in the unincorporated area of Castro Valley in Alameda County. The property will be owned by a limited partnership, which is to be formed. There will be two non-profit Co-General Partners, Alameda County Allied Housing Program and Resources for Community Development. The limited equity partner has not yet been identified.

The Housing Alliance project is a 28-unit, new construction, family project. Twenty-seven of the units will be reserved for homeless and disabled households. Supportive services will be provided to enable the residents to live independently. All of the units will be subsidized with a combination of 10 year, Section 8 Project Based Assistance Vouchers and Shelter Plus Care Subsidies. The project is being submitted to CDLAC in the third round for an allocation of tax exempt bonds.

LOAN TERMS

Loan to Lender

Loan Amount	$5,600,000
Interest Rate	3.00 %, fixed
Term	24 Months, interest only
Financing	Tax-exempt

Permanent

First Mortgage	$680,000
Interest Rate	1.00%
Term	25 year fixed, fully amortized
Financing	Tax-exempt
Second Mortgage	$1,570,000
Interest Rate	1.00 %
Term	10 year fixed, fully amortized
Financing	Tax-Exempt

SPECIAL NEEDS LOAN TERMS

The Agency will make a reduced rate 25 year First Mortgage loan, and a 10 year reduced rate Second Mortgage Loan. Over the life of the loans, the Agency will transfer semiannually from FAF savings amounts equal to the difference in loan interest between the borrower's 1% interest rate and our current interest rate of 5.25%. The estimated present value of this interest rate subsidy is $518,308. Using FAF savings is consistent with our agreement with HUD to use federal funds to provide deeper levels of affordability.

LOCALITY INVOLVEMENT

This project has received $2,745,716 in loan commitments, and $646,196 in grant funding from the County of Alameda and four cities in mid and southern Alameda County (San Leandro, Fremont, Pleasanton and Hayward). The County of Alameda has agreed to be the lead locality lender under a Partnership Participation Agreement between the County, Fremont, Pleasanton, San Leandro and Hayward. All five jurisdictions have agreed to use the same regulatory agreement and to coordinate their loan documentation. The interest rate for all of the loans listed below will be 3% simple interest. All of the loans will be deferred and all will have terms of 59 years. All $646,196 of the CDBG grant funding and $1,100,000 of the County loan funds have been disbursed for the acquisition of the site and predevelopment costs.

Local Jurisdiction	Funding Committed	Interest Rate	Term
Alameda HOME	$1,749,999	3.00%	59
Alameda Trust Fund	$325,717	3.00%	59
Alameda HOPWA	$140,000	3.00%	59
San Leandro & Fremont HOME	$450,000	3.00%	59
Pleasanton HOME	$80,000	3.00%	59
Subtotal Locality Loans	**$2,745,716**		
San Leandro CDBG	$50,000		
Hayward CDBG	$200,000		
Fremont CDBG	$396,196		
Subtotal Locality Grants	**$646,196**		
Total Locality Funding	**$3,391,912**		

All of the locality loans will be subordinate to the Agency Loans.

OTHER FINANCING

The project received $726,360 in HUD Supportive Services Program loan and grant funding that will be administered through the County. It will be used as follows:

- A $400,000 deferred loan to the project. It will have a 3% interest rate, and a term of 59 years.
- A $150,000 grant for project operations that will be disbursed during the first two years of operations at a rate of $75,000 per year.
- A $176,360 grant for site-based supportive services.

The project received a loan commitment from MHP of $1,928,819 for 55 years at an interest rate of 3.00%. Payments are from residual receipts.

The project received an award for a $210,000 AHP loan through Bank of America. The loan will have an interest rate of zero percent (0%) and a term of thirty years. No principal payments will be required provided the borrower complies with the AHP regulatory agreement.

All of the loans will be subordinate to the Agency Loans and Regulatory Agreement.

PROJECT-BASED SECTION 8 ASSISTANCE VOUCHERS and SHELTER PLUS CARE SUBSIDIES

The Housing Authority of the County of Alameda awarded 18 Project-Based Section 8 Assistance Vouchers to this project on January 27, 2003, subject to subsidy layering and site and neighborhood reviews conducted by HUD. The commitment is for ten years with an option to renew. Residents with vouchers will retain them at the end of the contract period even if the contract is terminated. The Housing Assistance Payment (HAP) contract will be subject to annual appropriations and the Borrower must choose tenants from persons identified as homeless and disabled from the Public Housing Authority's waiting list. At construction loan closing, the Housing Authority of the County of Alameda will issue an Agreement to enter into a Housing Assistance Payment (AHAP) contract which will establish the rental rates. The HAP contract will be executed at permanent loan closing.

CalHFA loan terms and conditions may be modified in the event that the rents established for the Section 8 Assistance Voucher units are lower than the Fair Market Rents (FMR's) and/or market rental rates used for this final commitment.

On June 6, 2002, the project received a final commitment for $459,000 in Shelter Plus Care rental subsidies from the Alameda County Housing and Community Development Department. The subsidy is for nine units (9) for a contract term of five years, with a five year renewal option. The borrower will be required to choose tenants for these nine units from the County Shelter Plus Care Waiting list. The rental limits for the Shelter Plus Care Subsidy have been set by the grant amount and are not subject to modification.

CalHFA will require an assignment of the HAP contract, and the Shelter Plus Care Contract and a pledge of rents from both contracts from the borrower. The borrower will be required to seek and accept any renewals of the HAP contract, and the Shelter Plus Care Contract for the term of the Agency loans. CalHFA will require that the HAP contract contain several optional terms favorable to the borrower including two month coverage for vacancies, and an agreement by the Housing Authority to waive termination of the vouchers in the event the unit is vacant for three or more months. CalHFA will require a transition reserve of $200,000 to allow the project to transition from subsidized to restricted rent levels. In the event that the transition reserve is not needed, the reserve shall be maintained as an all purpose reserve for the term of the Agency Loans.

PROJECT DESCRIPTION

Project Location

- The project is located in the "Urban Sector" in the southern portion of the unincorporated Castro Valley area of Alameda County. Castro Valley is 14 miles from San Jose and 14 miles from Oakland. Castro Valley is located on Highway 580 between Highways 880 and 680, and has good access to the regional infrastructure. The site is 1.5 miles from the City of Hayward. Nearby cities include Fremont, Pleasanton, and San Leandro.
- The property is located on the east side of Center Street, approximately 600 feet south of the intersection of Center Street and Grove Way. Center Street is a minor arterial and Grove Way is a major arterial. The site is one-quarter mile from Highway 580 and has good access to 580 via both Grove Street and Foothill Road. It is less than one mile from the core commercial area of Castro Valley which is located along Castro Valley Boulevard.
- Center Street is predominantly multifamily residential, and the surrounding area is primarily single family residential. Most of the buildings were constructed in the 1960's and 1970's and are well maintained. To the north, Center Street becomes commercial in nature.
- The site is less than one mile from the Castro Valley Boulevard commercial area which includes two grocery stores, several drug stores, and several specialty retailers. The Don Castro Regional Park is less than one-half mile from the site and includes a fishing lake, swimming lagoon and a picnic area. The Cull Canyon and Lake Chabot regional parks are three miles from the site. There is an elementary school one mile from the site; a middle school one and one-half miles from the site; and the high school is one and one-third miles from the site.
- The Castro Valley Bart Station is three-quarters of a mile from the site. The Alameda County transit bus operates on Center Street 14 hours a day and provides connections to numerous other bus lines in downtown Hayward.

Site

- The site is 41,081 square feet with 37,354 square feet of net usable land. The site is long, narrow and has 107.25 feet of frontage on Center Street. It slopes down 390 feet from Center Street to San Lorenzo Creek. The 3,727 square feet of the site nearest the creek bed is in a 100 year flood plain and is not buildable. The elevation change from Center Street to San Lorenzo Creek is fifty feet. The elevation from the top to the bottom of the building pad is 20 feet.
- The site was zoned PD - Planned Development on December 6, 2001. The zoning is site-specific. It allows for 28 affordable units, and 42 parking spaces.
- The site is currently vacant.
- Vehicular and pedestrian access will be from Center Street. .

Improvements

- The proposed project will be a new, four (4) story building containing 23,033 gross square feet of rentable space. There will be 28 rental units. The building will be long with narrow street frontage (in keeping with the site). The slope of the site results in five floors, with a maximum of four floors at any elevation, and added significantly to the cost of the development. The architectural design is contemporary, with an exterior walkway and deck system, stucco exterior siding with an alternating color scheme, and a flat roof with parapet facade. The building's orientation, along with single-loaded corridor design, includes a southern exposure for a majority of the residential units. The driveway and parking are along the south side of the building, and run the length of the site.

- The building will be a wood framed structure with stucco siding. There will be one elevator and three exit stairways. The building will be fully sprinklered.
- The foundation will be reinforced concrete slab over a gravel base. There will be an open basement area running half of the length of the building which will be used as a carport. To make the basement area seismically secure the structure will be strengthened with steal beams.
- The complex will have a 6' security fence with pass-card gate access and pass-card vehicular access. There will be an intercom connecting the main entrance to the units. There will be 42 parking spaces. Thirty-three (33) of the spaces are open and nine (9) are covered. Two (2) are handicap accessible. The parking ratio is 1.5 spaces per unit.
- The property manager's office, offices for supportive service staff, and a community meeting room will be located on the ground floor on the front or west side of the building. At the back of the site, there will be a laundry room, a larger community room, a central courtyard and children's play area. The larger community room will be used for educational and after-school programs.
- All 28 units will be "universally designed" and will be adaptable and accessible to disabled persons. Each unit will have wall-to-wall carpeting and vinyl flooring in the kitchens and bathrooms. The three bedroom units will have dishwashers. The heating will be a gas hydronic system.

Unit Mix:

No. of Units	No. of Bedrooms	No. of Bathrooms	Unit Square Footage
9	1	1	642
13	2	1	807
6	3	2	1,128

Off-site improvements

- No off site improvements are required.

SPECIAL NEEDS SERVICES

Target Population: The project will serve the housing and service needs of homeless, formerly homeless and handicapped households from mid- and southern-Alameda County.

- Nine (9) households where at least one adult is diagnosed history of chronic mental illness, chronic substance abuse, and/or HIV/AIDS.
- Seven (7) homeless or formerly homeless households. At least one adult in these households will have a diagnosed disability.
- Eleven (11) very low income homeless and formerly homeless households.

Social Service Agency: The Tri-City Homeless Coalition (TCHC) will be the lead social service agency. It was founded in 1989 and is based in Fremont. TCHC's mission is to provide shelter and comprehensive supportive services to homeless families on a 24-hour-a-day basis. They provide supportive services for families transitioning from homelessness into permanent housing.

