

Thursday, January 22, 2004

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

9:30 a.m.

1. Roll Call.
2. Approval of the minutes of the September 18, 2003 Board of Directors meeting.
3. Chairman/Executive Director comments.
4. Discussion, recommendation and possible action relative to final loan commitment for the following project: (Linn Warren)

<u>NUMBER</u>	<u>DEVELOPMENT</u>	<u>LOCALITY</u>	<u>UNITS</u>
03-053-C/N	Murphy Ranch II	Morgan Hill/ Santa Clara	38
Resolution 04-01			137
03-049-L/N	Pacific Grove Senior Apartments	Pacific Grove/ Monterey	49
Resolution 04-02			159

5. Discussion, recommendation and possible action relative to the adoption of a resolution authorizing the Agency's single family bond indentures, the issuance of single family bonds, short- and long-term credit facilities for homeownership purposes, and related financial agreements and contracts of services. (Ken Carlson)
Resolution 04-03.....181
6. Discussion, recommendation and possible action relative to the adoption of a resolution authorizing the Agency's multifamily bond indentures, the issuance of multifamily bonds, short- and long-term credit facilities for multifamily purposes, and related financial agreements and contracts of services. (Ken Carlson)
Resolution 04-04.....197

- 7. Discussion, recommendation and possible action relative to the adoption of a resolution authorizing applications to the California Debt Limit Allocation Committee for private activity bond volume cap allocation for the Agency's homeownership and multifamily programs. (Ken Carlson)
Resolution 04-05.....213
- 8. Discussion of the 2003-04 Business Plan Update.
 - a) Business Plan Update Presentation. (Ken Carlson; Jerry Smart/Ken Williams; Nancy Abreu; Linn Warren; Margaret Alvarez; Jackie Riley)
 - b) Board Member Comments
- 9. Discussion, recommendation and possible action relative to the approval of a resolution authorizing certain contracting by the Agency. (Tom Hughes)
Resolution 04-06.....221
- 10. Discussion of other Board matters/Reports.
- 11. Public testimony: Discussion only of other matters to be brought to the Board's attention.

****NOTES****

HOTEL PARKING: Parking is available as follows:
1) overnight self-parking for hotel guests is \$14.00 per night; and 2) rates for guests not staying at the hotel is \$1.00 per hour.

FUTURE MEETING DATE: Next CalHFA Board of Directors Meeting will be March 11, 2004, at the Hyatt Regency, Sacramento, California.

STATE OF CALIFORNIA
CALIFORNIA HOUSING FINANCE AGENCY

003

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ORIGINAL

BOARD OF DIRECTORS
PUBLIC MEETING

--o0o--

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

Thursday, September 18, 2003
9:37 a.m. to 12:32 p.m.

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

**Minutes Approved by the Board of
Directors at its meeting held:**

Attest: _____

VINE, MCKINNON & HALL (916) 371-3376

004

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A P P E A R A N C E S

Directors Present:

CLARK E. WALLACE, Chairperson

EDWARD W. BAYUK

CATHY SANDOVAL
for Maria Contreras-Sweet

EDWARD M. CZUKER

MATTHEW O. FRANKLIN

THERESA A. PARKER

KATRINA JOHANTGEN
for Phil Angelides

JACK SHINE

ESTEBAN ALMANZA
for Tal Finney

--o0o--

CalHFA Staff Present:

THOMAS C. HUGHES
General Counsel

JOJO OJIMA

--o0o--

A P P E A R A N C E S
continued

For the Staff of the Agency:

EDWIN GIPSON

TINA ILVONEN

ROGER KOLLIAS

JIM LISKA

DEBRA STARBUCK

LINN WARREN

LAURA WHITTALL-SCHERFEE

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Additional Speakers:

J. TIMOTHY BAKER, Project Manager
BRIDGE Housing

BRAD WIBLIN, Director
BRIDGE Housing

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1 MS. OJIMA: Mr. Franklin.
2 MR. FRANKLIN: Here.
3 MS. OJIMA: Ms. Hawkins.
4 (No audible response was heard.)
5 MS. OJIMA: Mr. Shine.
6 MR. SHINE: Here.
7 MS. OJIMA: Mr. Wallace.
8 CHAIRPERSON WALLACE: Here.
9 MS. OJIMA: Mr. Almanza for Mr. Finney.
10 MR. ALMANZA: Here.
11 MS. OJIMA: Mr. Peace.
12 (No audible response was heard.)
13 MS. OJIMA: Ms. Parker.
14 MS. PARKER: Here.
15 MS. OJIMA: We have a quorum.
16 CHAIRPERSON WALLACE: Good. We have a quorum.
17 Item 2: Approval of the Minutes of the July 10, 2003
18 Board of Directors Meeting
19 CHAIRPERSON WALLACE: Let's move on to Item 2,
20 approval of the minutes of the July 10th, 2003 Board
21 meeting. Are there any -- you've been submitted these
22 in advance. Are there any corrections, additions,
23 deletions?
24 MS. PARKER: Mr. Chairman, I have two
25 corrections that I'd make. Very thorough Board minutes,

1 but I think there's just two typos, at least that I
2 found. On page 15 in the Board book, line 16, the line,
3 I believe that instead of capital E-I-R, I think it's
4 "our," "that we had a discussion at our last board
5 meeting." So o-u-r instead of E-I-R.

6 And then again on page 48, line 19, I think
7 Mr. Franklin -- that should be HCD, not HCDR loan.

8 CHAIRPERSON WALLACE: What line?

9 MS. PARKER: 19 on page 48.

10 CHAIRPERSON WALLACE: HCD instead of HCDR.

11 Do you buy that, Matt?

12 MR. FRANKLIN: I do.

13 CHAIRPERSON WALLACE: You would never make a
14 statement like that.

15 MR. FRANKLIN: That's right. HCD is firmly
16 embedded in my brain.

17 CHAIRPERSON WALLACE: It's nothing like HCDR.

18 MR. FRANKLIN: Nothing like HCDR.

19 CHAIRPERSON WALLACE: Any other corrections?

20 Yes, Jack.

21 MR. SHINE: On page 39, line 18. I don't
22 think --

23 CHAIRPERSON WALLACE: Hold on. Line 18; right?

24 MR. SHINE: Right. I don't think it's an
25 insubordinate loan.

1 (Laughter.)

2 CHAIRPERSON WALLACE: 39.

3 MS. PARKER: 39 at the top, Jack, or --

4 MR. FRANKLIN: That's what Linn calls the MHP
5 loans.

6 (Laughter.)

7 MR. SHINE: On page 39, line No. 18, six words
8 in.

9 MR. HUGHES: 41 on ours.

10 CHAIRPERSON WALLACE: Oh, 39 in the right hand,
11 not the upper hand.

12 MR. SHINE: I'm sorry. Page 41 in the upper.

13 CHAIRPERSON WALLACE: Okay. And it's line 18
14 with an insubordinate loan. That means no
15 subordination, doesn't it?

16 MS. PARKER: That is a really good catch.

17 CHAIRPERSON WALLACE: We've got some
18 insubordination, but not attached to a loan.

19 Anything else?

20 Can I have a motion for approval as amended?

21 MR. SHINE: Moved.

22 CHAIRPERSON WALLACE: Shine. Jack.

23 Is there a second?

24 MR. FRANKLIN: I'll second.

25 CHAIRPERSON WALLACE: Matt.

1 We have a motion and a second. Is there any
2 discussion on the motion to approve the minutes as
3 amended?

4 Hearing and seeing none, Secretary, please call
5 the roll.

6 MS. OJIMA: Ms. Johantgen.

7 MS. JOHANTGEN: Aye.

8 MS. OJIMA: Mr. Bayuk.

9 MR. BAYUK: Aye.

10 MS. OJIMA: Ms. Sandoval.

11 MS. SANDOVAL: Aye.

12 MS. OJIMA: Mr. Czuker.

13 MR. CZUKER: Aye.

14 MS. OJIMA: Mr. Franklin.

15 MR. FRANKLIN: Aye.

16 MS. OJIMA: Mr. Shine.

17 MR. SHINE: Aye.

18 MS. OJIMA: Mr. Wallace.

19 CHAIRPERSON WALLACE: Aye.

20 MS. OJIMA: The minutes have been approved.

21 CHAIRPERSON WALLACE: The minutes have been
22 approved as amended.

23 Item 3: Chairman/Executive Director Comments

24 CHAIRPERSON WALLACE: Item 3, Chairman and
25 Executive Director comments.

1 My main comment is welcome back, Terri. She
2 went through, as most of you know, a lot of trauma in
3 the wanning days of her term expiration. And a lot of
4 us rallied and beseeched the Governor and the
5 Appointments Office at a very difficult time and time
6 running out. August 12th, she was either reappointed or
7 gone. And an awful lot of you and others came to
8 Terri's, but let's say the Agency's rescue, and Terri was
9 reappointed at the eleventh hour and is approaching
10 things, I can already tell you, with new vigor.

11 And we're just thrilled to have you back.

12 MS. PARKER: Thank you, Mr. Chairman.

13 The Governor reappointed me and the Senate also
14 confirmed me, so my term is now in place for the next
15 five years. My colleague, Mr. Franklin, was also
16 confirmed by the Senate, so we are joining our other
17 colleagues at a state level to continue a really great
18 housing team.

19 CHAIRPERSON WALLACE: And there's a couple more
20 of us, myself included, who is -- and Carrie Hawkins,
21 who isn't with us today, chairman and vice chairman,
22 whose directorships are upcoming and we'll apparently --
23 according to the latest legal opinion, speaking to Tom,
24 we're going to be facing the same do or die fairly soon.
25 So you may have some new faces around here soon and you

1 may not, but all that's plainly in the context of when
2 is this election going to be held, October 7th or in
3 March? Anybody want to offer -- no, let's not go there.

4 In any case, Terri, you had a couple -- that's
5 all I have. You have a couple other items?

6 MS. PARKER: I do, Mr. Chairman, just very
7 quickly.

8 Since we discussed this at our last couple of
9 Board meetings, we had an administrative dispute with
10 HUD. I'd just like to report we're in the final stages.
11 We believe we have an anticipated settlement agreement
12 with them, roughly in the area of about \$330,000. So
13 we've essentially come to an agreement with HUD, and
14 we're putting this issue behind us. And unless there is
15 any further problem with it, I do not intend to report
16 further again on it.

17 The other thing I wanted to also mention and do
18 a brief introduction, we have one of our partners at the
19 local level we refer to as SCHFA.

20 CHAIRPERSON WALLACE: Is it really CHFA, not
21 S-CalHFA?

22 (Laughter.)

23 CHAIRPERSON WALLACE: Welcome back, Terri.

24 MS. PARKER: They are a JPA that is both the
25 counties of Orange and Los Angeles. They do also run a

1 mortgage first-home buyer loan program, and they're
2 going to be joining with CalHFA to use some of their
3 resources for us to partner, about a hundred million
4 dollars, and make a joint loan program for the City and
5 County of L.A. and Orange County where we're going to
6 use preferential rates and our down payment systems and
7 their first mortgage loans to be able to offer enhanced
8 programs to the citizens in their particular community.

9 So we're very excited about it. The Board has
10 yet to approve it, but we just wanted to let you know
11 that we are working on that and again to recognize
12 Mr. Kawczynski and his work and our partnership.

13 I also just wanted to just briefly bring to your
14 attention the legislative report. We had a very
15 successful year with legislative actions for the Agency.
16 Two pieces of important legislation were passed. One of
17 them is AB 304, and this piece of legislation had a
18 number of changes to allow the Agency's administration
19 of our portion of the \$2.1 billion housing funds to
20 essentially work better in the market today.

21 But most importantly, I want to point out that
22 it's given us some authority in our mortgage insurance
23 program for us to work with GSEs so that our income
24 levels can match what theirs are. And that will allow
25 us to go forward and work and create partnerships with

1 GSEs for mortgage insurance products, particularly in
2 the emerging market area.

3 The other piece of legislation is SB 353, which
4 is something that the Agency sponsored. It's been a
5 bone of contention for us to be able to work out loans
6 with localities where we have a subordinate
7 relationship. And we've been able to be successful and
8 pass that legislation. And I think that will again add
9 to our ability to work through financing options with
10 localities producing more affordable rental housing.

11 So it was a very successful legislative session,
12 an outstanding job as usual, and we're looking forward
13 again to Fall with staff going in continuing to work on
14 our business plan and implementing legislation and
15 working on the administration of the housing law.

16 Thank you, Mr. Chairman.

17 CHAIRPERSON WALLACE: I neglected to introduce
18 the members that are sitting in, namely Esteban Almanza.

19 MR. ALMANZA: Yes.

20 CHAIRPERSON WALLACE: Did I get that right?

21 MR. ALMANZA: Yes.

22 CHAIRPERSON WALLACE: OPR. Welcome. We're
23 happy to have you.

24 MR. ALMANZA: Thank you.

25 CHAIRPERSON WALLACE: And we hope you can make a

1 contribution, even though this is your first time.

2 And Katrina Johantgen. Did I get it pretty
3 close?

4 MS. JOHANTGEN: Very close.

5 CHAIRPERSON WALLACE: Representing the
6 Treasurer's Office. We're happy to have you here.

7 MS. JOHANTGEN: Thank you.

8 CHAIRPERSON WALLACE: You've already commuted --
9 while you were commuting here, the traffic was so slow
10 you were able to read the minutes.

11 Anything else? Okay.

12 Format. We have, what, Linn, ten projects,
13 eleven?

14 MR. WARREN: Eleven, Mr. Chairman.

15 CHAIRPERSON WALLACE: Eleven projects. And
16 that's basically what's on our agenda. I'd be
17 optimistic if I would say perhaps we're shooting for
18 12:00 or 12:30ish, and so hopefully we're going to be
19 able to limit the debate on them. Staff, I know, is
20 prepared to have a slightly briefer summary of the
21 projects, and I hope we can focus as a Board on posing
22 questions and get on with it. The target is about 12 to
23 15 minutes per project.

24 MR. WARREN: I think we can do that,
25 Mr. Chairman.

1 CHAIRPERSON WALLACE: We can get out of here at
2 a reasonable hour. And if we don't, then I'm leaving
3 anyway and you won't have a quorum, because I've got a
4 plane to catch. Is that fair? You're used to that.

5 MR. SHINE: It's clear.

6 (Laughter.)

7 CHAIRPERSON WALLACE: Well, for L.A., that's a
8 good thing, isn't it?

9 MR. SHINE: Yeah.

10 CHAIRPERSON WALLACE: Okay, Jack.

11 Item 4: Discussion, Recommendation and Possible Action
12 Relative to Final Loan Commitments for the
13 Following Projects

14 CHAIRPERSON WALLACE: Let's then -- I'm going to
15 pull one out of order because it turns out that BRIDGE
16 Housing has two projects, one at the beginning of the
17 agenda and one at the end. And it's kind of foolish to
18 have them wait around forever, so I'm going to take the
19 one that is designated as Copper Creek, 03-034, which is
20 a BRIDGE project in San Marcos, and move it up first.
21 And then the first one on the agenda, which will be
22 second, Northwood, is also a BRIDGE, so I think it's
23 reasonable, bear with me, to let them get on and get
24 out, rather than sitting around for two and a half hours
25 with it split.

1 So in that order, Linn, why don't you give us
2 Copper Creek.

3 Resolution 03-45 (Copper Creek Apartments)

4 MR. WARREN: That would be fine, Mr. Chairman,
5 thank you.

6 MR. CZUKER: Excuse me, what page?

7 MR. WARREN: The Copper Creek materials are on
8 page 271 of your materials.

9 CHAIRPERSON WALLACE: Sorry, Ed. 271.

10 MR. WARREN: Okay. The first project for the
11 Board's consideration this morning is the Copper Creek
12 Apartments. This is a 156-unit family project,
13 inclusionary zoning in matched development in San Marcos
14 in San Diego.

15 The loan requests are for a first construction
16 loan in the amount of \$19,210,000. This would be a
17 variable-rate loan for 24 months and would be blending
18 the sources of funds. Approximately \$14 million would
19 be tax exempt, and approximately \$5 million would be
20 taxable. This is a strategy we're using for most of our
21 construction lending now to blend in taxable funds that
22 are part of the activity bond.

23 The permanent loan would be in the amount of
24 \$4,410,000 at 5.5-percent interest rate for the year,
25 fully amortized. And the bridge loan in the amount of

1 \$6,955,000 for three years at 4 percent.

2 Rates have gone up somewhat. Our primary
3 30-year rate is now 5.5. The rates, I'm sure most of
4 you know, moved up the last couple of months and so we
5 had to take ours up 25 basis points.

6 The second mortgage, the bridge loan, is out
7 there for the purposes of leveraging debt to increase it
8 to 4-percent credit.

9 So with that, I'll ask Laura to go through some
10 of the project slides for Copper Creek.

11 MS. WHITTALL-SCHERFEE: This first slide shows
12 the entire development of San Elijo Hills Master
13 Community. It's a 1920-acre master community with ten
14 residential subdivisions. Five of those subdivisions
15 have already been sold out.

16 To the west of the picture, kind of off the
17 screen a little bit, is Carlsbad. To the northwest is
18 the City of Vista.

19 This is a close-up shot of San Elijo Hills
20 Master Community. The project is outlined in white.
21 Across the street is one of the sold-out residential
22 communities. Adjacent to the residential community is
23 the site for a brand-new elementary school and middle
24 school.

25 Directly adjacent to our project is a green

1 belt, and right next to that is where the resident --
2 I'm sorry, where the retail is going to go in,
3 approximately 40,000 square feet of retail space. That
4 will include a grocery store, pharmacy, small retail
5 shops, and restaurants.

6 The whole concept behind this community is to
7 have a town center and a town feel. And that is what
8 this little square area is. There are a bunch of
9 walking paths, and it's a central area where Elfin and
10 San Elijo Road meet. To the north will be a visitor's
11 center with a library, post office, and a visitor
12 information center that will provide information on all
13 of the various subdivisions within the community.

14 And then directly to the south of that is the
15 19-acre park with the baseball diamond, which you can
16 see clearly right here. It's already been constructed.

17 This is a front elevation of the community
18 building. This is a two-phase project. We are
19 financing or we are asking for approval to finance the
20 first phase. The second phase is going to be a
21 9-percent tax credit deal, 48 units, and they are
22 asking -- they are coming to us for the financing of
23 that as well. The loan request is under 4 million, so
24 that would be a request we could consider internally.
25 However, the community building will be part of

1 Phase II, and it will include two offices, a learning
2 center, kitchen, two bathrooms, a maintenance room, and
3 a large rec room.

4 These are the front elevations for what the rest
5 of the project will look like. It will consist of
6 11 residential buildings with stucco siding and tile
7 roofs.

8 This is your rent chart. The market and
9 affordable apartment vacancy level in the San Diego
10 County area is very, very small. Generally, vacancy
11 rates are at 2 percent, and it's really just the time it
12 takes to turn over the unit.

13 There are seven projects within this area --
14 this area being Vista, Carlsbad, and San Marcos -- that
15 are under construction with a total of 758 units. Both
16 the market study and the appraiser are very comfortable
17 that even if all those units came on the market today,
18 they would be fully occupied within 30 days. There is
19 huge demand in the San Diego area for affordable
20 housing. This project is expected to lease up within
21 30 days of completion.

22 The rents are as follows: On the -- there are
23 32 one-bedroom units, and the rents are between 30 and
24 63 percent of market. There are 62 two-bedroom units
25 with rents of 25 to 58 percent of market. And there are

1 62 three-bedroom units with rents of between 26 percent
2 and 61 percent of market.

3 The agency would be restricting 20 percent of
4 the units to 50 percent or less of market. The other
5 junior lienholders would be restricting 100 percent of
6 the units. The City of San Marcos is restricting units
7 at a variety of levels, but nothing above 55 percent.
8 MHP and TCAC would be restricting 100 percent of the
9 units at levels not to exceed 60 percent.

10 And there are no adverse environmental
11 conditions that have been found on this site.

12 MR. WARREN: Thank you, Laura.

13 The City of San Marcos Redevelopment Agency is
14 making a sizable contribution in approximately
15 \$3.5 million and a tax credit equity of \$11.8 million, as
16 well as the master development land, that land
17 contribution of \$5.6 million.

18 The developer is BRIDGE Housing. They will also
19 manage the property upon completion.

20 With that, we'd like to recommend approval.
21 We'd be happy to answer any questions.

22 CHAIRPERSON WALLACE: Any questions? Really, the
23 affordability for that many units is attractive.

24 Ed.

25 MR. CZUKER: I think this is a very attractive

1 project and very attractive use of CalHFA resources, both
2 on the construction loan side and the permanent loan
3 side, especially securing the pay down of the
4 construction loan with the tax credits.

5 My question relates to -- and specifically all
6 the public support from other agencies.

7 My question relates specifically to the land
8 contribution. Was that done as a donation to the
9 partnership and is the landowner, therefore, taking a tax
10 deduction for that, or is it somehow his capital account
11 is given partnership? A contribution can be dealt with
12 many different ways.

13 MR. WARREN: I do not believe he is part of the
14 partnership. His acquisition cost of the land was
15 approximately \$2.6 million. The \$8-million figure that
16 you see under "Uses" is the valuation of the land today,
17 so the net contribution is the \$5.8 number. As far as
18 his tax ramifications, I don't know, but he is not part
19 of the partnership.

20 MR. CZUKER: He will not be part of the
21 partnership going forward?

22 MR. WARREN: That's my understanding.

23 MR. CZUKER: We're talking about the
24 \$5.6-million land contribution under "Sources," if you
25 look at page 280.

1 MR. SHINE: Oh, I see how that ties. Okay.

2 MR. CZUKER: Thank you.

3 CHAIRPERSON WALLACE: Any further questions?

4 Developer or --

5 MR. CZUKER: I had one other question. Have

6 they identified the tax credit investor at this point?

7 MR. WARREN: I don't believe so.

8 MR. BAKER: Union Bank is the --

9 CHAIRPERSON WALLACE: Let me ask you to identify

10 yourself, then if you could help us with the tax

11 question.

12 / / /

13 MR. BAKER: My name Tim Baker. I'm project

14 manager with BRIDGE Housing on this project. We signed

15 an LOI with Union Bank in view of the tax credits.

16 MR. CZUKER: To buy the tax credits?

17 MR. BAKER: Yes.

18 MR. CZUKER: Thank you.

19 CHAIRPERSON WALLACE: Anything else? Anyone

20 from the audience? The Board?

21 Hearing, seeing none, the Chair will entertain a

22 motion.

23 MR. CZUKER: I'll move approval.

24 CHAIRPERSON WALLACE: Czucker moves.

25 MR. FRANKLIN: I'll second.

1 CHAIRPERSON WALLACE: Franklin seconds.

2 On the motion, any discussion?

3 Hearing, seeing none, the Secretary will please
4 call the roll.

5 MS. OJIMA: Ms. Johantgen.

6 MS. JOHANTGEN: Aye.

7 MS. OJIMA: Mr. Bayuk.

8 MR. BAYUK: Aye.

9 MS. OJIMA: Ms. Sandoval.

10 MS. SANDOVAL: Aye.

11 MS. OJIMA: Mr. Czuker.

12 MR. CZUKER: Aye.

13 MS. OJIMA: Mr. Franklin.

14 MR. FRANKLIN: Aye.

15 MS. OJIMA: Mr. Shine.

16 MR. SHINE: Aye.

17 MS. OJIMA: Mr. Wallace.

18 CHAIRPERSON WALLACE: With my usual admonition
19 that I have been a long-time member of the BRIDGE board,
20 but legal counsel, since I have no direct benefit,
21 financial or otherwise, has advised that it's probably
22 best to disclose that I have been a member, but I am
23 able to vote. And I vote aye.