Service Staff Structure: TCHC will employ a full-time resident services coordinator and a part time children's program coordinator. The resident services coordinator will provide case management, counseling, referrals, benefits advocacy, and crisis intervention assistance for the residents in addition to overall program coordination.

Households in the Shelter Plus Care program will have a designated case manager through the Alameda County RISE Program. Clients will receive on and off-site mental health, independent living, and substance abuse counseling services.

Services: On-site and off-site services will be developed depending on the individual needs of the resident. Partners in the service's collaborative will include providers of mental and physical health care, day care, life skills development, parenting classes, and substance abuse recovery services.

The following services will be offered to residents depending upon their individual services plan.

- Mobile mental health services provided by Health Care for the Homeless
- OB/GYN services provided by Tri-City Health Care
- Health care services provided by Eden Health Clinic
- Life Skills Development provided by TCHC
- Continuing mental health care provided by Eden Mental Health Services and the Department of Behavioral Health off site
- HIV/AIDS Services provided off site by Tri-City Health Center
- Youth activities provided on-site
- Activities for teens provided off-site by Hayward Area Recreational Department
- Child Care Services provided off site by Tri Cities Children's Center
- Drug treatment and rehabilitation services provided off-site
- Job training, job counseling and job placement provided off-site by Mission Valley ROP and One Stop Career Planning
- Homeownership counseling provided off-site by the Cities of San Leandro, Hayward and Fremont.

Relocation

- No relocation is required.

MARKET

Market Overview

The Primary Market Area (PMA) for the Housing Alliance project includes Ashland, Castro Valley, Cherryland, Fairview, San Lorenzo and the City of Hayward.

There are 57,292 people in Castro Valley living in 21,606 households. The median income is $79,391. The median age is 34. Household incomes are projected to increase by 11% by the year 2010. Thirty percent (30%) of the households are renters. Population is projected to grow by 8% from 2000 to 2005. Castro Valley is primarily a bedroom community with only .38 local jobs for every worker in Castro Valley. Most residents commute to San Jose, San Francisco and Oakland for employment.

There are 270,861 people in the PMA living in 91,489 households. The median income is $69,167. The median age is 34. Thirty-five percent (35%) of the households are renters. The population increased by 20% from 1990 to 2000 and is projected to increase by 8% from 2000 to 2005. Most residents in the PMA commute to San Jose, San Francisco and Oakland for employment.

Housing Demand

- The vacancy rate in market rate complexes in Castro Valley and Hayward was 1.6 % in 2000. It increased to 5.8% in the first quarter of 2002 and is currently 5.8%.
- Rental rates peaked in the first quarter of 2001 with the average rental at $1,281. Rents fell 11% by the first quarter of 2002. They declined an additional 3% between the third fourth quarters of 2002, and 1% between the fourth quarter of 2002 and the first quarter of 2003. The average rental rate in Castro Valley in the first quarter of 2003 was $1,095.
- There are six affordable housing developments in Hayward with 311 units. They are all 100% occupied. All of the projects have at least a one-year waiting list.
- There is one supportive housing development in the PMA, located in San Leandro. All 26 units are occupied and there are ten families on the waiting list.
- Among current renter households, 8,304 households are income qualified for the units at restricted rent levels. Of those households, 80% are rent burdened.
- There are 2,375 people living with HIV/Aids in the PMA.
- There are 12,000 homeless people in Alameda County.
- There are 12,700 people on the Alameda County Section 8 waiting list. Typically 5% of the households on the list will identify themselves as disabled (approximately 635).

Housing Comparison

- The curb appeal of the development will be comparable to new market rate developments. However, the size of the units and the amenity package compare unfavorably to new market rate developments. The one bedroom unit size is at the low end of the range for market rate units. The two and three bedroom units are smaller than market rate units. The parking ratio is lower than market rate developments. The two bedroom units have only one bathroom, while new market rate complexes offer two bathrooms. Most new market rate properties offer much more attractive amenity packages, including fitness centers, swimming pools, air conditioning and in-unit washers and dryers.
- The property is similar in size and amenities to new affordable properties.
- There are no planned or proposed market rate rental housing projects within a one-mile radius of the site. There are 360 new condominiums planned for Hayward.
- There is one, 16 unit, supportive housing development in construction in San Leandro. It is scheduled to open in 2004. No other supportive housing is planned.

PROJECT FEASIBILITY

Market rate rents for comparable properties average $996 for a one-bedroom unit; $1,135 for a two-bedroom unit, and $1,556 for a three-bedroom unit.

Rent Differentials (Market versus Restricted)

Unit Type	Subject Rents	Market Rate Average (Comparable Properties)	$ Difference	% of Market	Fair Market Rents	Section 8 Rent Assumptions	Shelter Plus Care Rents
One Bedroom		**$ 996**			**$1,176**	**$1,095**	**$885**
20% SMI	$197		$799	20%			
*35% SMI	$352		$664	35%			
50% TCAC	$707		$289	71%			
Two Bedroom		**$1,135**			**$1,475**	**$1,374**	**$1,137**
*35 % SMI	$420		$715	37%			
50% CalHFA	$807		$328	71%			
50% TCAC	$846		$289	75%			
**60% TCAC	$1027		$108	90%			
Three Bedroom		**$1,556**			**$2,025**	**$1,883**	
50% CalHFA	$890		$666	57%			
50% TCAC	$973		$583	63%			
**60% TCAC	$1179			78%			

*The underwriting rents for the 35% SMI units are lower than the restricted rents. These units are also restricted by HUD SHP which requires that tenants in these units pay no more than 30% of their income. Staff assumed that in the worst case scenario tenants will have SSI. A single person in Alameda County receives $757 in SSI and a two person household receives $1,034. Therefore, the underwriting rents for these units are $227 for a one bedroom unit and $310 for a two bedroom unit.

**The underwriting rents for forty percent (40%) or 11 units are restricted to 60% of AMI. However, staff has used 50% rents for all of these units for underwriting purposes. This will allow for a smoother transition in the event that the subsidy contracts are not renewed

All of the units will have subsidies.

Eighteen (18) units will have Section 8 Assistance Vouchers. For this project we have assumed that the HAP contracts will be at market rents, which are lower than the Fair Market Rents for Alameda County. The tenant portion of the rent will be limited to 30% of their income. Residents with vouchers will be able to retain the vouchers at the expiration of the 10 year HAP contract, even if the contract is not renewed.

Nine (9) of the units will be subsidized with a Shelter Plus Care (SPC) grant. The SPC grant is a fixed amount, and can be renewed every five years, subject to appropriations. Staff has assumed one renewal.

Estimated Lease-up Period

Staff projects that the development will be 100% pre-leased because of the subsidized nature of the property. Both the Housing Authority and the Shelter Plus Care program have established waiting lists from which the tenants will be selected. Without subsidies, lease up would take approximately three months. No rent up reserve is required.

OCCUPANCY RESTRICTIONS

CalHFA	40% of the units (11) will be restricted at 50% or less of AMI. 40% of the units (11) will be reserved for special needs households. The borrower also agrees to provide supportive services for the special needs residents. The CalHFA Regulatory Agreement will be for a term of 27 years.
Alameda County HOME & Trust Fund	50% of the units (14) will be restricted at 50% or less of AMI for a term of 59 years. 50% of the units (13) will be restricted at 60% or less of AMI for a term of 59 years.
Pleasanton HOME	49% of the units (13) will be restricted at 50% or less of AMI for a term of 59 years.
Fremont HOME & CDBG	49% of the units (13) will be restricted at 50% or less of AMI for a term of 59 years.
San Leandro HOME & CDBG	49% of the units (13) will be restricted at 50% or less of AMI for a term of 59 years.
Hayward CDBG	49% of the units (13) will be restricted at 50% or less of AMI for a term of 59 years.
Alameda HOPWA	7% of the units (2) of the units will be limited to 20% of State Median Income (SMI) for a term of 59 years. These two units are reserved for persons living with HIV/AIDS.
HUD SHP	25% of the units (7) will be limited to homeless and disabled persons paying 30% of their income for 59 years.
TCAC	100% of the units (27) will be restricted at 60% or less of AMI for a term of 55 years.

HCD/MHP	7% of the units (2) will be limited to 20% of SMI or less for a term of 55 years. 25% of the units (7) will be restricted to 35% of SMI or less for a term of 55 years. 15% of the units (4) will be restricted to 50% of or less of AMI for a period of 55 years.
AHP	60% of the units (16) will be restricted to an average rent of 50% or less of AMI for 30 years

ENVIRONMENTAL

A Phase I Environmental Assessment report was completed on May 28, 2003. The report concludes that there are no adverse environmental conditions that warrant further investigation or remedial action.

A seismic evaluation was completed on February 22, 2002. The development meets the minimum standard. The Borrower has requested an earthquake insurance waiver, and a review of this request is underway. If the waiver is denied, the loan amount may decrease so that the earthquake insurance premium can be paid.

ARTICLE XXXIV

A satisfactory opinion letter will be required prior to construction loan funding.

DEVELOPMENT TEAM

Borrower

Resources for Community Development (Managing General Partner)

Founded in 1984, Resources for Community Development (RCD) is a nonprofit housing development corporation. RCD has developed 836 affordable housing units and emergency shelter beds in the cities of Albany, Berkeley, Oakland, Emeryville, Alameda, Hayward, Concord, Antioch, Pacheco, and Bay Point.

RCD's developments serve very low and low income households and special needs residents, including the homeless, people with disabilities, survivors of domestic violence, the frail elderly, and people living with HIV/AIDS. RCD owns and operates the majority of its housing developments and contracts with local firms to provide day-to-day property management services. In supportive housing developments, RCD works with one or more community-based service providers to provide residents the unique and specialized social services they require.

As RCD's portfolio has grown, it has expanded the supportive services it offers to residents to include art programming, tenant empowerment programs, and job creation efforts. RCD has developed several properties with CalHFA financing including University Avenue Cooperative Homes, Creekside Apartments, and International Boulevard Phase II.

Alameda County Allied Housing Program (Co-General Partner)

Allied Housing, Inc. is a non-profit 501(c) (3) supportive housing developer. It was incorporated in 1994. To date, it has completed the acquisition/rehabilitation of a 9-unit affordable housing development and the acquisition/rehabilitation of a 16-bed homeless shelter, both in the City of Livermore. This project was initiated by Allied Housing and it has taken primarily responsibility for developing it in consultation with RCD.