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

25 Resolution 03-45 has been approved.

1 CHAIRPERSON WALLACE: Resolution 03-45 is hereby
2 approved.

3 Let's go on to the back. Give me a page number
4 if you can, somebody.

5 MR. WARREN: Page No. 93 in the book.

6 CHAIRPERSON WALLACE: 93 for the -- let's finish
7 BRIDGE with Northwood Apartments.

8 Resolution 03-35 (Northwood Apartments)

9 MR. WARREN: Northwood Apartments is a 96-unit
10 family project in Irvine. The request today is for a
11 permanent loan only in the amount of \$7 million,
12 5.5-percent interest rate, 35-year term, fully
13 amortized, and a second bridge loan in the amount of
14 \$1 million for one year at 4 percent.

15 There is a fair amount of locality subordinate
16 financing as well. We have Orange County providing a
17 residual receipts loan in the amount of \$1.9 million at
18 55 years, 3 percent. And the City of Irvine will also
19 contribute \$600,000 in HOME funds for 55 years.

20 This is a ground lease property of -- the
21 Agency's mortgage will be the leasehold mortgage. The
22 lessor is The Irvine Company. There will be a hard
23 lease payment of \$10,000 per year with a set escalator
24 of 2 percent. At the end of the 55-year term or at the
25 end of the lease term, which is 58 years, the project

1 will revert back to the lessor.

2 So with that, I'll ask Ed Gipson to run through
3 the project.

4 MR. GIPSON: This is Northwood Apartments in the
5 City of Irvine, Orange County. Running this way is
6 Trabuco Road where the property will have access. This
7 is Jeffery Boulevard.

8 A closer shot of the property. Adjacent to the
9 property is a church. And the surrounding uses are
10 condominiums, apartments. Across the street are
11 existing single-family residences. And this site here
12 on the far right bottom corner is a new single-family
13 development that's under construction.

14 CHAIRPERSON WALLACE: And those are all
15 market-rate units you just referred to?

16 MR. GIPSON: All of them. All of them.

17 The project site is 4.54 acres. There will be
18 18 one-bedrooms, 49 two-bedrooms, and 29 three-bedroom
19 units.

20 This is a shot of the elevations. There will be
21 six three-story buildings, 201 parking spaces, two
22 laundry rooms, a pool. They will be individually
23 metered. There will be a central boiler for each
24 building.

25 Here's the site plan with the adjacent land

1 uses. You can see this large sign here. It says,
2 "Project Site." That's future residential that's under
3 construction now, the existing project. Office retail
4 below here. This spot right here is a proposed cultural
5 center that will be going in. They're actually moving
6 dirt now and actually surveying for that to go in.

7 The PMA, the primary market area, is the city of
8 Irvine in Orange County, which is only second in size to
9 L.A. County in population. The existing rents off the
10 rent chart show the rents substantially below market.
11 The one-bedrooms are between 31 percent to 63 percent
12 below market. The two-bedrooms are from 32 percent to
13 63 percent of market. And the three-bedrooms are 27 to
14 52 percent of market.

15 The housing in Irvine, Orange County, is
16 averaging about \$388,000. For the county it's \$335,000.
17 That housing does include condominiums. This is a very
18 high-cost area.

19 The project also has applied for state tax
20 credits. If it receives those tax credits, the rents
21 will actually be improved. They'll increase the number
22 of affordability in each of those units, and our first
23 loan will go down by at least \$350,000 per house and
24 more, in accordance with that. And Orange County is the
25 one asking the project to apply for state credits. In

1 addition, their loan will go down some percentage as
2 well.

3 The property has come back with its Phase I, and
4 there are no environmental concerns that warrant further
5 action.

6 MR. WARREN: As with the last project, BRIDGE of
7 Southern California will be the developer and will also
8 property manage.

9 So with that, we'd be happy to recommend approval.

10 CHAIRPERSON WALLACE: Questions?

11 Ed.

12 MR. CZUKER: Again, it's nice to see all the
13 local participation so that CalHFA's loan is under
14 50 percent of cost.

15 I'm just curious, when you review the uses of
16 funds, do you check, for example, some of the ancillary
17 fees of engineering and architecture? For example,
18 architecture, \$500,000 for a 96-unit project is a little
19 bit high, \$5,200 a unit. So I'm just raising that as
20 something that staff should look at by way of consultant
21 fees, if they seem to be excessive, to please review
22 that.

23 But in general, I support the project and thank
24 you.

25 CHAIRPERSON WALLACE: What's the answer to that,

1 Linn? Do you look down to the subcontractors?

2 MR. WARREN: If we are doing the construction
3 loan, we do cost estimations, takeoffs, because we are
4 concerned about that because our risk is in the
5 construction period. We don't look at it as much as the
6 permanent lender, but clearly if there's a situation
7 where a construction budget is forcing us to lend more
8 than we probably think we should, then we ask them to go
9 back to it and we look at that. But we do spend more of
10 our time looking at those costs when we are on a
11 construction loan.

12 CHAIRPERSON WALLACE: Okay. Jack.

13 MR. SHINE: No. 1, could you tell me how many
14 square feet we're building in that project? The land
15 size is -- it's a typo. The land size and the building
16 size are exactly the same -- unless that's just the way
17 it is and it's a coincidence.

18 MR. GIPSON: No, it's a typo. You're right.

19 CHAIRPERSON WALLACE: That's not what the site
20 plan showed.

21 MR. GIPSON: Yeah. It's about -- I think if you
22 look at it, it's hard to know which one is which. I
23 believe it's the \$197,000 is --

24 MR. SHINE: If you have 96 units and they're a
25 thousand feet apiece, the most it would be would be

1 100,000 feet or something.

2 MR. GIPSON: Yeah. It's got to be the land
3 size. It's a tight project. It's based --

4 MR. SHINE: No big deal. It's just that when I
5 tried to do my math, I had a tough time. It looked very
6 cheap.

7 One other question. One other comment. I would
8 like to tag on to that discussion of the architect. I'd
9 like to know the role of the architect that generates
10 the fees that runs through all these projects. Because
11 for an architect alone, I want to be the architect.

12 MR. WARREN: Well, I think as the Board has
13 requested us in the past and we can certainly bring that
14 back to the Board, what you're seeing here is a roll-up
15 of a lot of categories. It may not just generally be
16 architect. It could be engineering. I think that rolls
17 up in that area as well. But let us come back to the
18 next Board. We'll give you a breakout of what's in
19 that. My suspicion, without having it readily in front
20 of me, it's more than just the architectural costs.

21 MR. GIPSON: There are some engineering costs in
22 that line item. Absolutely.

23 CHAIRPERSON WALLACE: Yeah, because you're
24 showing engineering as zero.

25 MR. GIPSON: Yeah. They rolled them up. They

1 grouped them together. I don't have the exact --

2 CHAIRPERSON WALLACE: We've run into this before
3 and actually expanded our uses list, as I recall, a
4 couple of years ago, so, yeah, we might take a fresh
5 look at that.

6 MR. WARREN: That would be fine.

7 CHAIRPERSON WALLACE: BRIDGE gang, it's in line?

8 MR. WIBLIN: Hi, I'm Brad Wiblin, BRIDGE
9 Housing. Just briefly, the \$500,000 does include
10 architecture, engineering, civil, landscape, acoustic,
11 both design construction period administration and
12 inspections. So that is a roll-up of all of our costs.
13 If memory serves, the architecture-only component is
14 about \$235,000, and that does include sort of CHFA --
15 I'm sorry, CalHFA--required bimonthly inspections during
16 construction.

17 So these costs tend to be -- to answer your
18 question, Chairman Wallace -- pretty much in line with
19 our costs. And we do negotiate less fees on smaller
20 projects like this one.

21 MR. SHINE: The architects alone is a little
22 over \$200,000 a year; is that what you're saying?

23 MR. WIBLIN: Yeah. Exactly.

24 CHAIRPERSON WALLACE: Yes.

25 MS. JOHANTGEN: You stated that these risk

1 assumptions did not include tax credit; however, the
2 uses, there's a line with tax credits. Is that assuming
3 4 percent rather than 9?

4 MR. GIPSON: They include the 4-percent tax
5 credit, but not the -- the going acquisition state tax
6 credits in addition to the 4-percent allocation.

7 MR. WARREN: I think this underwriting does not
8 reflect what could be lower rents if the state tax
9 credits are obtained. If they do, then we'd have to
10 resize the loan downward, so I think these represent the
11 higher rents with the absent state tax credits.

12 CHAIRPERSON WALLACE: Okay. Any further
13 questions of the Board or from the audience?

14 Hearing, seeing none --

15 MR. CZUKER: Move approval.

16 CHAIRPERSON WALLACE: Czuker moves. And Cathy
17 seconds.

18 MS. SANDOVAL: Second.

19 CHAIRPERSON WALLACE: Any questions on the
20 motion? Discussion on the motion?

21 Hearing, seeing none, Secretary, would you
22 please call the roll.

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

24 Ms. Johantgen.

25 MS. JOHANTGEN: Aye.

1 MS. OJIMA: Mr. Bayuk.
2 MR. BAYUK: Aye.
3 MS. OJIMA: Ms. Sandoval.
4 MS. SANDOVAL: Aye.
5 MS. OJIMA: Mr. Czuker.
6 MR. CZUKER: Aye.
7 MS. OJIMA: Mr. Franklin.
8 MR. FRANKLIN: Aye.
9 MS. OJIMA: Mr. Shine.
10 MR. SHINE: Aye.
11 MS. OJIMA: Mr. Wallace.
12 CHAIRPERSON WALLACE: With my usual caveat in
13 view of the fact it's a BRIDGE project, aye.
14 MS. OJIMA: Thank you, Mr. Chairman.
15 Resolution 03-35 has been approved.
16 CHAIRPERSON WALLACE: Resolution 03-35 is hereby
17 approved.
18 Okay. Moving on in good pace, Villa Amador.
19 Resolution 03-36 (Villa Amador)
20 MR. WARREN: Yes, Mr. Chair. Laura will have
21 the next few projects, so take it away.
22 MS. WHITTALL-SCHERFEE: One of the things you
23 might have noticed when you were reading the Board
24 package for Villa Amador is that you were missing page
25 2, and that was distributed this morning to you.

1 It's -- there are two page 2s that weren't included.
2 The one that will be for Villa Amador begins with "Other
3 Financing" and has a bottom date of August 25th.

4 CHAIRPERSON WALLACE: Hang on just a second.
5 It's page --

6 MR. SHINE: There's two pages 2s?

7 MS. WHITTALL-SCHERFEE: You have two page 2s
8 because page 2 was missed on two projects. The one
9 you're looking for has a bottom date of August 25th and
10 starts with "Other Financing," and that's for Villa
11 Amador.

12 CHAIRPERSON WALLACE: So you're actually -- in
13 our books it's going to be --

14 MS. WHITTALL-SCHERFEE: The first page.

15 CHAIRPERSON WALLACE: -- You're going to have
16 page 1, and on the back of it is page 3.

17 MS. WHITTALL-SCHERFEE: That's right.

18 CHAIRPERSON WALLACE: And we need to insert
19 page 2.

20 MS. WHITTALL-SCHERFEE: So you might have
21 thought there was no locality financing or other
22 financing, but there is.

23 CHAIRPERSON WALLACE: Okay. Please go ahead.

24 MS. WHITTALL-SCHERFEE: Villa Amador is a
25 96-unit new construction project for families located in

1 Brentwood, which is in Contra Costa County, California.

2 The borrower is requesting a loan-to-lender loan
3 through B of A in the amount of \$13 million at 3 percent
4 for two years. It's a tax-exempt loan-to-lender loan.
5 CalHFA would then do the permanent lending first
6 mortgage in the amount of \$5,280,000.

7 Contra Costa County will provide the project
8 with a \$1 million residual receipt loan for 40 years at
9 3 percent. They will also have a Housing and Community
10 Development loan in the amount of \$5,509,905 MHP for
11 55 years at 3 percent, and a Joe Serna Jr. Farmworker
12 Housing Grant in the amount of \$2 million for 40 years
13 at 3 percent.

14 The project has also received an AHP grant via
15 B of A for \$507,000 -- \$507,600 for 30 years at
16 0 percent.

17 Ed, why don't you go ahead.

18 MR. GIPSON: Villa Amador in the City of
19 Brentwood is located along Sand Creek Road and Highland
20 Way. This is Sand Creek Road right here. In the
21 background is the State Highway 4 bypass.

22 The property's surrounding land uses include
23 agricultural here to the west. There's a new
24 single-family residential, low income rents, going in
25 here under development. This will be the site of a

1 future park for this site for which there will be a
2 gated access from the property. The property will be
3 fully gated.

4 It is an eight-acre parcel. Across the street
5 is existing single-family homes. There is a -- this is
6 a vacant lot here. There is a park and a school back
7 here in this green belt area by the park. And at the
8 corner here is a shopping center which includes a
9 Raley's and many other stores, Starbucks, also
10 surrounding the area.

11 This shot of the property shows existing land
12 uses. You can see the park area will be the site here
13 and the new subdivision going in.

14 This is a rendering of what the future project
15 will look like. It will consist of 14 two-story
16 buildings with 205 parking spaces. It will be fully
17 gated. There will be an over 3,000-square-foot
18 community center. Inside that community center will be
19 a day care center, which will be open to the residents
20 of the project, as well as the nearby local area
21 residents. It will most likely be operated by Head
22 Start or a similar program like that. They're very
23 excited to get that in the neighborhood.

24 Here's a site plan of the project, a little
25 difficult to read, but each project will be -- each unit

1 will have central heat and air conditioning. There will
2 be laundry rooms in the three- and four-bedrooms units.
3 There's one-, two-, three-, and four-bedroom units. The
4 three- and four-bedroom units will have washer and dryer
5 hookups. There will also be multiple laundry rooms
6 located throughout the project as well.

7 The market rents are substantially below market.
8 The one-bedrooms are between 37 percent below market or
9 of market. The one-bedrooms are 75. The two-bedrooms
10 are as low as 39 percent of the market to 78. The
11 three-bedrooms, 39 percent of the market and 79 percent
12 of market, respectively. And the four-bedrooms are
13 32 percent and 65 percent of market.

14 As of February 2003, there exists with the
15 Contra Costa Housing Authority a large Section 8 waiting
16 list, and a waiting list for public housing also exists
17 in the area. The Section 8 list now has
18 3,577 households on its waiting list, and the public
19 housing has over 2,000 people waiting for one-bedrooms,
20 2,000 households, excuse me, waiting for two-bedrooms --
21 1,400 waiting for two-bedrooms, 561 waiting for
22 three-bedrooms, and at least almost a hundred waiting
23 for four-bedroom units in the area.

24 The Phase I has come back with no further
25 environmental conditions that warrant further

1 investigation.

2 MS. WHITTALL-SCHERFEE: The sponsor for this
3 project is Mercy Housing. Mercy has developed and
4 rehabilitated over 77 projects in California with over
5 4,000 units during the past 34 years. They're well
6 known to the Agency. We currently have financed five
7 projects with a total of 364 units.

8 With that, I'll be glad to answer any questions
9 you have.

10 CHAIRPERSON WALLACE: Questions?

11 Ed.

12 MR. CZUKER: Again, I'm very supportive of the
13 project, especially with all of the third-party
14 subsidies that support the project and the CalHFA first
15 mortgage of that permanent loan funding at 22,
16 23 percent.

17 I do have a couple of questions that relate to
18 the format. The package itself would be more
19 interesting if we could have sources and uses during
20 construction as part of the package when providing the
21 Loan to Lender. Our \$13-million Loan to Lender for
22 construction period is what percentage of the total
23 budget and what other subsidiaries are going to be
24 available during the construction period, since some of
25 those proceeds are going to be needed to pay down the

1 Loan to Lender from \$13 million to our permanent loan of
2 \$5.2 million. So it would be helpful to have that
3 spreadsheet or some information on that.

4 And one additional comment which relates to the
5 high-cost areas, you have a very high impact fee here at
6 14 percent or \$3.3 million on a \$23 million budget.
7 That's a very high impact fee allocation that obviously
8 the project is being forced to absorb for affordable
9 housing. Sometimes for affordable housing you can get
10 some of those impact fees waived. I don't know if any
11 attempt has been made to -- either by the sponsor or the
12 Agency to try to get concessions from impact fees to
13 lower the burden on the project.

14 MR. GIPSON: Yes, there has been. You're right,
15 those impact fees are very, very high. And we have the
16 estimate from the City, which runs numerous pages, on
17 how they assess those fees. But the answer to your
18 question is, yes, they're high and, yes, there were
19 attempts to lower them.

20 MR. WARREN: Just as a -- by way of background,
21 we do visit these fees, and occasionally the Board will
22 ask for details to give more roll-up or more detail for
23 this. As a general rule, we don't lobby when we have
24 the sponsors, but we do ask them to give us a breakdown
25 justifying the costs. But all sponsors do try to deal

1 with that.

2 MR. CZUKER: And are the construction sources
3 available?

4 MR. WARREN: Not for this presentation, but we
5 can bring that in future loan-to-lender presentations,
6 look at it and have that in the package.

7 MR. CZUKER: Thank you.

8 CHAIRPERSON WALLACE: Thanks, Ed.

9 Any other comments from the Board? Questions
10 from the audience?

11 Hearing, seeing none, the Chair will entertain a
12 motion for its approval.

13 MR. CZUKER: So moved.

14 CHAIRPERSON WALLACE: Czucker.

15 And a second?

16 MR. SHINE: Second.

17 CHAIRPERSON WALLACE: Shine. Thank you.

18 Any questions, discussion on the motion?

19 Hearing, seeing none, Secretary, please call
20 roll.

21 MS. OJIMA: Thank you.

22 Ms. Johantgen.

23 MS. JOHANTGEN: Aye.

24 MS. OJIMA: Mr. Bayuk.

25 MR. BAYUK: Aye.

1 MS. OJIMA: Ms. Sandoval.

2 MS. SANDOVAL: Aye.

3 MS. OJIMA: Mr. Czucker.

4 MR. CZUKER: Aye.

5 MS. OJIMA: Mr. Franklin.

6 MR. FRANKLIN: Aye.

7 MS. OJIMA: Mr. Shine.

8 MR. SHINE: Aye.

9 MS. OJIMA: Mr. Wallace.

10 CHAIRPERSON WALLACE: Aye.

11 MS. OJIMA: Resolution 03-36 has been approved.

12 CHAIRPERSON WALLACE: Resolution 03-36 is hereby
13 approved.

14 Okay. Then let's move on to Villa Cesar Chavez
15 in Oxnard. Linn.

16 Resolution 03-37 (Villa Cesar Chavez)

17 MS. WHITTALL-SCHERFEE: I've asked Debra
18 Starbuck to do most of the slides for the next two
19 projects, which are Villa Cesar Chavez and Villa
20 Victoria. Both -- yes, we have three Villas. Lots of
21 Villas today.

22 Villa Cesar Chavez and Villa Victoria are both
23 514 projects. This a new project type for us. What it
24 is is it's a program through the USDA Department of
25 Rural Development. It provides subsidy -- subsidized

1 financing for the development of farmworker housing and
2 it's for new construction of farmworker housing.

3 Villa Cesar Chavez is a 52-unit townhome
4 development that's going to be developed in the City of
5 Oxnard. They are requesting Loan to Lender financing
6 through Wells Fargo. The loan amount will be \$6,980,000
7 at 3 percent for two years, and that is tax exempt.
8 Then they are requesting permanent financing in the
9 amount of \$2,540,000 at 5-and-a-half-percent interest for
10 30 years, also tax exempt.

11 They are requesting a second mortgage in the
12 amount of \$645,000 at 5 and a half percent for ten years,
13 and this is based on a subsidy that would be provided by
14 RD, the USDA Department of Rural Development. They are
15 providing a rental subsidy with Section 521 rental
16 assistance for 39 units for five years with five-year
17 renewals, and they are subsidizing up to 60 percent of
18 median income.

19 Locality financing includes the City of Oxnard,
20 who is providing a 33-year \$860,000 residual receipt
21 loan. They are also going to obtain -- or they have
22 obtained financing from the Department of Housing and
23 Community Development, a \$2,736,128 loan under the Joe
24 Serna Jr. Farmworker Housing Grant and Loan Program for
25 40 years at 3-percent interest. They have a USDA RD

1 \$1,100,000 Section 514 Farm Labor Housing loan at
2 1 percent for 33 years, and a Rural Community Assistance
3 Corporation loan in the amount of \$750,000 at 1 percent
4 for 33 years.

5 Now we'll go to the slides.

6 MS. STARBUCK: Good morning. The aerial photo
7 you see here represents the view of the Villa Cesar
8 Chavez site in south Oxnard. You're looking in the
9 westerly direction here. To the left you see Port
10 Hueneme, and Oxnard is to the right or north of the
11 site.

12 The close-up of the site is the view looking in
13 an east direction. You can see the 3.6-acre site.
14 Along the north, the north border, you see single-family
15 homes and a mobile home park. To the west of the site
16 you can see new homes that are starting in the \$400,000
17 price range, where you'll also see an access to the site
18 when it's completed.

19 Along the eastern edge of the site running the
20 length here is a railroad track that is used
21 approximately twice a day, and a flood channel runs
22 alongside that. Commercial development is further east
23 and southeast and south of the project. The site is
24 actually about a mile inland from the ocean.

25 Here's an illustration, artist's rendering of

1 townhome units. There will be about 49 -- or there will
2 be 49 townhome units, and the remainder will be
3 single-story, one- and two-bedroom units. Actually, I'm
4 sorry, there are no one-bedrooms. They are two-bedroom
5 units. They will all have attached garage units with
6 washers and dryers and individual hot water heaters and
7 water meters.

8 Here's the site plan. The main access to the
9 site will be off of Hueneme Road. There will also be
10 six single-family homes developed separately from this
11 multifamily project that will be paid for with separate
12 sources of funds later down the road. The site will
13 access again from the single-family development as an
14 alternate route.

15 There will be a community center near the access
16 with a kitchen and bathrooms and a community room. Next
17 to that will be a tot lot. And the remainder of the
18 units are accessible past the single-family units, which
19 will sign a joint use and access easement and pay for
20 maintenance fees of the area.

21 Hueneme Road, which is the main access, is being
22 widened as part of the planned development. The project
23 had to bear the costs for the engineering of this
24 road-widening project; however, the actual costs for the
25 road will be borne by the City of Oxnard.

1 The project has been designed for farmworker
2 families, larger families. And the three- and
3 four-bedroom units have rents of 40 and 50 percent of
4 area median income with rents being approximately 50 to
5 64 percent of the market. There are three two-bedroom
6 units that are slightly smaller than market, with rents
7 at 40 and 50 percent of AMI with rent levels at 55 to
8 70 percent of the market rate in Oxnard. Rental
9 assistance will be made available to the 39 farmworker
10 households that are currently scheduled with rents at
11 the higher levels of 60 percent.

12 The environmental assessment found no adverse
13 site conditions other than noise concerns from the
14 railroad, and the noise assessment suggested a sound
15 wall with sound-rated construction in the walls and
16 windows to help mitigate the noise concerns.

17 There are five existing buildings on the site
18 that will be demolished. An asbestos study will
19 identify any concerns that need to be addressed during
20 demolition. The geotech report suggested removal of the
21 top layer of soil, replaced with three to four feet of
22 compacted fill to raise the slab foundations above the
23 hundred-year flood plain.

24 MS. WHITTALL-SCHERFEE: The borrower is Cabrillo
25 Economic Development Corp. They have come to CalHFA

1 before, and the Agency has approved for financing Plaza
2 Del Sol, a 70-unit project in Simi Valley. CEDC has
3 been in existence for 22 years, and they have developed
4 16 projects with approximately 823 units. They will be
5 the developer, the general partner, and the contractor
6 on Villa Madera (sic).