Since its inception, Allied Housing has taken on a number of initiatives to meet the needs of very low-income residents. These include:

- A First-time Home Buyers Program for low-income homebuyers.
- Leasing and service coordination for the Alameda County Housing/Jobs Linkages Program, which provides rent subsidy, case management, and employment services to individuals coming out of homeless shelters. To date, 250 clients have been placed in subsidized housing. In 1999, HUD honored the Linkages program with a National Best Practices Nomination.
- A Housing Scholarship Program in the Tri-Valley region of Alameda County, which provides housing support to low-income individuals and families that are enrolled in job training programs.

Management Agent

John Stewart Company

Founded in 1978, John Stewart Company is a leading, full-service housing management, development and consulting organization employing nearly 600 people in California. It has a diverse portfolio of more than 120 housing developments with 10,000 living units, primarily in Northern California, that consist of both third party management relationships as well as properties it owns. It is currently managing 18 developments owned by RCD,through third party management contracts. It manages many properties that have CalHFA financing, two of which are special needs properties, International Boulevard Phase II in Oakland, and the ARC of San Francisco in San Francisco.

Architect

Jacobson, Silverstein, Winslow/Degenhardt Architects

The firm of Jacob, Silverstein, Winslow, and Degenhardt Architects was formed in 1974. It has designed 400 residential and commercial development projects. It has extensive experience working with affordable housing and issues related to accessibility. It has designed nine (9) affordable housing projects, and has six affordable housing developments in design development. One of the partners, Barbara Winslow, authors a publication called Design for Independent Living that examines issues related to creating accessible environments for the physically disabled.

JSW/D's designs have been published in leading architectural magazines.. JSW/D has won the City of San Leandro Residential Design Award in 1994; the Adaptive Reuse Design Award from Berkeley Design Advocates; a HUD Certificate of National Merit and a National Co-Op Award for Planning and Design.

Contractor

Oliver and Company

Oliver and Company was originally formed in 1946. It has built nine major affordable housing developments in the past ten years, including several RCD projects. It has also built numerous commercial projects, schools, theatres, laboratories, dorms, and religious and medical facilities. Over 70% of Oliver and Company's work is for not-for-profit groups. Oliver and Company's bonding capacity is over $20 Million.

Project Summary

Date: 24-Jun-03

Project Profile:

Project:	Housing Alliance	*Appraiser:*	Jeffrey W. Fillmore, MAI
Location:	22198-22200 Center Street	*Appraisal Group*	The Fillmore Group
	Castro Valley	*Cap Rate:*	6.50%
County:	Alameda 94546	*Market:*	$ 3,640,000
Borrower:	Allied Housing & RCD	*Income:*	$ 3,300,000
GP:	Allied Housing	*Final Value:*	$ 3,500,000
GP:	Resources for Community Development		
LP:	TBD	***LTC/LTV:***	
Program:	Tax-Exempt Special Needs	*A & B Loans/Cost*	21.3%
CalHFA #:	00034N & 00034L	*A & B Loans/Value*	64%

Project Description:

Units	28
Handicap Units	27
Bldge Type	New Construction
Buildings	1
Stories	4
Gross Sq Ft	30,500
Land Sq Ft	41,081
Units/Acre	30
Total Parking	42
Covered Parking	9

Financing Summary:

	Amount	Per Unit	Rate	Term
CalHFA First Mortgage	$680,000	$24,286	1.00%	25
CalHFA Second Mortgage	$1,570,000	$56,071	1.00%	10
HCD/MHP	$1,928,819	$68,886	3.00%	55
Alameda County HOME	$1,749,999	$62,500	3.00%	59
Alameda County Trust Fund	$325,717	$11,633	3.00%	59
Alameda County HOPWA	$140,000	$5,000	3.00%	59
HUD/SHP	$400,000	$14,286	3.00%	59
San Leandro & Fremont HOME	$450,000	$16,071	3.00%	59
AHP	$210,000	$7,500	0.00%	30
Pleasanton HOME	$80,000	$2,857	3.00%	59
San Leandro CDBG	$50,000	$1,786		
Hayward CDBG	$200,000	$7,143		
Fremont CDBG	$396,196	$14,150		
Tax Credit Equity	$2,393,597	$85,486		
CalHFA Lender Loan	$5,600,000	$200,000	3.00%	2

Unit Mix:

Type	Manager		20% SMI		35% SMI *		50% AMI		Market		Total
	number	rent	number	rent	number	rent*	number	rent	number	rent*	
1 bedroom			2	$197	5	$227	2	$707			9
2 bedroom	1				2	$310	5	$807			8
2 bedroom							5	$846			5
3 bedroom							2	$890			2
3 bedroom							4	$973			4
subtotal	1		2		7		18				28

The First CalHFA Mortgage is underwritten to the restricted rents

The Second CalHFA Mortgage is underwritten to 18 Section 8 Project Based Assistance Vouchers and 9 Shelter Plus Care subsidies

*The 35% SMI units are underwritten to 30% of projected Social Security income (SSI) as required by HUD/SHP

Fees, Escrows, and Reserves:

Fees	Basis of Requirements	Amount	Security
Commitment Fee	0.50% of the Permanent Loans	$11,250	Cash
Loan to Lender Fee	1.00% of Lender Loan	$56,000	Cash
Escrows			
Bond Origination Guarantee	1.00% of the Lender Loan	$56,000	Letter of Credit
Inspection fee	$1,500 x months of construction	$22,500	Cash
Construction Defect Security	2.50% of Hard Costs	$176,571	Letter of Credit
Reserves			
Operating Expense Reserve	10.00% of Gross Income	$53,999	Letter of Credit
Transition Reserve/All Purpose Reserve	100% 1st years debt service	$200,000	Cash
Annual Replacement Reserve Deposit	$350 Per Unit	$9,800	Operations
Services Reserve	100% SHP Subsidy Amount	$150,000	Operations

Sources and Uses — Housing Alliance

SOURCES:

Name of Lender / Source	Permanent Loan Amount	Percent of Total	Dollars Per Unit
CalHFA First Mortgage	680,000	6%	24,286
CalHFA Second Mortgage	1,570,000	15%	56,071
CalHFA Lender Loan	0	0%	0
HCD/MHP	1,928,819	18%	68,886
Alameda County HOME	1,749,999	17%	62,500
Alameda County Trust Fund	325,717	3%	11,633
Alameda County HOPWA	140,000	1%	5,000
HUD/SHP	400,000	4%	14,286
San Leandro & Fremont HOME	450,000	4%	16,071
AHP	210,000	2%	7,500
Pleasanton HOME	80,000	1%	2,857
Total Institutional Financing	**7,534,535**	**71%**	**269,091**
Equity Financing			
San Leandro CDBG	50,000	0%	1,786
Hayward CDBG	200,000	2%	7,143
Fremont CDBG	396,196	4%	14,150
Tax Credit Equity	2,393,597	23%	85,486
Total Equity Financing	**3,039,793**	**29%**	**108,564**
TOTAL SOURCES	**10,574,328**	**100%**	**377,655**

USES:

	Permanent Loan Amount	Percent of Total	Dollars Per Unit
Acquisition	882,000	8%	31,500
Rehabilitation	0	0%	0
New Construction	6,577,343	62%	234,905
Architectural Fees	640,000	6%	22,857
Survey and Engineering	60,000	1%	2,143
Const. Loan Interest & Fees	463,950	4%	16,570
Permanent Financing	107,750	1%	3,848
Legal Fees	45,000	0%	1,607
Reserves	115,470	1%	4,124
Transition Reserve	200,000	2%	7,143
Contract Costs	32,000	0%	1,143
Construction Contingency	558,006	5%	19,929
Local Fees	381,173	4%	13,613
TCAC	24,746	0%	884
Other Costs	21,890	0%	782
PROJECT COSTS	**10,109,328**	**96%**	**361,047**
Developer Overhead/Profit	420,000	4%	15,000
Consultant/Processing Agent	45,000	0%	1,607
TOTAL USES	**10,574,328**	**100%**	**377,655**

Annual Operating Budget

Housing Alliance

INCOME:		Percent of Total	Dollars per Unit
Affordable Rents	210,006	46%	7,500
Shelter Plus Care Subsidy (10 years)	38,238	8%	1,366
Section 8 Voucher Subsidy (10 years)	129,588	28%	4,628
SHP Subsidy (2 years)	75,000	16%	2,679
Laundry Income	2,913	1%	104
Gross Potential Income (GPI)	**455,745**	**100%**	**16,277**
Less:			
Vacancy Loss (excludes the SHP subsidy)	11,422	3%	408
Total Net Revenue	**444,323**	**97%**	**15,869**
EXPENSES:			
Payroll	33,800	8%	1,207
Administrative	32,000	8%	1,143
Utilities	19,400	5%	693
Operating and Maintenance	39,400	9%	1,407
Insurance and Business Taxes	6,000	1%	214
Taxes and Assessments	0	0%	-
Reserve for Replacement Deposits	9,800	2%	350
Subtotal Operating Expenses	**140,400**	**33%**	**5,014**
Financial Expenses			
Mortgage Payments (1st loan)	30,753	7%	1,098
Mortgage Payments (2nd loan)	165,046	39%	5,895
MHP Mortgage Payments	8,101	2%	289
Total Financial	**203,900**	**49%**	**7,282**
Social Services Reserve (2 years)	**75,000**	**18%**	**2,679**
Total Project Expenses	**419,300**	**100%**	**14,975**