7 I'll be happy to answer any questions.

8 CHAIRPERSON WALLACE: Questions?

9 We'll give you first chance, Ed.

10 MR. CZUKER: Okay. Thank you.

11 With CalHFA's loans in the 20 to 25 percent range,
12 obviously with all the subsidiaries that are there from
13 other sources, I'm very supportive of the project.

14 I have a comment though that the total costs per
15 unit is on the high side of what seems to be reasonable
16 for affordable housing, \$250,000 per unit in costs in a
17 relatively non high-up cost area. So for a non
18 high-cost area to be at \$250,000 a unit seems high,
19 especially when it has nothing to do with land or
20 acquisition costs, which are reasonable at \$13,000 a unit
21 at 6 percent.

22 But with all the subsidies and the maximum
23 exposure on a loan-to-value basis being 35 percent
24 instead of 25 percent, I am very supportive of the
25 project based on all the third-party subsidiaries.

1 CHAIRPERSON WALLACE: Is there a reason why? It
2 seems kind of incongruous.

3 MR. WARREN: Go ahead.

4 MS. STARBUCK: The foundation engineering and
5 also widening Hueneme Road, the main access to the site,
6 and the railroad tracks have to be modified, so the
7 engineering costs basically for that are actually
8 showing up in the architectural fees and also should
9 have been showing engineering and acoustical analysis
10 and the design of the units to mitigate the noise
11 concerns from the railroad tracks.

12 CHAIRPERSON WALLACE: Are you saying that we've
13 rolled up things in that category again?

14 MS. STARBUCK: Right.

15 MR. WARREN: And generally, Mr. Chairman, large
16 family units tend to cost more. We have some
17 four-bedroom units. But costs are going up, and this is
18 an issue with all the projects we've seen today.

19 CHAIRPERSON WALLACE: Why do large family units
20 cost more? You've got more square footage.

21 MR. WARREN: More square footage.

22 CHAIRPERSON WALLACE: You've got one or two
23 bathrooms and one kitchen.

24 MR. WARREN: It seems to be the trend. They
25 seem to trend higher.

1 MS. STARBUCK: These three- and four-bedrooms
2 actually have two and a half baths as well. And there
3 was a larger -- liability insurance has gone up during
4 construction, so those costs are rolled up in this line
5 item that you see here.

6 CHAIRPERSON WALLACE: Yes.

7 MR. FRANKLIN: Just a couple comments. As the
8 holder of the subordinate debt on this, I would add to
9 the Board's concerns on costs, but more to the point, I'd
10 really like to commend you guys for getting into this,
11 as you mentioned at the beginning, somewhat of a new
12 direction. Traditionally, many of these deals are
13 farmworker programs through HCD and RD alone, and that's
14 often because they're in markets where there's no one to
15 carry soft debt.

16 But where it does permit and where you can do
17 some of this fully amortizing debt, then I, you know,
18 really encourage you to keep looking for these
19 opportunities, because I think it's a good thing.

20 One change we're making that, you know -- on
21 this cost issue, maybe it's something that we could
22 coordinate somehow because, as you know, as a member of
23 our loan and grant committee, we're concerned with
24 costs, regularly looking at total development costs,
25 trying to think about how to get a handle on some

1 standards and benchmarks.

2 One other change I'd just note with the
3 farmworker, with the increased funding that we have in
4 that program we're seeing many, many more multifamily
5 rental deals than we did in the past. Historically it
6 was much more a single-family program. And we found a
7 little bit of a skill set mismatch in that area, so
8 we're taking the tax credit piece as a first move, but
9 then ultimately all of the rental deals will be
10 underwritten by our MHP team. So we're really looking
11 to consolidate there, which is, of course, the team that
12 the CalHFA underwriters are working with on a regular
13 basis. You see MHP on a lot of these deals. So
14 hopefully one of the benefits of that is it will
15 facilitate the coordination with you-all in this issue
16 of development costs.

17 But really I'm pleased to see you're getting
18 into this area. I think it's a good area to push.

19 CHAIRPERSON WALLACE: Jack.

20 MR. SHINE: On another note, with a railroad
21 going down the side of the property, did you look at the
22 plans in terms of foundation stability? Are they
23 doing --

24 MS. STARBUCK: They did the acoustical analysis.
25 The acoustical analysis recommended different windows

1 and sound mitigation and design of the townhome units.
2 The wall would be high enough to mitigate the additional
3 noise. The soil has to be -- they're going to bring in
4 90-percent compacted fill, three or four feet of it, to
5 address --

6 MR. SHINE: The foundation engineer developed
7 that?

8 MS. STARBUCK: Yes. And that's why some of the
9 engineering costs are actually on this. They're added
10 in with the architectural fees that you see there.

11 CHAIRPERSON WALLACE: Any further questions?

12 Yes, Cathy.

13 MS. SANDOVAL: Port Hueneme Road, is that also
14 the main access to Port Hueneme?

15 MS. STARBUCK: Actually, it's Hueneme Road, and
16 it actually is north of Port Hueneme. It runs
17 west-east, and Port Hueneme is actually south of that.
18 But it is very close to the area.

19 MS. SANDOVAL: But we don't expect any negative
20 impacts from the port or its operation?

21 MS. STARBUCK: No. It's about a mile and a half
22 to the west of the site.

23 MS. SANDOVAL: Thank you.

24 CHAIRPERSON WALLACE: Esteban.

25 MR. ALMANZA: I also wanted to echo Director

1 Franklin's comments and congratulate the staff for
2 venturing into this type of much needed housing. With
3 the additional leverage, it does stretch the available
4 farmworker housing dollars that are out there.

5 CHAIRPERSON WALLACE: Thank you.

6 Any further questions?

7 MS. JOHANTGEN: I just had a quick question. Do
8 these cost analyses include the construction of the
9 noise abatements?

10 MS. STARBUCK: Yes, they do. The costs are
11 incorporated.

12 CHAIRPERSON WALLACE: Anyone else?

13 The Chair will entertain a motion.

14 MR. SHINE: Motion.

15 MR. CZUKER: Second.

16 CHAIRPERSON WALLACE: Shine and Czucker -- and
17 Shine again for the third.

18 Any discussion on the motion?

19 Hearing, seeing none, would the Secretary please
20 call the roll.

21 MS. OJIMA: Ms. Johantgen.

22 MS. JOHANTGEN: Aye.

23 MS. OJIMA: Mr. Bayuk.

24 MR. BAYUK: Aye.

25 MS. OJIMA: Ms. Sandoval.

1 MS. SANDOVAL: Aye.

2 MS. OJIMA: Mr. Czucker.

3 MR. CZUKER: Aye.

4 MS. OJIMA: Mr. Franklin.

5 MR. FRANKLIN: Aye.

6 MS. OJIMA: Mr. Shine.

7 MR. SHINE: Aye.

8 MS. OJIMA: Mr. Wallace.

9 CHAIRPERSON WALLACE: Aye.

10 MS. OJIMA: Resolution 03-37 has been approved.

11 CHAIRPERSON WALLACE: Resolution 03-37 is hereby
12 approved.

13 Let's move on to Villa Victoria.

14 Resolution 30-38 (Villa Victoria)

15 MS. WHITTALL-SCHERFEE: The next project is very
16 similar to what you just heard with Villa Cesar Chavez.

17 The project name is Villa Victoria. It's a 54-unit

18 townhouse project also located in Oxnard. These

19 projects are approximately seven and a half miles apart
20 from each other.

21 They are also requesting a Loan to Lender with

22 Wells Fargo or through Wells Fargo. The loan amount

23 will be \$7,100,000 at 3 percent for two years, and it's

24 tax exempt. Then they are requesting permanent

25 financing from the Agency. The first mortgage would be

1 \$3,525,000 at 5 and a half percent for 30 years and a
2 second mortgage in the amount of \$400,000 at 5 and a half
3 percent for ten years.

4 This second mortgage is taking advantage of the
5 subsidy that RD is providing for on this project, it's 27
6 units where they subsidize up to 50 percent of median.
7 We're treating it very similarly of how we treat our HUD
8 Section 8 project-based locality units where we take
9 that surplus money and we fund a loan for ten years.
10 And it's a fully amortized loan that is due and payable
11 at the end of ten years.

12 Locality involvement includes the City of Oxnard
13 with a 33-year loan of \$865,150. And then we also get
14 to Housing and Community Development, who has committed,
15 again with Joe Serna Jr. Farmworker Grant and Loan
16 Program, a \$2,977,367 four-year loan at 3-percent
17 interest. There's also USDA Department of Rural
18 Development providing a \$1.1 million Section 514 Farm
19 Labor Housing loan at 1 percent for 33 years. 27 of the
20 units must be rented to low income farm worker families.

21 MS. STARBUCK: Here's the aerial view of the
22 site looking in a southerly direction. In the far
23 distance you see Port Hueneme. And this project is
24 actually part of a 320-acre community known as Victoria
25 Estates, which is being developed around the northwest

1 part of Oxnard. You'll see that it was primarily
2 agricultural land previously, and what you see here is
3 an expansion of the River Ridge Golf Course that's being
4 handled -- it's actually halfway completed. And
5 approximately 551 new single-family homes are to the
6 east of the site.

7 The main road you see here is Victoria Avenue
8 that runs from the Ventura 101 Freeway to just west of
9 Port Hueneme. The other lateral -- the cross road here
10 is Gonzales Road. A new high school, and there will be a
11 new elementary school and church as part of the
12 single-family home development.

13 There will be new fairway that runs along the
14 east side of the site. To the north of the site is a
15 previous convent that is now a women's shelter that will
16 share access to the property. There will be a shared
17 driveway. Here's a close-up. Here's the access off of
18 Victoria Avenue, the women's shelter, and the site.
19 This will be a fairway. The project will be boarded
20 with high walls on the south and east of the project for
21 golf ball mitigation. And --

22 CHAIRPERSON WALLACE: What was that?

23 MS. STARBUCK: For golf ball mitigation.

24 CHAIRPERSON WALLACE: Are you talking about a
25 fence or a wall?

1 MS. STARBUCK: A large wall, a very high wall.
2 In addition, there will be a lot of lush landscaping
3 around the perimeter.

4 You'll see hundred-year-old eucalyptus trees
5 lining Victoria Avenue here, which has some sound
6 considerations. There is also going to be an acoustical
7 study done to see if a wall is needed along the tree
8 line of Victoria Avenue.

9 Here's the artist's rendering of the townhome
10 style units. The units circle an open area where the
11 tot lot is located. And a community room is also near
12 the entrance to the site. Here's the access off of
13 Victoria Avenue.

14 Each of the units has a two-car garage, and
15 there are 20 additional open parking spaces. Each unit
16 will also have a washer and dryer. Predominantly, these
17 are three- and four-bedroom units. You have
18 33 three-bedroom and 18 four-bedroom units.

19 These units are in the newer, more expensive
20 part of Oxnard, and the rents on the one- and
21 two-bedroom units will be at 40 percent, and they're
22 averaging 52 percent of market. The rents on the three-
23 and four-bedroom units will range between 40 and
24 60 percent of area median, and the rents run between 48
25 to 76 percent of market.

1 Only 27 of the units are specifically targeted
2 to farmworker households. The remaining units will be
3 housed with people that the Housing Authority hopes to
4 put Section 8 tenants into.

5 The environmental assessment found no adverse
6 site conditions, other than that geotech did recommend
7 removal of the top layer of soil and replaced by again
8 three to four feet of compacted fill to raise the
9 foundations above the hundred-year flood plain. A noise
10 study has been ordered for the noise along Victoria
11 Avenue.

12 MS. WHITTALL-SCHERFEE: This project is also
13 going to be developed by Cabrillo Economic Development
14 Corp., the same -- the same sponsor that we have for
15 Villa Cesar Chavez and the same sponsor that's on Plaza
16 Del Sol, the previously approved project in Simi Valley.