Cash Flow **Housing Alliance** **CalHFA # 00034N & 00034L**

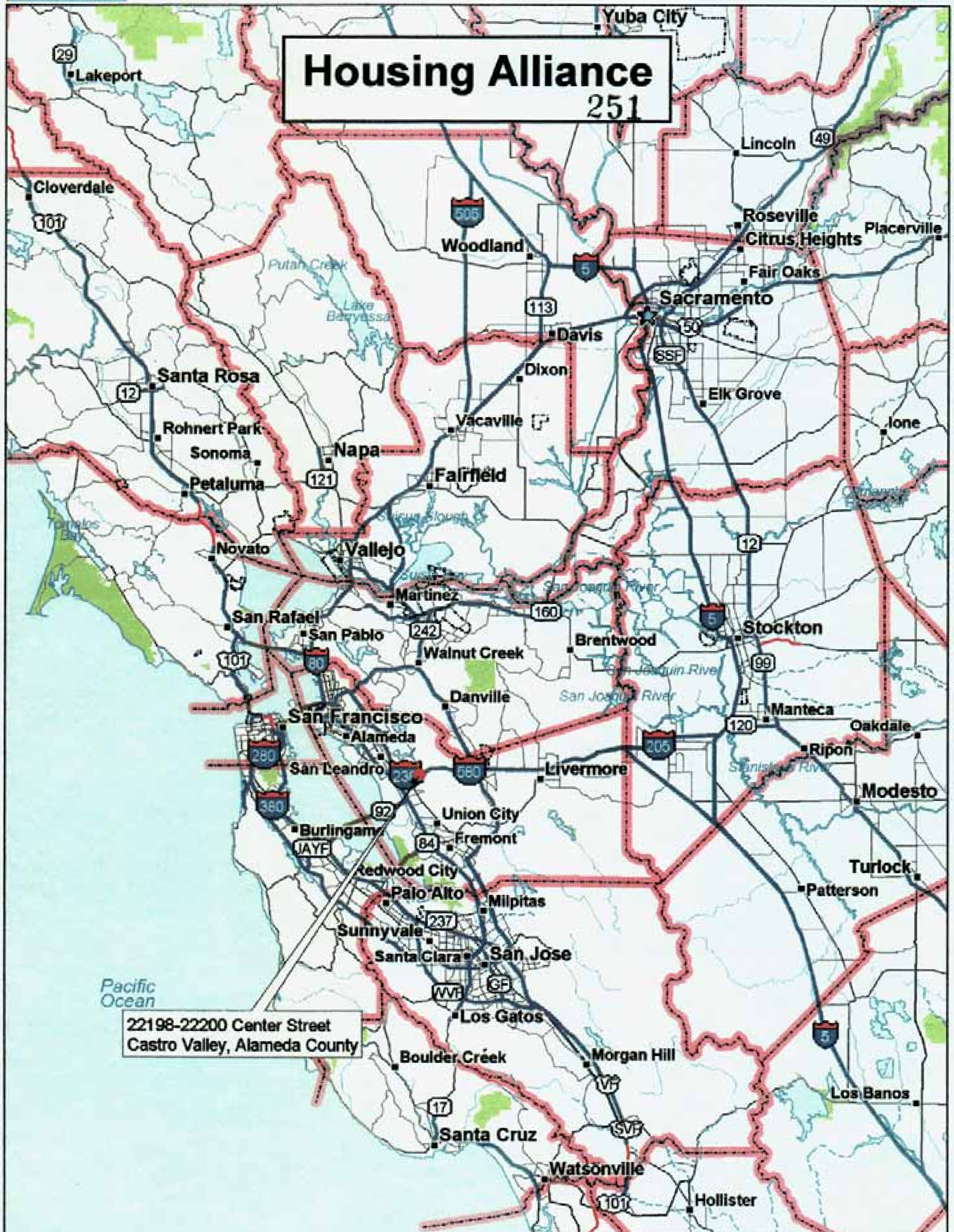
RENTAL INCOME	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Ye**
Shelter Plus Care Subsidy Increase	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.0*
Shelter Plus Care Increment	*38,238*	*38,238*	*38,238*	*38,238*	*38,238*	*38,238*	*38,238*	*38,*
Section 8 Subsidy Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.0*
Section 8 Subsidy	*129,588*	*132,180*	*134,823*	*137,520*	*140,270*	*143,076*	*145,937*	*148,*
HUD Supportive Housing Subsidy	*75,000*	*75,000*						
Affordable Rent Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.0*
Affordable Rents	210,006	214,206	218,490	222,860	227,317	231,864	236,501	241,
TOTAL RENTAL INCOME	**452,832**	**459,624**	**391,552**	**398,618**	**405,825**	**413,177**	**420,676**	**428,**
OTHER INCOME								
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.*
Laundry	2,913	2,986	3,061	3,137	3,216	3,296	3,378	3,
Commercial	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
TOTAL OTHER INCOME	**2,913**	**2,986**	**3,061**	**3,137**	**3,216**	**3,296**	**3,378**	**3,**
GROSS INCOME	**455,745**	**462,610**	**394,612**	**401,755**	**409,041**	**416,473**	**424,054**	**431,**
Vacancy Rate: Section 8 & Shelter Plus (	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.0*
Vacancy Rate : Affordable	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.0*
Less: Vacancy Loss	11,422	11,628	11,838	12,053	12,271	12,494	12,722	12,
EFFECTIVE GROSS INCOME	**444,323**	**450,982**	**382,774**	**389,702**	**396,770**	**403,979**	**411,333**	**418,**
OPERATING EXPENSES								
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.*
Expenses	130,600	135,171	139,902	144,799	149,867	155,112	160,541	166,
Replacement Reserve	9,800	9,800	9,800	9,800	9,800	10,290	10,290	10,
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	**140,400**	**144,971**	**149,702**	**154,599**	**159,667**	**165,402**	**170,831**	**176,**
NET OPERATING INCOME	**303,923**	**306,011**	**233,072**	**235,104**	**237,103**	**238,577**	**240,502**	**242,**
DEBT SERVICE								
CalHFA 1st	30,753	30,753	30,753	30,753	30,753	30,753	30,753	30,
CalHFA 2nd	165,046	165,046	165,046	165,046	165,046	165,046	165,046	165,
MHP payment	8,101	8,101	8,101	8,101	8,101	8,101	8,101	8,
CASH FLOW after debt service	**100,023**	**102,111**	**29,172**	**31,204**	**33,203**	**34,677**	**36,602**	**38,**
DEBT COVERAGE RATIO	**1.49**	**1.50**	**1.14**	**1.15**	**1.16**	**1.17**	**1.18**	**1**
Social Services Reserve	75,000	75,000						
Cash Flow after Services Reserve	**25,023**	**27,111**	**29,172**	**31,204**	**33,203**	**34,677**	**36,602**	**38,**

Cash Flow

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17
Shelter Plus Care Subsidy Increase							
Shelter Plus Care Increment							
Section 8 Subsidy Increase							
Section 8 Subsidy	-	-	-	-	-	-	-
HUD Supportive Housing Subsidy							
Affordable Rent Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Affordable Rents	268,825	274,202	279,686	285,280	290,985	296,805	302,741
TOTAL RENTAL INCOME	**268,825**	**274,202**	**279,686**	**285,280**	**290,985**	**296,805**	**302,741**
OTHER INCOME							
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	3,729	3,822	3,918	4,016	4,116	4,219	4,325
Commercial	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	**3,729**	**3,822**	**3,918**	**4,016**	**4,116**	**4,219**	**4,325**
GROSS INCOME	**272,554**	**278,024**	**283,604**	**289,295**	**295,101**	**301,024**	**307,066**
Vacancy Rate: Section 8 & Shelter Plus (	*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	13,628	13,901	14,180	14,465	14,755	15,051	15,353
EFFECTIVE GROSS INCOME	**258,927**	**264,123**	**269,424**	**274,831**	**280,346**	**285,973**	**291,712**
OPERATING EXPENSES							
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Expenses	184,224	190,672	197,346	204,253	211,402	218,801	226,459
Replacement Reserve	10,805	10,805	10,805	10,805	10,805	11,345	11,345
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	**195,029**	**201,477**	**208,150**	**215,057**	**222,206**	**230,145**	**237,803**
NET OPERATING INCOME	**63,898**	**62,646**	**61,274**	**59,774**	**58,140**	**55,828**	**53,909**
DEBT SERVICE							
CalHFA 1st	30,753	30,753	30,753	30,753	30,753	30,753	30,753
CalHFA 2nd							
MHP payment	8,101	8,101	8,101	8,101	8,101	8,101	8,101
CASH FLOW after debt service	**25,044**	**23,793**	**22,420**	**20,920**	**19,287**	**16,974**	**15,055**
DEBT COVERAGE RATIO	**1.64**	**1.61**	**1.58**	**1.54**	**1.50**	**1.44**	**1.39**
Social Services Reserve							
Cash Flow after Services Reserve	**25,044**	**23,793**	**22,420**	**20,920**	**19,287**	**16,974**	**15,055**

Cash Flow

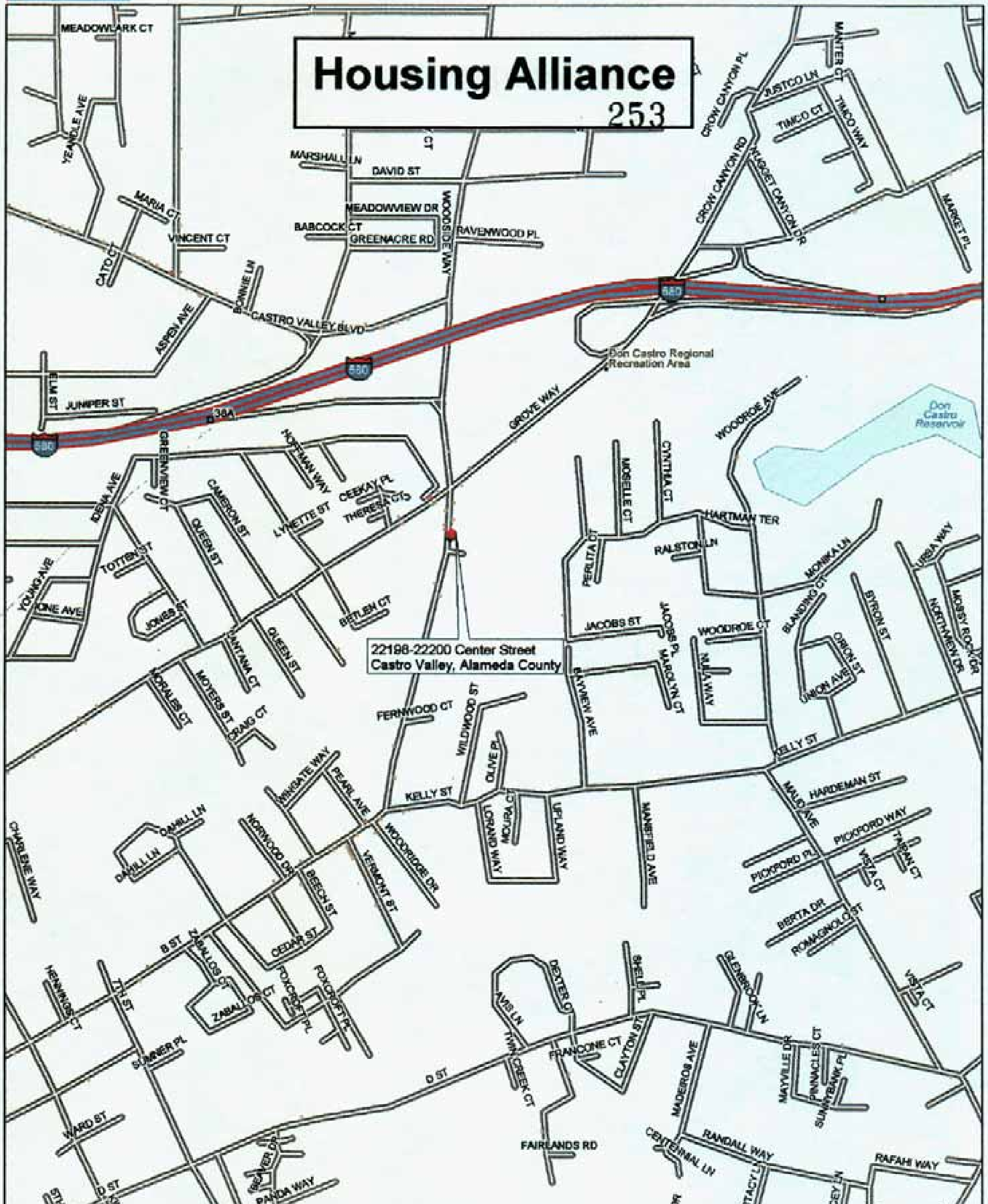
RENTAL INCOME	Year 20	Year 21	Year 22	Year 23	Year 24
Shelter Plus Care Subsidy Increase					
Shelter Plus Care Increment					
Section 8 Subsidy Increase					
Section 8 Subsidy	-	-	-	-	-
HUD Supportive Housing Subsidy					
Affordable Rent Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Affordable Rents	327,697	334,251	340,936	347,754	354,709
TOTAL RENTAL INCOME	**327,697**	**334,251**	**340,936**	**347,754**	**354,709**
OTHER INCOME					
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	4,773	4,893	5,015	5,141	5,269
Commercial	N/A	N/A	N/A	N/A	N/A
TOTAL OTHER INCOME	**4,773**	**4,893**	**5,015**	**5,141**	**5,269**
GROSS INCOME	**332,470**	**339,143**	**345,951**	**352,895**	**359,978**
Vacancy Rate: Section 8 & Shelter Plus (	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	16,624	16,957	17,298	17,645	17,999
EFFECTIVE GROSS INCOME	**315,847**	**322,186**	**328,653**	**335,250**	**341,980**
OPERATING EXPENSES					
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Expenses	259,866	268,962	278,375	288,119	298,203
Replacement Reserve	11,345	11,345	11,345	11,345	11,345
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	0	0	0	0	0
TOTAL EXPENSES	**271,211**	**280,306**	**289,720**	**299,463**	**309,547**
NET OPERATING INCOME	**44,636**	**41,880**	**38,933**	**35,787**	**32,432**
DEBT SERVICE					
CalHFA 1st	30,753	30,753	30,753	30,753	30,753
CalHFA 2nd					
MHP payment	8,101	8,101	8,101	8,101	8,101
CASH FLOW after debt service	**5,782**	**3,026**	**79**	**(3,067)**	**(6,422)**
DEBT COVERAGE RATIO	**1.15**	**1.08**	**1.00**	**0.92**	**0.83**
Social Services Reserve					
Cash Flow after Services Reserve	**5,782**	**3,026**	**79**	**(3,067)**	**(6,422)**



Scale 1 : 1,100,000

1" = 17.4 mi

THIS PAGE
INTENTIONALLY
LEFT BLANK


Housing Alliance
253
22198-22200 Center Street
Castro Valley, Alameda County
Don Castro Regional Recreation Area
Don Castro Reservoir
MEADOWLARK CT
YEANDLE AVE
MARSHALL LN
DAVID ST
MEADOWVIEW DR
BABCOCK CT
GREENACRE RD
WOODSIDE WAY
RAVENWOOD PL
MARIA CT
VINCENT CT
CATO CT
BONNIE LN
CASTRO VALLEY BLVD
ASPEN AVE
ELM ST
JUNIPER ST
38A
580
GREENVIEW CT
IDENA AVE
HOFFMAN WAY
CEEKAY PL
THERESA CT
LYNETTE ST
CAMERON ST
QUEEN ST
GROVE WAY
TOTTEN ST
YOUNG AVE
JONES ST
SANTANA CT
BETLEN CT
MORALES CT
MOTERS ST
CRAIG CT
FERNWOOD CT
WILDWOOD ST
OLIVE PL
KELLY ST
WINGATE WAY
PEARL AVE
WOODRIDGE DR
VERMONT ST
NORWOOD DR
BEECH ST
CEDAR ST
CAHILL LN
CHARLENE WAY
B ST
ZABALLOS CT
FOXCROFT PL
HENNING CT
7TH ST
SUMNER PL
WARD ST
D ST
5TH ST
PANDA WAY
GERMAINE CT
E ST
TRYM ST
HILLSDALE ST
LORAND WAY
MOURA CT
UPLAND WAY
MANSFIELD AVE
DEXTER CT
AVIS LN
FRANCONE CT
CLAYTON ST
SHELL PL
FAIRLANDS RD
MADEIROS AVE
GLENBROOK LN
CENTENNIAL LN
RANDALL WAY
STACY LN
STACEY LN
HIDDEN LN
HIDDEN OAKS DR
HANSEN RD
RAFAHI WAY
MAYVILLE DR
PINNACLES CT
SUNNYBANK PL
VISTA CT
ROMAGNOLO ST
BERTA DR
PICKFORD PL
PICKFORD WAY
TARMAN CT
HARDEMAN ST
MAUD AVE
UNION AVE
ORION ST
BYRON ST
NORTHVIEW DR
MOSSY ROCK CT
URSA WAY
MONIKA LN
BLANDING CT
WOODROE CT
WOODROE AVE
HARTMAN TER
RALSTON LN
CYNTHIA CT
MOSELLE CT
PERLITA CT
JACOBS ST
JACOBS PL
MAROLYN CT
NILDA WAY
BAYVIEW AVE
CROW CANYON PL
CROW CANYON RD
JUSTCO LN
MANTER CT
TIMCO CT
TIMCO WAY
NUGGET CANYON DR
MARKET PL
Scale 1 : 11,200
1" = 933 ft

THIS PAGE INTENTIONALLY LEFT BLANK

RESOLUTION 03-33

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Resources for Community Development, a California nonprofit housing development corporation (the "Borrower"), seeking a loan commitment under the Agency's Loan-to-Lender and Special Needs Loan Programs in the amounts described herein, the proceeds of which are to be used to provide financing for a development to be known as Housing Alliance (the "Development"); and

WHEREAS, the application from the Borrower has requested that the Agency provide for the financing to Resources for Community Development; and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated June 24, 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 CalHFA Staff Report, in relation to the Development described above and as follows:

PROJECT NO.	DEVELOPMENT NAME/ LOCALITY	NO. UNITS	LOAN AMOUNT
00-034-L/N	Housing Alliance Castro Valley/Alameda	28	
		First Mortgage:	$ 680,000
		Second Mortgage:	$1,570,000
		Loan-to-Lender:	$5,600,000

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 the Board for approval. "Material modifications" as used herein means modifications which, 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 way.

I hereby certify that this is a true and correct copy of Resolution 03-33 adopted at a duly constituted meeting of the Board of the Agency held on July 10, 2003, at Sacramento, California.

ATTEST: ______________________
Secretary

State of California

MEMORANDUM

To: **CalHFA Board of Directors** **Date:** June 23, 2003

Linn G. Warren
Director of Multifamily Programs
From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: CALHFA PRIVATIZED STUDENT HOUSING LOAN PROGRAM

The primary goal of the Agency's student housing loan program is to offer a low cost financing alternative to developers and non-profit owners engaged in the UC Privatized Housing Development Program. The objectives of the UC program coincide with the Agency's goal of addressing unmet needs in housing through innovative financial solutions. While enhanced affordability in housing is the primary goal of the Agency, this program's primary focus is to significantly increase the financial viability of the University's innovative student housing program. Ultimately, the Agency's involvement will serve to increase the supply of student housing, meeting the ever increasing demand projected by the University and lessening the demand on local rental units by students who consistently outbid families for housing. From this perspective, the financing offered by the Agency for the UC program is similar to other mixed-income projects we have financed.

Over the last year, Program and Finance staff have met with housing and development officials from the University of California, project sponsors, rating agencies and bond insurers with the purpose of establishing program parameters. Staff has also presented overviews and updates on our progress to the Board of Directors while developing the program. The loan parameters we have elected to employ closely follow the underwriting guidelines followed by Multifamily Programs.

The projects will be financed with tax-exempt "qualified 501(c)(3) bonds" issued by the Agency. Since these projects will all be new construction, the tax requirements for the projects and the bonds are the same as the requirements for the non-profit status of the owner. In most cases, the owner will have a relationship with the University that will result in the owner having an educational charitable purpose [as compared to a "low income housing" charitable purpose]. These bonds will be issued as a part of our normal pooled bond transactions.

This memorandum is intended to detail the program and lending guidelines for the student housing loans. Individual projects will have unique characteristics and the Board will approve all projects. A sample underwriting package based on the UC Berkeley's proposed Albany site is attached for discussion purposes only.

Program Goals: Offer low-cost tax-exempt financing for privatized, affordable student housing for the U.C. system; financing structure delivered at the lowest possible cost of capital and bond issuance resulting in lower project costs and reduced student rental rates. The lower cost structure will also serve to increase the supply of student housing and accelerate the retirement of permanent debt facilitating the ultimate ownership of the facilities by the University.

Financing Type:	Permanent tax-exempt "qualified 501(c)(3) bond" financing the UC Student Housing Loan Program. All loans will be non-recourse.
Loan Terms:	Up to 40 years/ fully amortizing
Loan Fees:	1.0% Finance Fee as payment for all bond issuance costs, payable 60 days prior to selling bonds; 0.5% loan commitment fee, payable on receipt of commitment.
Interest Rate:	Existing tax-exempt bond rate, which may be modified depending on program and individual project requirements
Underwriting:	Debt Coverage Ratio: Minimum 1.10 Maximum Loan: 100% of project costs (including financing costs). Loan to Value: Valuation will be determined based on the land, leasehold and project cash flows. Specific LTV limits will be set on individual projects
Collateral:	Leasehold Deed of Trust, subject to review of ground leasehold structure and documentation, Assignment of Rents Ground Lease: unsubordinated ground lease with expiration the earlier of 10 years beyond amortization term of loan or repayment of CalHFA loan.
Program Requirements:	Low Income Use Restriction for term of CalHFA loan Compliance with the following CalHFA affordability requirements: 10% percent of the bedrooms are to be occupied by students earning 50% or less of median income, an additional 10% of the bedrooms are to be occupied by students earning 80% or less of median income. Definition of tenant income: For the purposes of the set-asides listed above, tenant income excludes i) grants, ii) fellowships and scholarships, iii) loans, and iv) parental income or contributions, unless paid on a regular basis. Rent paid by the very low income students shall not exceed 30% of 50% off area median income. If actual rents charged exceed that amount, then financial aid may make up the rent differential so as a permissible use for that financial aid are housing costs.