17 And with that, we'd like to take any questions
18 you might have.

19 CHAIRPERSON WALLACE: Is this the first
20 affordable housing project being built on a golf course?
21 I don't remember.

22 MS. STARBUCK: Actually, the Wild Horse project
23 in Davis is on a golf course.

24 CHAIRPERSON WALLACE: I almost bought that
25 property.

1 MR. WARREN: It is a new program, Mr. Chairman,
2 we're rolling out. I feel obligated to take the lead in
3 this, so you'll see more.

4 CHAIRPERSON WALLACE: Is this called a
5 Project 18 or something?

6 MR. WARREN: We'll think of some appropriate
7 acronym.

8 CHAIRPERSON WALLACE: How high is the wall?

9 MS. STARBUCK: They're evaluating that right
10 now. The planning department there is anticipating at
11 least eight feet.

12 CHAIRPERSON WALLACE: I built a golf course one
13 time, and it gets really exciting at those early
14 homeowners meetings when your trees aren't up and stuff
15 like that. I had a navy captain come in one time with a
16 big brown paper bag and a bucket. And he said, "The
17 last --" and he spilled out all these golf balls at
18 homeowners association meeting and he said,
19 "Everything's been fine, and we love it here. It's
20 wonderful. We live on the fairway right in the slice
21 zone." He says, "But the last -- this last ball that
22 came in went through our bathroom window. My wife was
23 in there taking a shower, and that ball ricocheted all
24 over the shower room, so that's why I'm here tonight."
25 His wife didn't say a word. It gets exciting.

1 Questions from the Board now that I've
2 editorialized on affordable golf courses?

3 Ed.

4 MR. CZUKER: Again, I'm very supportive of the
5 project because of all the third-party subsidies that
6 are involved and the low exposure for CalHFA in
7 participating with creating this affordable housing.

8 My concern is still similar to the prior project
9 with the same sponsor in that we have a very high cost
10 per unit in delivering this project, especially when you
11 factor in zero land costs and especially when you factor
12 in the relatively high architectural fees. If you look
13 back to just the construction costs alone, if you add in
14 the contingencies, they're around \$135 a foot, \$140 a
15 foot. For this style of construction, that's very high.
16 We should be able to bring the housing in for
17 substantially below that hard cost number, and it's
18 something that perhaps staff can take a look at.

19 MR. WARREN: Okay.

20 MR. CZUKER: But with that, I'm supportive of
21 the project, other than the costs are on the high side.

22 CHAIRPERSON WALLACE: Okay.

23 Jack.

24 MR. SHINE: I think it gets back to what we
25 talked about last time, about understanding what it is

1 that makes up the particular cost. No two builders do
2 it the same way and never have and probably never will,
3 but if construction includes every bit of on-site
4 development costs, off-site developments costs,
5 landscaping, common area amenities and so on, then it
6 should say so, because if we build a product, we know
7 what it costs. And it just looks funny, you know. I'm
8 not saying it's right or wrong. I can't judge that.
9 But one line for every -- one line fits all is tough,
10 for me anyway.

11 MR. WARREN: I understand, Mr. Shine, and
12 historically, you know, prior to me being involved in
13 construction lending over the last several years, we've
14 not done that in keeping the presentations short, but as
15 we said before, we would be happy to start including
16 more detail so the Board can see where these costs are.
17 And that's a separate issue from the actual amount of
18 the costs, whether it's reasonable or not.

19 MR. SHINE: With a little explanation that goes
20 along with that, just an exhibit maybe or something
21 showing those breakdowns would keep us quiet.

22 MR. WARREN: There is a detailed analysis that
23 we have that's within our cash flow models which we've
24 not shared with you, and we can. So we do have a
25 separate analysis which we can go through.

1 CHAIRPERSON WALLACE: On the other hand, I know
2 Linn has told me recently that he's looking at scoping
3 down the volume of these, some of these presentations,
4 both timewise and paperwise. But I understand and I'm
5 sure you do in this context at least for a while, these
6 do look like pretty heavy numbers to me. We understand
7 that sometimes in suburban type where you get
8 neighborhood opposition, that drives a lot of mitigation
9 and it drives a lot of costs up and stuff. This
10 doesn't -- this looks like a piece of cake politically.

11 MR. WARREN: The -- I'm glad, Mr. Chairman, you
12 brought up the size of the package. We are going to
13 look at perhaps reducing the size of the narrative
14 portion of the package. We'll probably leave the
15 financial analysis pretty much the way it is, with the
16 exception of what Mr. Shine and Mr. Czuker have asked
17 for, with some more detail on the construction side,
18 which we have, like I said, within our models already.
19 But the narrative does take some time to prepare, so we
20 would like to reduce that somewhat.

21 CHAIRPERSON WALLACE: And I, for one, have
22 encouraged him to do so. A lot of this gets -- is maybe
23 of questionable necessity and so let's see how it works
24 out. I understand on your specific issues.

25 MR. SHINE: Yeah. And while I agree that

1 shorter is better than longer, sufficient is also better
2 than both, neither -- to either side, you know.

3 CHAIRPERSON WALLACE: Sure.

4 MR. SHINE: If we have it in our books, at least
5 we have an overview of what we're going to be talking
6 about and don't come in totally or somewhat less than,
7 you know, informed on a broad basis.

8 CHAIRPERSON WALLACE: Let's free him up, Jack,
9 to do a new format that's maybe shortened and we can
10 critique that, just as we are on this issue.

11 MR. SHINE: That's a great idea.

12 MS. WHITTALL-SCHERFEE: Just for some
13 edification, one of the big issues for both Villa Cesar
14 Chavez and Villa Victoria is the increased cost that
15 they're seeing just for insurance during the
16 construction process. They're being charged or having
17 to come up with almost \$400,000 for each one of these
18 projects.

19 CHAIRPERSON WALLACE: Let's not go there, but
20 you're absolutely right.

21 MS. WHITTALL-SCHERFEE: It's huge.

22 CHAIRPERSON WALLACE: The whole industry is
23 suffering badly, and it's not lending itself either in
24 Congress or in California to a ready solution. It isn't
25 going to happen soon.

1 With that, it's still a good project.
2 Ed.
3 MR. CZUKER: Move approval.
4 CHAIRPERSON WALLACE: Motion by Ed.
5 MR. SHINE: Second.
6 CHAIRPERSON WALLACE: Second by Jack for
7 approval.
8 Any discussion on the motion?
9 Hearing, seeing none, Secretary, please call the
10 roll.
11 MS. OJIMA: Thank you, Mr. Chairman.
12 Ms. Johantgen.
13 MS. JOHANTGEN: Aye.
14 MS. OJIMA: Mr. Bayuk.
15 MR. BAYUK: Aye.
16 MS. OJIMA: Ms. Sandoval.
17 MS. SANDOVAL: Aye.
18 MS. OJIMA: Mr. Czucker.
19 MR. CZUKER: Aye.
20 MS. OJIMA: Mr. Franklin.
21 MR. FRANKLIN: Aye.
22 MS. OJIMA: Mr. Shine.
23 MR. SHINE: Aye.
24 MS. OJIMA: Mr. Wallace.
25 CHAIRPERSON WALLACE: Aye.

1 MS. OJIMA: Resolution 03-38 has been approved.

2 CHAIRPERSON WALLACE: Resolution 03-38 is hereby
3 approved. Let's talk about Moulton Plaza.

4 Resolution 03-39 (Moulton Plaza Apartments)

5 MR. WARREN: The next project before the Board's
6 consideration is Moulton Plaza. I've asked Jim Liska to
7 join us. Jim has worked on this one.

8 The request for Moulton is a first mortgage in
9 the amount of -- it's a 66-unit, I'm sorry, family
10 apartment complex that is located within the footprint
11 of Homestead Apartments, which the Agency approved and
12 financed several years ago.

13 The first mortgage request is for a first
14 mortgage in the amount of \$5,810,000, a 5.5-percent
15 interest rate area for 30 years, and a bridge loan in
16 the amount of approximately \$3 million, 4 percent, for
17 one year, interest only.

18 There is a -- by way of a little bit of
19 background, Jim will show you some slides. When we
20 financed the Homestead Project several years ago, there
21 was a parcel within the project that was designed to be
22 set aside for brand-new housing, which Jim will show,
23 and that's what we're doing today is really financing
24 the second phase of that.

25 There is a large amount of locality lending.

1 The City of Sunnyvale is contributing HOME funds in the
2 amount of \$800,000 and Housing Mitigation funds in the
3 amount of \$992,000. What's important about the
4 subordinate financing for this project is that the City
5 of Sunnyvale had asked in their original request in
6 Year 11 that their loan essentially begin to amortize,
7 after the halfway period had passed.

8 The modeling reflected that would not work and
9 would stress the property far too much. So we asked the
10 City of Sunnyvale to redo their loan agreement in which
11 in Year 11 there could be an acceleration payment, but
12 only to the extent that a 1.08 debt coverage ratio could
13 remain, so cash flows reflect that. And if there are
14 any problems with the property, the City of Sunnyvale
15 has indicated that they would accept less debt payment
16 under their subordinate financing.

17 So with that, Jim, show us the slides.

18 MR. LISKA: This is the overview of the Moulton
19 Plaza site. You can see, as Linn indicated earlier,
20 this is part -- Phase II of Homestead Plaza. Homestead
21 Plaza was taken to the CalHFA Board July 24th, 2000, and
22 this was an acquisition and refinance of Homestead Park.

23 At that time it comprised 222 units of which
24 were excluded in this portion here, you'll maybe get a
25 better shot, which is two two-story buildings containing

1 11 units. Those level units are vacant, so no
2 relocation is required. There is a -- also a
3 community -- one-story community room, office space, and
4 there was a child care center.

5 Approximately two years ago, the provider for the
6 child care center discontinued the contract. And also
7 at that time there were no children from the project
8 itself that were attending the facility, so this is
9 basically, I think, a moot issue.

10 But if you can look -- I don't have it
11 completely outlined, but it's 22 buildings in Homestead,
12 and it basically goes around this area here.
13 Surrounding the neighborhood, the facility, it's a
14 built-up area comprised of multifamily apartments as
15 well as condominiums and single family.

16 The main access back here is Saratoga Sunnyvale
17 Road, which has commercial, retail. Off the screen here
18 is Homestead Road, which is another major arterial
19 street for commercial, retail, shopping, what have you.
20 Straight down Sunnyvale-Saratoga Road is Interstate 280,
21 which is access to employment centers, the downtown, San
22 Jose, as well as access to the Silicon Valley, what have
23 you.

24 As far as what's going to be built on the site,
25 let me give you one more interior. Renovation has been

1 taking place on Homestead Park, and it's almost
2 complete. We're doing some reroofing now, and we should
3 be finishing up here now shortly within the next two to
4 three months. . . But the project has come -- developed
5 very nicely. The rehab has been very well. The tenancy
6 has been very supportive of what has been done in the
7 process.

8 Here's a rendition of Phase II Moulton Plaza.
9 It's two- and three-story, four buildings. The
10 three-story will have an elevator, and the two-stories
11 are three-bedroom townhouses. The project will be built
12 over a subterranean parking lot, parking garage, which
13 will accommodate 118 parking spots. This structure has
14 been pretty much mandated by the City, which we
15 originally questioned the cost of the project, what have
16 you, but this is something that the City wants to see,
17 and the sponsor/developer Mid-Pen is accommodating that
18 and developing it.

19 As far as rents, what have you, we have pretty
20 low rents, 30 percent, 40 percent, 50 percent. We're
21 able to reach these and achieve these levels because of
22 the array of subordinate financing being provided by the
23 City, HOME, Housing Trust, what have you.

24 Yes, we're still in Silicon Valley. The market
25 is pretty much, I think, bottoming out now. Rents,

1 you'll probably be seeing a -- you know, another slight
2 decrease this year, but I think you're starting to see
3 some steadiness. Rent concessions are starting to fade
4 a little bit. Overall in that area, vacancy is
5 approximately 7 percent, and again rents are sort of
6 flat. The economy hopefully will be rebounding a little
7 bit.

8 But just looking at these rents here, I was
9 doing a comparison of where we were in market rents back
10 in 2000. 1998, 2000 seem to be the high watermark as
11 far as rents, but when we did Homestead back in 2000, we
12 were looking at a one-bedroom market rate unsubsidized
13 of \$1,512 versus \$1,300 today. A two-bedroom rent was
14 \$1,742 versus \$1,600. And a three-bedroom was \$2,299
15 versus \$2,000. So I believe we are in tune with where the
16 rents are as to what we calibrated for market. And
17 again, our subsidized rents are substantially below
18 that.

19 MR. WARREN: Thank you, Jim.

20 The sponsor is Mid-Peninsula Housing Coalition,
21 an organization that we have done a number of projects
22 with over the last 20 years, and they will also manage
23 the project as they are now with the Homestead Park
24 project.

25 With that, we'd like to recommend approval and

1 be happy to answer any questions.

2 CHAIRPERSON WALLACE: Questions? Board?

3 This is straightforward. No questions?

4 The Chair will entertain a motion.

5 MS. JOHANTGEN: I'll move staff's

6 recommendation.

7 CHAIRPERSON WALLACE: Staff's recommendation is

8 for approval. And will you so move?

9 MS. JOHANTGEN: Yeah. I move staff's

10 recommendation for approval.

11 CHAIRPERSON WALLACE: Thanks. Ms. Johantgen --

12 MS. SANDOVAL: Second.

13 CHAIRPERSON WALLACE: -- First and Cathy second.

14 Any discussion on the motion?

15 Hearing, seeing none, would the Secretary please

16 call roll.

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

18 Ms. Johantgen.

19 MS. JOHANTGEN: Aye.

20 MS. OJIMA: Mr. Bayuk.

21 MR. BAYUK: Aye.

22 MS. OJIMA: Ms. Sandoval.

23 MS. SANDOVAL: Aye.

24 MS. OJIMA: Mr. Czucker.

25 MR. CZUKER: Aye.

1 MS. OJIMA: Mr. Franklin.

2 MR. FRANKLIN: Aye.

3 MS. OJIMA: Mr. Shine.

4 MR. SHINE: Aye.

5 MS. OJIMA: Mr. Wallace.

6 CHAIRPERSON WALLACE: Aye.

7 MS. OJIMA: Resolution 03-39 has been approved.

8 MR. WARREN: The next project for the Board's
9 consideration is --

10 MR. CZUKER: Excuse me.

11 MR. WARREN: Yes.

12 CHAIRPERSON WALLACE: Hang on.
13 Ed?

14 MR. CZUKER: I have a conflict on the next
15 project, so I'd like to publicly disclose that I have
16 done joint ventures with Las Palmas Foundation. I have
17 no economic interest in this project, but the fact that
18 I have projects together with the sponsoring nonprofit,
19 I'd like to make that public. And to the extent that
20 you have a quorum without my vote, then I'd prefer not
21 to vote. If you need my vote for a quorum, then I will
22 just sit quietly and leave it to legal opinion.

23 Mr. Hughes, maybe you can add.

24 MR. HUGHES: The CalHFA statutes obviously
25 prohibit directors from voting or participating in any

1 decision in which they have a financial interest. That
2 also includes holding any paid position in a housing
3 sponsor or employed by a housing sponsor. If there's
4 not a financial interest, because those are defined in
5 ethics laws if it's not an actual conflict, it does have
6 to be disclosed. If there is a conflict, the director
7 can't participate in the discussions or vote on the
8 project.

9 MR. SHINE: Mr. Chairman, isn't there a quorum
10 without him?

11 MR. HUGHES: Yes.

12 CHAIRPERSON WALLACE: I think so. Let me do
13 this: How are you doing? I'm about ready to call a
14 five-minute break.

15 THE REPORTER: That's fine.

16 CHAIRPERSON WALLACE: That's No. 1. Stand by
17 just a second.

18 No. 2, it's a good time, Ed, we appreciate it. I
19 think we do have a quorum without you, so to the degree
20 that we continue -- nobody is leaving? None of my
21 voting members? So I think that probably in the essence
22 of total -- if you prefer it, and I understand, we won't
23 make you vote.

24 No. 3, that's a good reminder that I picked up
25 some stuff in the C file, one of which was our ethics

1 training. And I'd just ask that -- the request when it
2 went out a few months ago was that we would get it back
3 by September 1st. And JoJo has just told me though we
4 have till the end of the year before it has to be
5 official, I'd suggest -- and JoJo tells me there are
6 only two of us that are in so far, so let me give you a
7 reminder and/or if you've lost it and you have a D file
8 which has been carted out with waste management, then we
9 ought to let JoJo know right away, because that is a
10 mandated requirement.

11 MR. HUGHES: Mr. Chairman, I would just add that
12 I would encourage any Board member when you look through
13 the package if there might be a question raised as to
14 where there is a conflict issue, if you can catch that
15 soon enough to contact my office, because many times
16 resolution of a conflict or ethical issue can be
17 detailed oriented. It's a lot more precise. We will
18 certainly give you an opinion then prior to the Board
19 meeting, if that is feasible.

20 CHAIRPERSON WALLACE: Well, Ed had mentioned it
21 here this morning.

22 So I appreciate what you're doing, Ed. We
23 recuse you from discussion or vote because we do have a
24 quorum.

25 And let's take a five-minute break. No longer.

1 (Recess taken.)

2 CHAIRPERSON WALLACE: Okay. We are on the
3 second page of our agenda with Oak Village; is that
4 right?

5 MR. WARREN: We are, Mr. Chairman.

6 Resolution 03-41 (Oak Village)

7 MR. WARREN: The next loan for your
8 consideration is the Oak Village Project. This is an
9 existing 117-unit apartment complex in Oakland. This is
10 originally a HUD 236 project that was built in 1973.
11 And the lending request today is for a first mortgage in
12 the amount of \$6,840,000, a 5-and-a-half-percent interest
13 rate for 32 years, two years of which will be
14 variable-rate debt, and then after the rehabilitation
15 period will roll into a 30-year fully amortized loan.
16 And with other projects today, it is one that is split
17 between tax-exempt and taxable.

18 Because this is a 236 loan, there is the
19 dedicated interest deduction payment stream from HUD in
20 the original 236 program, which we will capitalize at
21 5 and a half percent yielding an IRP mortgage for eight
22 years, which is the remaining term of the IRP agreement,
23 \$487,000.

24 So with that, Jim, show us the project.

25 MR. LISKA: Here's the aerial outlining the

1 subject, which is located on a city block, for lack of a
2 better term.

3 Here's a better close-up.

4 MR. SHINE: Sorry, could you go back one,
5 please. It zipped by me.

6 MR. LISKA: Again, this is our project. It's
7 located on a city block. It fronts on 13th Street and
8 14th Street. This is Market Street here, and this is
9 Brush Street. Right over here is the freeway, 980.
10 This is designated, this neighborhood, as the West End
11 Addition in the Oakland area. There's some small
12 shopping located just off the fringe here. And also off
13 the fringe is the BART station, so it has ready access
14 to downtown Oakland, as well as to other employment
15 centers in the Bay Area.

16 There's been a lot of rejuvenation taking place
17 in much of Oakland over the years, and it's amazing some
18 of the changes that -- from when this project first
19 developed in 1973. Originally this area was part of a
20 redevelopment area, and it's pretty much built out now.

21 Right across the street here is Lowell Middle
22 School. And this other area two blocks up is a park.

23 Again, this is closer up of the site. There's
24 basically two three-story elevator-type buildings.
25 Again, built in '73, it's showing its age. Our sponsor/

1 developer, Related, is coming in to look at this. And
2 they're going to be expending a lot of money on
3 rehabilitation. The rehabilitation outlined here is
4 we're looking at approximately \$36,000 a unit. It's
5 going to encompass new roofs, siding, some elevation
6 detail, landscaping, some fencing, security key card
7 access for vehicles and pedestrians. We're going to be
8 doing the interiors as far as kitchen cabinetry,
9 appliances, kitchen countertops, new bathroom fixtures,
10 some bathroom surrounds, et cetera.

11 They're also contemplating -- this is the
12 existing laundry room right now, and this in the middle
13 is the common room. There are plans to basically put in
14 a new community building here, with an office leasing
15 space, a recreation center, possibly maybe a computer
16 learning center that could be provided, as well as a new
17 laundry area.

18 As far as rents, this project is at 100 percent,
19 50 percent. You'll notice that we're doing 50-percent
20 CalHFA on studios and the two-bedrooms. I have not
21 included CalHFA in the one-bedrooms because in this
22 instance, 50-percent TCAC is slightly lower than
23 CalHFA's 50 percent. I don't know if that's just an
24 anomaly or what.

25 And these rents also reflect that the developer

1 will be converting -- the project has master gas and
2 mass electricity, and we are converting to individual
3 electricity for this project.

4 Overall with this market, this market also has
5 suffered some of the residual effects of the Silicon
6 Valley and the State of California's economy in general.
7 Average rent for Oakland is something like \$1,351. Even
8 given our spreads here on market rents with studios,
9 one-bedrooms, two-bedrooms, we go anywhere from a low of
10 \$800 for a studio up to \$1,100 for a two-bedroom.

11 Vacancy levels in this area across the board are
12 approximately 6 percent. Again, this market is pretty
13 good, and our 50-percent rents are pretty well below
14 what we perceive to be as market.

15 As far -- I will leave the environmental to
16 Linn.

17 MR. WARREN: I thought you were done.

18 MR. LISKA: I am.

19 MR. WARREN: Okay. As your materials will
20 indicate, there is -- in the course of due diligence,
21 there is mold in the project. And what the Related
22 Companies are doing in conjunction with the John Stewart
23 Company, which is the seller, is they've engaged a
24 number of experts in the area of mold remediation,
25 health and safety hygienists and such, to determine the

1 extent of the mold and the type of the mold.
2 Preliminary indications today indicate the mold is not
3 toxic, but because of everyone's concern about mold,
4 this will have a very extensive analysis.

5 What the buyers are saying and representing to
6 us, and if we concur, is that prior to the acquisition
7 by the partnership, the mold will be remediated. And
8 there will be an indemnity agreement agreed upon by the
9 buyers and sellers obviously for our review and approval
10 as well. The mold reports will be reviewed by our own
11 experts to make sure that they do cover all the issues.

12 And with the sizable amount of rehabilitation,
13 as Jim indicated, in excess of \$30,000 a unit, we
14 certainly take it that any potential future mold issues
15 will be dealt with. We are in agreement, I think, with
16 the buyers on this. This is obviously a serious issue
17 for us, as for any purchaser, and we'll be very diligent
18 and not extend any Agency funds prior to our being
19 satisfied on this issue.

20 Jim indicated that the Related Companies are
21 acquiring the property. This is the advancing and
22 rehabilitation model we have used successfully on a
23 number of other projects, and quite frankly, we're really
24 pleased that they are the ones that are addressing this
25 issue with respect to the mold problems.

1 So with that, I would be happy to recommend
2 approval and answer any questions.

3 CHAIRPERSON WALLACE: Questions?

4 We'll give Ed first opportunity for once. I'm
5 sorry to interrupt your meal.

6 Any questions from the Board or the audience?

7 Hearing, seeing none, the chair will entertain a
8 motion.

9 MR. FRANKLIN: Move to approve.

10 MR. SHINE: Second.

11 CHAIRPERSON WALLACE: First motion by
12 Mr. Franklin. Second by Mr. Shine. I saw Shine
13 leaning. Is that good for a second?

14 MR. SHINE: Yes.

15 MS. JOHANTGEN: I'd just ask maybe for us to
16 amend the approval that a full and complete remediation
17 of the mold be contingent for part of the loan closing.

18 CHAIRPERSON WALLACE: No problem. I know that's
19 inherent in what he's saying, but there's -- that's a
20 valid amendment. Will the maker and seconder accept
21 that amendment?