Reserves:

1. Construction Budget to include interest to carry project six months beyond projected completion. Remaining amount at time of permanent loan funding to be deposited in project operating and capital reserve accounts.

2. Estimated Annual Replacement Reserve Deposit - $350/unit per unit/p year.

3. Operating Reserve - 10% of first year's gross revenue, released after one year of stabilized occupancy. Other reserves may be transferred and used for this purpose.

4. Bond Origination Guarantee: 1% of loan amount (to be released upon close of permanent loan). May be provided by Letter of Credit or surety bond. If funded by cash, at time of permanent loan funding, to be deposited in project operating and capital reserve accounts. Payable 60 days prior to selling bonds.

5. Construction Defect: 2.5% of hard construction costs (to be released 1 year after acceptance of construction completion). May be provided by Letter of Credit or surety bond.

UC Student Housing – Albany Site, Berkeley Campus

General:
Site: 26 acres
Total number of buildings: 9

Residents: Upper Division, Graduate Students, Junior Facility

Residential District:
- 560,082 square feet of residential space.
- 587 units/1,036 beds for student housing
- 31 units/72 beds for junior faculty housing
- Some 3 bedroom units will be furnished and all of the 4 and 5 bedroom units will be furnished on a breakeven basis. (28% of the total number of beds).

Community Facilities:
- 4,500 square foot day care center
- 22,000 square foot recreation center including student computer center, administration and maintenance offices, meeting rooms and a gymnasium.
- Bike & pedestrian pathways.
- 10 acres of greenways, creek area and open space.
- Seven shared study rooms throughout the project.

Commercial District:
- 70,000 s.f. retail space, tenanted by a large grocery store, smaller retail shops, restaurants and services with housing located above in 3 to four-story buildings.
- Two four-story garages with separate areas for retail parking and residential parking.
- The commercial space will initially be developed concurrently by Foothill Partners with the residential and common areas. The owner of the retail space, (in a joint venture with CalPERS) will pay the cost of the retail development at construction completion and reduce the permanent debt on the project.
- Retail ground lease payments will passed through and contribute to supporting the student housing loan.

Development Team:

Owner:	EAH University Properties Inc., a 501 (c)(3)
Developer:	Allen & O'Hara Education Services LLC
Retail Developer:	Foothill Partners
Property Manager:	Allen & O'Hara Education Services LLC
General Contractor:	Swinerton Builders

Note: The project components listed above are current approximations and may change.

Project Summary - FOR DISCUSSION PURPOSES ONLY

Date: 25-Jun-03

Project Profile:

Project: **UC Berkeley Student Housing**
Location: Albany
County: Alameda
Borrower: EAH University Properties Inc.
GP:
LP:
Program: Tax-Exempt
CalHFA #:

Cap Rate:
Market:
Income:
Final Value:

LTC/LTV:
Loan/Cost 100.0%
Loan/Value TBD

Project Description:

Units	618
Beds	1,108
Handicap Units	21
Bldge Type	New Const.
Buildings	9
Stories	2, 3 & 4
Gross Sq Ft	630,082
Land Sq Ft	1,132,560
Units/Acre	24
Total Parking	556
Covered Parking	0

Financing Summary:

	Amount	Per Bed	Per Unit	Rate	Term
CalHFA First Mortgage	$124,530,000	$112,392	201,505	5.25%	40

Unit Mix on Per Bed Basis

* **Includes 50% AMI rent of $652 per bedroom, based on regular income.**

Type	Manager		35% AMI		50% AMI*		60% AMI		Market		Total
	#units	rent	#beds	rent*	# beds	rent	# beds	rent*	# beds	rent*	
STUDENT HOUSING											
Studio					3	952	0	0	102	952	105
1 bedroom					5	1,137	0	0	146	1,137	151
2br./1ba.	2	0			23	715	0	0	295	715	320
2 br/2 ba.					13	752	0	0	149	752	162
3 bedroom					22	690	0	0	200	690	222
4 bedroom					8	660	0	0	8	660	16
5 bedroom					30	615	0	0	30	615	60
FACULTY HOUSING											
2br./2ba.					0				42	900	42
3 bedroom					0				30	700	30
subtotal	2		0		104		0		1,002		
											1,108

Fees, Escrows, and Reserves:

Fees	**Basis of Requirements**		**Amount**	**Security**
CalHFA Commitment Fee	0.50%	Permanent Loan	$622,650	Cash
CalHFA Finance Fee	1.00%	Permanent Loan	$1,245,300	Cash
Escrows				
Bond Origination Guarantee (BOG)	1.00%	of T/E Loans	$1,245,300	Cash/LOC
Inspection fee	$1,500	x months of construction	$36,000	Cash
Construction Defect	2.50%	of Hard Costs	$2,245,256	Letter of Credit
Reserves				
Operating Expense Reserve	10.00%	of Gross Income	BOG Rollover	Cash/LOC
Initial Deposit to Replacement Reserve	0.00%	of Gross Income	$0	Cash
Annual Replacement Reserve Deposit - Ne	$350	per unit	$216,300	Operations

Project Summary

Date: 25-Jun-03

Project Profile:

Project :	UC Berkeley Student Housing		
Location:			
	Albany	*Cap Rate:*	
County:	Alameda	*Market:*	
Borrower:	EAH University Properties Inc.	*Income:*	
GP:		*Final Value:*	
LP:			
		LTC/LTV:	
Program:	Tax-Exempt	*Loan/Cost*	100.0%
CalHFA # :		*Loan/Value*	TBD

Project Description:

Units	618
Beds	1,108
Handicap Units	21
Bldge Type	New Const.
Buildings	9
Stories	2, 3 & 4
Gross Sq Ft	630,082
Land Sq Ft	1,132,560
Units/Acre	24
Total Parking	556
Covered Parking	0

Financing Summary:

	Amount	Per Bed	Per Unit	Rate	Term
CalHFA First Mortgage	$124,530,000	$112,392	201,505	5.25%	40

Unit Mix on Per Bed Basis

* **Includes 50% AMI rent of $652 per bedroom, based on regular income.**

Type	Manager		35% AMI		50% AMI*		60% AMI		Market		Total
	#units	rent	#beds	rent*	# beds	rent	# beds	rent*	# beds	rent*	
STUDENT HOUSING											
Studio					3	952	0	0	102	952	105
1 bedroom					5	1,137	0	0	146	1,137	151
2br./1ba.	2	0			23	715	0	0	295	715	320
2 br/2 ba.					13	752	0	0	149	752	162
3 bedroom					22	690	0	0	200	690	222
4 bedroom					8	660	0	0	8	660	16
5 bedroom					30	615	0	0	30	615	60
FACULTY HOUSING											
2br./2ba.					0				42	900	42
3 bedroom					0				30	700	30
subtotal	**2**		**0**		**104**		**0**		**1,002**		
											1,108

Fees, Escrows, and Reserves:

Fees	**Basis of Requirements**		**Amount**	**Security**
CalHFA Commitment Fee	0.50%	Permanent Loan	$622,650	Cash
CalHFA Finance Fee	1.00%	Permanent Loan	$1,245,300	Cash
Escrows				
Bond Origination Guarantee (BOG)	1.00%	of T/E Loans	$1,245,300	Cash/LOC
Inspection fee	$1,500	x months of construction	$36,000	Cash
Construction Defect	2.50%	of Hard Costs	$2,245,256	Letter of Credit
Reserves				
Operating Expense Reserve	10.00%	of Gross Income	BOG Rollover	Cash/LOC
Initial Deposit to Replacement Reserve	0.00%	of Gross Income	$0	Cash
Annual Replacement Reserve Deposit - Ne	$350	per unit	$216,300	Operations

Sources and Uses

UC Berkeley Student Housing

SOURCES:

Name of Lender / Source	Amount	$ per bed	per unit	pct of total
CalHFA First Mortgage	124,530,000	112,392	201,505	100.00%
CalHFA Bridge	0	0	0	0.00%
CalHFA HAT	0	0	0	0.00%
CalHFA Loan to Lender	0	0	0	0.00%
Loan 5	0	0	0	0.00%
Other Loans	0	0	0	0.00%
Total Institutional Financing	**124,530,000**	**112,392**	**201,505**	**100.00%**
Equity Financing				
Tax Credits	0	0	0	0.00%
Deferred Developer Equity	0	0	0	0.00%
Total Equity Financing	**0**	**0**	0	**0.00%**
TOTAL SOURCES	**124,530,000**	**112,392**	**201,505**	**100.00%**

USES:

		$ per bed	per unit	pct of total
Acquisition	551,250	498	892	0.44%
Rehabilitation	0	0	0	0.00%
New Construction	91,609,665	82,680	148,236	73.56%
Architectual Fees	6,319,801	5,704	10,226	5.07%
Survey and Engineering	35,000	32	57	0.03%
Const. Loan Interest & Fees	7,491,100	6,761	12,122	6.02%
Permanent Financing	1,948,450	1,759	3,153	1.56%
Legal Fees	70,000	63	113	0.06%
Reserves	1,245,300	1,124	2,015	1.00%
Contract Costs	25,000	23	40	0.02%
Construction Contingency	5,950,223	5,370	9,628	4.78%
Local Fees	3,636,840	3,282	5,885	2.92%
TCAC/Other Costs	2,433,000	2,196	3,937	1.95%
PROJECT COSTS	**121,315,629**	**109,491**	196,304	97.42%
Developer Overhead/Profit	3,214,371	2,901	5,201	2.58%
Consultant/Processing Agent	0	0	0	
TOTAL USES	**124,530,000**	**112,392**	**201,505**	**100.00%**

Annual Operating Budget UC Berkeley Student Housing

		$ per bed	$ per unit	% of total
INCOME:				
Total Rental Income	10,562,520	9,533	17,091	93.76%
Laundry	74,790	68	121	0.66%
Other Income	378,480	342	612	3.36%
Commercial/Retail	250,000	226	405	2.22%
Gross Potential Income (GPI)	**11,265,790**	**10,168**	**18,229**	**100.00%**
Less:				
Vacancy Loss	756,859	683	1,225	6.72%
Total Net Revenue	**10,508,931**	**9,485**	**17,005**	**93.28%**
EXPENSES:				
Payroll	516,222	466	835	5.28%
Administrative	652,486	589	1,056	6.68%
Utilities	310,800	281	503	3.18%
Operating and Maintenance	357,420	323	578	3.66%
Insurance and Business Taxes	260,580	235	422	2.67%
Taxes and Assessments	0	-	0	0.00%
Reserve for Replacement Deposits	216,300	195	350	2.21%
Subtotal Operating Expenses	**2,313,808**	**2,088**	**3,744**	**23.69%**
Financial Expenses				
Mortgage Payments (1st loan)	7,454,919	6,728	12,063	
Total Financial	**7,454,919**	**6,728**	**12,063**	**76.31%**
Total Project Expenses	**9,768,727**	**8,817**	**15,807**	**100.00%**

Cash Flow UC Berkeley Student Housing

RENTAL INCOME		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Y
Market Rent Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	
Market Rents		9,678,462	9,920,423	10,168,434	10,422,645	10,683,211	10,950,291	11,224,049	11,504,650	11,792,266	12,08
Affordable Rent Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	
Affordable Rents		884,058	906,160	928,813	952,034	975,835	1,000,231	1,025,236	1,050,867	1,077,139	1,10
TOTAL RENTAL INCOME		**10,562,520**	**10,826,583**	**11,097,248**	**11,374,679**	**11,659,046**	**11,950,522**	**12,249,285**	**12,555,517**	**12,869,405**	**13,19**
OTHER INCOME											
Other Income Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	
Laundry		74,790	76,660	78,576	80,541	82,554	84,618	86,733	88,902	91,124	9
Furniture Rental		107,280	109,962	112,711	115,529	118,417	121,377	124,412	127,522	130,710	13
Parking Income		193,500	198,338	203,296	208,378	213,588	218,927	224,401	230,011	235,761	24
Damage Assessments		20,720	21,238	21,769	22,313	22,871	23,443	24,029	24,630	25,245	2
Late Fees		56,980	58,405	59,865	61,361	62,895	64,468	66,079	67,731	69,425	7
Commercial Space	5.00%	250,000	250,000	250,000	250,000	250,000	262,500	262,500	262,500	262,500	26
TOTAL OTHER INCOME		**703,270**	**714,602**	**726,217**	**738,122**	**750,325**	**775,333**	**788,154**	**801,296**	**814,765**	**82**
GROSS INCOME		**11,265,790**	**11,541,185**	**11,823,464**	**12,112,801**	**12,409,371**	**12,725,855**	**13,037,439**	**13,356,813**	**13,684,170**	**14,01**
Vacancy Rate : Market		*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	
Vacancy Rate : Affordable		*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	
Less: Vacancy Loss		756,859	775,468	794,542	814,093	834,133	855,299	876,353	897,934	920,054	94
EFFECTIVE GROSS INCOME		**10,508,931**	**10,765,717**	**11,028,922**	**11,298,708**	**11,575,238**	**11,870,557**	**12,161,086**	**12,458,879**	**12,764,117**	**13,07**
OPERATING EXPENSES											
Annual Expense Increase		*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	
Expenses		2,097,508	2,181,408	2,268,665	2,359,411	2,453,788	2,551,939	2,654,017	2,760,177	2,870,585	2,98
Replacement Reserve		216,300	216,300	216,300	216,300	216,300	227,115	227,115	227,115	227,115	22
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		**2,313,808**	**2,397,708**	**2,484,965**	**2,575,711**	**2,670,088**	**2,779,054**	**2,881,132**	**2,987,292**	**3,097,700**	**3,21**
NET OPERATING INCOME		**8,195,123**	**8,368,009**	**8,543,958**	**8,722,997**	**8,905,151**	**9,091,502**	**9,279,954**	**9,471,587**	**9,666,417**	**9,86**
DEBT SERVICE											
CalHFA - 1st Mortgage		7,454,919	7,454,919	7,454,919	7,454,919	7,454,919	7,454,919	7,454,919	7,454,919	7,454,919	7,45
DEBT COVERAGE RATIO		**1.10**	**1.12**	**1.15**	**1.17**	**1.19**	**1.22**	**1.24**	**1.27**	**1.30**	
Cash Available for distribution		**740,204**	**913,090**	**1,089,039**	**1,268,078**	**1,450,232**	**1,636,584**	**1,825,036**	**2,016,668**	**2,211,498**	**2,40**
DISTRIBUTIONS:											
Asset Management Fee		26,272	26,914	27,572	28,247	28,938	29,676	30,403	31,147	31,910	3
Lessee's distribution		59,216	59,216	59,216	59,216	59,216	59,216	59,216	59,216	59,216	5
		85,489	86,131	86,789	87,463	88,154	88,893	89,619	90,364	91,127	9
Cash After Distributions		654,716	826,959	1,002,250	1,180,615	1,362,077	1,547,691	1,735,417	1,926,304	2,120,372	2,31
Loan Reduction	50.00%	327,358	413,480	501,125	590,307	681,039	773,845	867,708	963,152	1,060,186	1,1
Balance Of Cash Flow	50.00%	327,358	413,480	501,125	590,307	681,039	773,845	867,708	963,152	1,060,186	1,1
CalHFA Amortization Table											
Beginning Balance		124,530,000	123,263,156	121,842,056	120,256,882	118,497,272	116,552,296	114,409,908	112,058,436	109,485,053	106,6
Annual Payment		-7,454,919	-7,454,919	-7,454,919	-7,454,919	-7,454,919	-7,454,919	-7,454,919	-7,454,919	-7,454,919	-7,4
Interest Expense		-6,515,432	-6,447,299	-6,370,870	-6,285,616	-6,190,981	-6,086,376	-5,971,155	-5,844,688	-5,706,287	-5,5
Principal Payment		-939,486	-1,007,620	-1,084,049	-1,169,303	-1,263,938	-1,368,542	-1,483,764	-1,610,231	-1,748,632	-1,8
Loan Reduction		327,358	413,480	501,125	590,307	681,039	773,845	867,708	963,152	1,060,186	1,1
Ending Balance		**123,263,156**	**121,842,056**	**120,256,882**	**118,497,272**	**116,552,296**	**114,409,908**	**112,058,436**	**109,485,053**	**106,676,235**	**103,6**

Cash Flow

RENTAL INCOME		Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year
Market Rent Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50*
Market Rents		13,016,455	13,341,867	13,675,413	14,017,299	14,367,731	14,726,924	15,095,098	15,472,475	15,859,287	16,255,76
Affordable Rent Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50*
Affordable Rents		1,188,960	1,218,684	1,249,151	1,280,380	1,312,389	1,345,199	1,378,829	1,413,300	1,448,632	1,484,84
TOTAL RENTAL INCOME		**14,205,415**	**14,560,550**	**14,924,564**	**15,297,678**	**15,680,120**	**16,072,123**	**16,473,926**	**16,885,775**	**17,307,919**	**17,740,61**
OTHER INCOME											
Other Income Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50*
Laundry		100,584	103,099	105,676	108,318	111,026	113,802	116,647	119,563	122,552	125,61
Furniture Rental		144,280	147,887	151,584	155,373	159,258	163,239	167,320	171,503	175,791	180,18
Parking Income		260,236	266,742	273,410	280,246	287,252	294,433	301,794	309,339	317,072	324,99
Damage Assessments		27,866	28,563	29,277	30,009	30,759	31,528	32,316	33,124	33,952	34,80
Late Fees		76,632	78,548	80,511	82,524	84,587	86,702	88,869	91,091	93,368	95,70
Commercial Space	5.00%	275,625	275,625	275,625	289,406	289,406	289,406	289,406	289,406	303,877	303,87
TOTAL OTHER INCOME		**885,223**	**900,463**	**916,084**	**945,876**	**962,288**	**979,110**	**996,353**	**1,014,026**	**1,046,612**	**1,065,18**
GROSS INCOME		**15,090,638**	**15,461,013**	**15,840,648**	**16,243,555**	**16,642,408**	**17,051,233**	**17,470,279**	**17,899,801**	**18,354,531**	**18,805,79**
Vacancy Rate : Market		*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00*
Vacancy Rate : Affordable		*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00*
Less: Vacancy Loss		1,014,861	1,039,888	1,065,541	1,092,524	1,119,475	1,147,100	1,175,416	1,204,440	1,234,912	1,265,40
EFFECTIVE GROSS INCOME		**14,075,777**	**14,421,125**	**14,775,107**	**15,151,031**	**15,522,933**	**15,904,133**	**16,294,863**	**16,695,361**	**17,119,619**	**17,540,39**
OPERATING EXPENSES											
Annual Expense increase		*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00*
Expenses		3,358,178	3,492,505	3,632,205	3,777,493	3,928,593	4,085,737	4,249,166	4,419,133	4,595,898	4,779,73
Replacement Reserve		238,471	238,471	238,471	250,394	250,394	250,394	250,394	250,394	262,914	262,91
Annual Tax Increase		*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00*
Taxes and Assessments		0	0	0	0	0	0	0	0	0	
TOTAL EXPENSES		**3,596,649**	**3,730,976**	**3,870,676**	**4,027,888**	**4,178,987**	**4,336,131**	**4,499,561**	**4,669,527**	**4,858,812**	**5,042,64**
NET OPERATING INCOME		**10,479,128**	**10,690,149**	**10,904,431**	**11,123,143**	**11,343,946**	**11,568,002**	**11,795,303**	**12,025,834**	**12,260,807**	**12,497,74**
DEBT SERVICE											
CalHFA - 1st Mortgage		7,454,919	7,454,919	7,454,919	7,454,919	7,454,919	7,454,919	7,454,919	7,454,919	7,454,919	7,454,91
DEBT COVERAGE RATIO		**1.41**	**1.43**	**1.46**	**1.49**	**1.52**	**1.55**	**1.58**	**1.61**	**1.64**	**1.6**
Cash Available for distribution		**3,024,209**	**3,235,231**	**3,449,513**	**3,668,225**	**3,889,027**	**4,113,083**	**4,340,384**	**4,570,915**	**4,805,888**	**5,042,82**
DISTRIBUTIONS:											
Asset Management Fee		35,189	36,053	36,938	37,878	38,807	39,760	40,737	41,738	42,799	43,85
Lessee's distribution		241,937	258,818	275,961	293,458	311,122	329,047	347,231	365,673	384,471	403,42
		277,126	294,871	312,899	331,336	349,930	368,807	387,968	407,412	427,270	447,27
Cash After Distributions		2,747,083	2,940,359	3,136,614	3,336,889	3,539,098	3,744,276	3,952,416	4,163,504	4,378,618	4,595,54
Loan Reduction	50.00%	1,373,542	1,470,180	1,568,307	1,668,444	1,769,549	1,872,138	1,976,208	2,081,752	2,189,309	2,297,7
Balance Of Cash Flow	50.00%	1,373,542	1,470,180	1,568,307	1,668,444	1,769,549	1,872,138	1,976,208	2,081,752	2,189,309	2,297,7
CalHFA Amortization Table											
Beginning Balance		96,689,552	92,879,212	88,767,307	84,336,128	79,566,495	74,439,238	68,933,638	63,027,866	56,698,927	49,922,0
Annual Payment		-7,454,919	-7,454,919	-7,454,919	-7,454,919	-7,454,919	-7,454,919	-7,454,919	-7,454,919	-7,454,919	-7,454,9
Interest Expense		-5,018,121	-4,813,193	-4,592,047	-4,353,730	-4,097,210	-3,821,457	-3,525,355	-3,207,732	-2,867,349	-2,502,8
Principal Payment		-2,436,798	-2,641,725	-2,862,871	-3,101,189	-3,357,708	-3,633,462	-3,929,564	-4,247,187	-4,587,569	-4,952,0
Loan Reduction		1,373,542	1,470,180	1,568,307	1,668,444	1,769,549	1,872,138	1,976,208	2,081,752	2,189,309	2,297,7
Ending Balance		**92,879,212**	**88,767,307**	**84,336,128**	**79,566,495**	**74,439,238**	**68,933,638**	**63,027,866**	**56,698,927**	**49,922,049**	**42,672,2**

Cash Flow

RENTAL INCOME		Year 25	Year 26	Year 27	Year 28	Year 29	Year 30	Year 31	Year 32	Year 33	Ye
Market Rent Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.*
Market Rents		17,505,685	17,943,327	18,391,911	18,851,708	19,323,001	19,806,076	20,301,228	20,808,759	21,328,978	21,862
Affordable Rent Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.*
Affordable Rents		1,599,019	1,638,994	1,679,969	1,721,968	1,765,018	1,809,143	1,854,372	1,900,731	1,948,249	1,996
TOTAL RENTAL INCOME		**19,104,704**	**19,582,322**	**20,071,880**	**20,573,677**	**21,088,019**	**21,615,219**	**22,155,600**	**22,709,489**	**23,277,227**	**23,859**
OTHER INCOME											
Other Income Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.*
Laundry		135,275	138,656	142,123	145,676	149,318	153,051	156,877	160,799	164,819	168
Furniture Rental		194,040	198,891	203,863	208,960	214,184	219,539	225,027	230,653	236,419	242
Parking Income		349,988	358,738	367,707	376,899	386,322	395,980	405,879	416,026	426,427	437
Damage Assessments		37,477	38,414	39,374	40,358	41,367	42,402	43,462	44,548	45,662	46
Late Fees		103,061	105,638	108,279	110,986	113,760	116,604	119,519	122,507	125,570	128
Commercial Space	5.00%	303,877	319,070	319,070	319,070	319,070	319,070				
TOTAL OTHER INCOME		**1,123,718**	**1,159,408**	**1,180,416**	**1,201,950**	**1,224,022**	**1,246,645**	**950,764**	**974,534**	**998,897**	**1,023**
GROSS INCOME		**20,228,422**	**20,741,729**	**21,252,296**	**21,775,626**	**22,312,040**	**22,861,864**	**23,106,364**	**23,684,023**	**24,276,124**	**24,883**
Vacancy Rate : Market		*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.*
Vacancy Rate : Affordable		*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.*
Less: Vacancy Loss		1,361,535	1,395,953	1,430,453	1,465,815	1,502,062	1,539,215	1,561,343	1,600,376	1,640,386	1,681
EFFECTIVE GROSS INCOME		**18,866,887**	**19,345,776**	**19,821,843**	**20,309,811**	**20,809,978**	**21,322,650**	**21,545,021**	**22,083,647**	**22,635,738**	**23,201**
OPERATING EXPENSES											
Annual Expense Increase		*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.*
Expenses		5,376,551	5,591,613	5,815,278	6,047,889	6,289,804	6,541,396	6,803,052	7,075,174	7,358,181	7,652
Replacement Reserve		262,914	276,060	276,060	276,060	276,060	276,060	289,863	289,863	289,863	289
Annual Tax Increase		*2.00%*	*2.00%*	*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	0	0	
TOTAL EXPENSES		**5,639,465**	**5,867,673**	**6,091,337**	**6,323,948**	**6,565,864**	**6,817,456**	**7,092,915**	**7,365,037**	**7,648,044**	**7,942**
NET OPERATING INCOME		**13,227,422**	**13,478,104**	**13,730,505**	**13,985,863**	**14,244,114**	**14,505,194**	**14,452,106**	**14,718,610**	**14,987,694**	**15,259**
DEBT SERVICE											
CalHFA - 1st Mortgage		7,454,919	7,454,919	7,454,919	0	0	0	0	0	0	
DEBT COVERAGE RATIO		**1.77**	**1.81**	**1.84**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	
Cash Available for distribution		**5,772,503**	**6,023,185**	**6,275,587**	**13,985,863**	**14,244,114**	**14,505,194**	**14,452,106**	**14,718,610**	**14,987,694**	**15,259**
DISTRIBUTIONS:											
Asset Management Fee		47,167	48,364	49,555	50,775	52,025	53,307	53,863	55,209	56,589	58
Lessee's distribution		461,800	481,855	502,047	1,118,869	1,139,529	1,160,415	1,156,169	1,177,489	1,199,016	1,220
		508,967	530,219	551,602	1,169,644	1,191,554	1,213,722	1,210,031	1,232,698	1,255,605	1,278
Cash After Distributions		5,263,536	5,492,966	5,723,985	12,816,219	13,052,560	13,291,472	13,242,075	13,485,912	13,732,089	13,980
Loan Reduction	50.00%	2,631,768	2,746,483	2,861,993	6,408,109	6,526,280	6,645,736	6,621,038	6,742,956	6,866,045	6,99
Balance Of Cash Flow	50.00%	2,631,768	2,746,483	2,861,993	6,408,109	6,526,280	6,645,736	6,621,038	6,742,956	6,866,045	6,99
CalHFA Amortization Table											
Beginning Balance		26,644,837	17,809,134	8,383,515	-1,664,541				0	0	
Annual Payment		-7,454,919	-7,454,919	-7,454,919	-1,664,541						
Interest Expense		-1,250,984	-775,783	-268,855	0						
Principal Payment		-6,203,935	-6,679,136	-7,186,063	0						
Loan Reduction		2,631,768	2,746,483	2,861,993	-1,664,541						
Ending Balance		**17,809,134**	**8,383,515**	**-1,664,541**	**0**	**0**	**0**				

Cash Flow

RENTAL INCOME		Year 37	Year 38	Year 39	Year 40
Market Rent Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*
Market Rents		23,543,200	24,131,780	24,735,075	25,353,452
Affordable Rent Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents		2,150,502	2,204,265	2,259,372	2,315,856
TOTAL RENTAL INCOME		**25,693,703**	**26,336,045**	**26,994,447**	**27,669,308**
OTHER INCOME					
Other Income Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry		181,929	186,478	191,139	195,918
Furniture Rental		260,962	267,486	274,174	281,028
Parking Income		470,696	482,463	494,525	506,888
Damage Assessments		50,402	51,662	52,954	54,278
Late Fees		138,606	142,071	145,623	149,263
Commercial Space	5.00%				
TOTAL OTHER INCOME		**1,102,595**	**1,130,160**	**1,158,414**	**1,187,375**
GROSS INCOME		**26,796,298**	**27,466,206**	**28,152,861**	**28,856,682**
Vacancy Rate : Market		*7.00%*	*7.00%*	*7.00%*	*7.00%*
Vacancy Rate : Affordable		*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss		1,810,679	1,855,946	1,902,345	1,949,903
EFFECTIVE GROSS INCOME		**24,985,619**	**25,610,260**	**26,250,516**	**26,906,779**
OPERATING EXPENSES					
Annual Expense Increase		*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses		8,608,031	8,952,353	9,310,447	9,682,865
Replacement Reserve		304,356	304,356	304,356	304,356
Annual Tax Increase		*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments		0	0	0	0
TOTAL EXPENSES		**8,912,387**	**9,256,708**	**9,614,803**	**9,987,220**
NET OPERATING INCOME		**16,073,232**	**16,353,551**	**16,635,714**	**16,919,559**
DEBT SERVICE					
CalHFA - 1st Mortgage		0	0	0	0
DEBT COVERAGE RATIO		**0.00**	**0.00**	**0.00**	**0.00**
Cash Available for distribution		**16,073,232**	**16,353,551**	**16,635,714**	**16,919,559**
DISTRIBUTIONS:					
Asset Management Fee		62,464	64,026	65,626	67,267
Lessee's distribution		1,285,859	1,308,284	1,330,857	1,353,565
		1,348,323	1,372,310	1,396,483	1,420,832
Cash After Distributions		14,724,909	14,981,242	15,239,230	15,498,727
Loan Reduction	50.00%	7,362,455	7,490,621	7,619,615	7,749,364
Balance Of Cash Flow	50.00%	7,362,455	7,490,621	7,619,615	7,749,364
CalHFA Amortization Table					
Beginning Balance		0	0	0	0
Annual Payment					
Interest Expense					
Principal Payment					
Loan Reduction					
Ending Balance					

RESOLUTION 03-34

U.C. STUDENT HOUSING

WHEREAS, the California Housing Finance Agency ("CalHFA") is authorized to issue qualified 501 (c)(3) bonds for student housing; and

WHEREAS, the University of California has developed and implemented an approach for the privatized development of student housing on leased University land; and

WHEREAS, the University of California desires to have private project developers access a stable, low-cost form of tax-exempt bond financing program to reduce development costs; and

WHEREAS, The Board of Directors has historically directed the Agency to develop innovative lending programs to address unmet needs that serve to increase the supply of housing; and

WHEREAS, CalHFA has extensive experience in underwriting large multifamily projects and has the financial capacity to fund these project financings; and

WHEREAS, Approval from the Board of Directors will demonstrate the Agency's desire to proceed with the privatized student housing loan program,

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

1. The Agency is authorized to accept applications from project sponsors and developers for financing under the University of California privatized student housing program.

2. All project loans underwritten by the Agency will be presented to the Board of Directors for approval.

I hereby certify that this is a true and correct copy of Resolution 03-34 adopted at a duly constituted meeting of the Board held on July 10, 2003, at Sacramento, California.

ATTEST: ______________________
Secretary

THIS PAGE INTENTIONALLY LEFT BLANK