22 MR. FRANKLIN: Yes.

23 MR. SHINE: Yes.

24 CHAIRPERSON WALLACE: That's right. It's his.
25 So, JoJo, do you need that repeated -- or, no,

1 you've got it. Do you need that repeated, because I
2 sure do.

3 THE REPORTER: Do you want me to read it back?

4 CHAIRPERSON WALLACE: No. I'm sure you've got
5 it.

6 Any questions on the motion as amended? Board?
7 Audience?

8 Hearing, seeing none, Secretary, please call the
9 roll.

10 MS. OJIMA: Ms. Johantgen.

11 MS. JOHANTGEN: Aye.

12 MS. OJIMA: Mr. Bayuk.

13 MR. BAYUK: Aye.

14 MS. OJIMA: Ms. Sandoval.

15 MS. SANDOVAL: Aye.

16 MS. OJIMA: Mr. Czucker.

17 MR. CZUKER: Abstain.

18 MS. OJIMA: Thank you.

19 Mr. Franklin.

20 MR. FRANKLIN: Aye.

21 MS. OJIMA: Mr. Shine.

22 MR. SHINE: Aye.

23 MS. OJIMA: Mr. Wallace.

24 CHAIRPERSON WALLACE: Aye.

25 MS. OJIMA: Resolution 03-41, as amended, has been

1 approved.

2 CHAIRPERSON WALLACE: Resolution 03-41 is hereby
3 approved.

4 Okay, Linn. Ocean View Garden Apartments.
5 Resolution 03-42 (Ocean View Garden Apartments)

6 MR. WARREN: The next project for the Board's
7 consideration is Ocean View Garden Apartments. I've
8 asked Roger Kollius to join us on this particular
9 project.

10 This is an Agency Section 8 loan that has been
11 in our portfolio for approximately 20 years, but what's
12 being proposed is the sale to a new limited liability
13 corporation. The financing request is for a first
14 mortgage in the amount of \$3,160,000 at a 5.75-percent
15 interest rate, tax exempt, and the second loan, a
16 taxable loan for ten years at 1,195,000 at 6.5-percent
17 interest rate. The rates are a little bit different,
18 and I will explain how we arrived at these rates.

19 Under the Section 8 refinancing policy with the
20 Agency, we endeavor to get the maximum amount of loan
21 spread or income we can do for the refinancing, since
22 these projects do supply income to the Agency for other
23 programs. So in this particular case, the interest rate
24 is an increment higher than the other rates at 5.75 to
25 maximize that spread to the Agency, and the 6.5-percent

1 rate is the rate we arrived at for taxable debt over a
2 ten-year period.

3 The second loan is a Section 8 increment loan,
4 which we've done in a number of refinancings. It's the
5 difference between the existing tax credit rents and the
6 Section 8 contract rents. We capitalize that stream and
7 lend against that for a ten-year period. The ten-year
8 period expires in 2013, which is the same time that the
9 existing contract will also terminate.

10 By way of information, the purchasers are the
11 partnership composed of the Evans Company and
12 Mr. Hyseth. They're also -- Hyson, I'm sorry.
13 Mr. Evans and Mr. Hyson are also the sellers, among
14 others, in this partnership. There are several other
15 people, so they are taking sale proceeds from the
16 distribution; however, they -- on a go-forward basis,
17 there is no developer fee going to either one of these
18 partners. And on a go-forward basis, there is no
19 distribution being given to the limited liability
20 corporation, since all excess proceeds go to the benefit
21 of the City of Berkeley, so I do want to say that.

22 We know the Evans Company very well. Obviously
23 for a sale situation, we want to make sure that there's
24 no undue enrichment, and we don't think there is in this
25 case. They were very straightforward about that.

1 There is a ground lease on the property. It's a
2 redevelopment area for the City of Berkeley. The ground
3 lease could be renegotiated and extended well past our
4 loan term, and our regulatory agreement would be placed
5 against the fee of the property.

6 So with that, I'll let Roger take a walk through
7 the property.

8 MR. KOLLIAS: Ocean View Gardens Apartments is
9 an existing 62-unit family community in the west
10 Berkeley area of Berkeley. The site we are looking at
11 is to the east. The neighborhood falls within a 30-year
12 redevelopment area, which is intended to maintain a
13 harmonious balance between industrial, residential, and
14 commercial retail uses.

15 In the property, we have two sites of the
16 property, here and over in this area. Along this area
17 right here is called Fourth Street, and Fourth Street is
18 continuing up into this area. It's permeating into
19 other streets as well. This was -- this is an expanding
20 upscale open-mall shopping district which was
21 historically one of those industrial marine buildings
22 supply-type areas. During the early 70s a, lot of the
23 artists and artisans were moving into the area because
24 of the low rents. And in the late 70s and 80s, several
25 destination restaurants moved into the area, at which

1 time this area has expanded into an upscale restaurant,
2 boutique, commercial-type area.

3 This is a view of the sites. To the north --
4 they are two noncontiguous sites. The larger one at the
5 top of the page has access on both Fifth Street and Six
6 Street. On lower part is Delaware Street, which has
7 been vacated and is currently being used for residential
8 parking. The second site is in the southeast corner of
9 First Avenue and Sixth Street. The two sites contain a
10 total area of about 2.7 acres.

11 The improvements consist of 13 two-story wood-
12 frame buildings containing the 62 residential units and
13 a ground floor 833-square-foot retail store which is
14 along Delaware Street. The project amenities include a
15 management office, two laundry rooms, a picnic area,
16 community room, and off-street parking for 62 vehicles.
17 The landscaping is mature and well maintained, and the
18 surrounding streets and sidewalks are in good condition.

19 Again, the project contains 62 units consisting
20 of 18 one-bedroom, 32 two-bedroom, and 12 three-bedroom
21 units.

22 This is a view of the ground floor retail space
23 along Delaware Avenue. If you notice the Victorian type
24 edifice of the property, this is in keeping with the
25 historical ambiance of Delaware Street.

1 There are no outstanding -- there are no
2 outstanding environmental or seismic issues. The
3 improvements are considered to be in good condition.
4 Renovations and repairs to the property will consist of
5 repairs to the parking area, asphalts, and upgrades to
6 landscaping and on-site lighting. The community room
7 will also be renovated.

8 The individual living units will -- they'll be
9 upgraded and maintained pursuant to an established scope
10 of work, which will include such items as new carpeting,
11 painting, floor coverings, kitchen/bathroom cabinets,
12 countertops, fixtures, as well as other items of
13 deferred maintenance.

14 At the present time, the expected cost of the
15 project renovation is about \$16,500 per unit, and an
16 expanded scope of work will be implemented, should funds
17 from the earned surplus residual receipts account for
18 this project become available for project renovation.

19 This final slide shows the Fourth Street
20 shopping area with the various restaurants and boutique
21 stores.

22 CHAIRPERSON WALLACE: How close is that, Roger?
23 Because Fourth Street has really turned into some nice
24 things, as you can see there. How close is that?

25 MR. KOLLIAS: The property -- if we can back up.

1 CHAIRPERSON WALLACE: It's a couple a blocks, I
2 guess.

3 MR. KOLLIAS: Yeah. Well, actually, the --
4 the -- Fourth Street is one block to the west. The
5 property is -- yeah. We're -- here's Fifth Street.
6 Here's Fourth Street. And what's happening is this area
7 here is more or less a continuation of the Fourth Street
8 parking area. And again, Fourth Street is combining
9 into other areas. And as time goes on, a lot of the
10 industrial properties are being converted to commercial
11 boutique-type uses.

12 MR. WARREN: As Roger said, the area has changed
13 dramatically.

14 CHAIRPERSON WALLACE: Fourth Street has some
15 nice restaurants. In the last probably 15 to 20 years,
16 it's been totally rehabbed. Some of the restaurants
17 have been kind of rough, and I guess this is kind of
18 part of the comeback.

19 MR. WARREN: It has changed dramatically to when
20 Spanger's was the only place to go to.

21 CHAIRPERSON WALLACE: There's more than that
22 now. Are you through, Roger?

23 MR. KOLLIAS: I was just going to give you the
24 rents.

25 CHAIRPERSON WALLACE: Okay.

1 MR. KOLLIAS: The project -- the first mortgage
2 loan is underwritten at a 50- and 60-percent loan level.
3 The second loan is being written at the difference
4 between the HAP contract rents, which is -- I can't tell
5 that color, but it's next to the red and rents at the
6 50- and 60-percent level over the remaining term of the
7 HAP contract. And you'll note here that the market rate
8 rents for the area are in excess of the HAP contract
9 rents.

10 CHAIRPERSON WALLACE: Thank you.

11 MR. WARREN: As Roger indicated, one important
12 piece of this is that we are holding a fair amount of
13 surplus, which is used as a post-80 HUD project, and
14 what that means is that the way the regulation passes,
15 the earned surplus or extra proceeds are held in trust
16 for the benefit of HUD. Theoretically in the end of the
17 loan term, the money has to be returned to HUD unless we
18 elected to spend it for renovation of affordable
19 housing. Our powers or our ability is really broad to
20 do that, so this is the first project that I'm aware of
21 in portfolio refinancing in which we're using this
22 earned surplus directly for the benefit of the property.
23 We have to go to HUD and make sure they're okay with it,
24 but it would enhance the rehabilitation money by
25 approximately \$450,000. So it's better that we spend it

1 on our projects than have it revert back to HUD and be
2 spent on somebody else's project, so we'll see more of
3 these as we go forward.

4 So with that, I'd be happy to recommend approval
5 and answer any questions.

6 CHAIRPERSON WALLACE: We have been through this
7 drill before, but tell me again why with a \$9-million
8 appraisal, and I think we have a \$3.1-million first and a
9 \$1.2-million second, why don't you just do a -- we've
10 been through this before, but why don't we just do a
11 first loan?

12 MR. WARREN: In this particular case with the
13 ten years that's remaining for the Section 8 contract,
14 we did a BP that's lending solely against the Section 8.
15 And we have the tax credits grants and then we have the
16 Section 8 grants, and the difference is that ten-year
17 loan. So if we make it all one loan, it gets a little
18 messy from an amortization standpoint, but what it does
19 is we can size that secondary piece very easily and tie
20 it to a specific event such as the termination of the
21 original contract. It's just -- it seems -- we've tried
22 it both ways. It's a cleaner way to do the second loan.

23 CHAIRPERSON WALLACE: Thank you. I'll ask again
24 in about a year and a half.

25 MR. WARREN: That would be fine.

1 CHAIRPERSON WALLACE: Any questions from the
2 Board?
3 It's Berkeley. We need a project in Berkeley.
4 Do I hear a motion?
5 Ed.
6 MR. CZUKER: Move approval.
7 CHAIRPERSON WALLACE: Second?
8 MS. SANDOVAL: Second.
9 CHAIRPERSON WALLACE: Cathy? Was it Cathy?
10 MS. SANDOVAL: Yes.
11 CHAIRPERSON WALLACE: Thank you.
12 Any discussion on the motion?
13 If not, then the Secretary please call roll.
14 MS. OJIMA: Thank you, Mr. Chairman.
15 Ms. Johantgen.
16 MS. JOHANTGEN: Aye.
17 MS. OJIMA: Mr. Bayuk.
18 MR. BAYUK: Aye.
19 MS. OJIMA: Ms. Sandoval.
20 MS. SANDOVAL: Aye.
21 MS. OJIMA: Mr. Czuker.
22 MR. CZUKER: Aye.
23 MS. OJIMA: Mr. Franklin.
24 MR. FRANKLIN: Aye.
25 MS. OJIMA: Mr. Shine.

1 MR. SHINE: Aye.

2 MS. OJIMA: Mr. Wallace.

3 CHAIRPERSON WALLACE: Aye.

4 MS. OJIMA: Resolution 03-42 has been approved.

5 CHAIRPERSON WALLACE: Resolution 03-42 is hereby
6 approved.

7 Moving on to Coyote Run Apartments in Palm
8 Springs.

9 Resolution 03-43 (Coyote Run Apartments, Phase II)

10 MS. WHITTALL-SCHERFEE: The next project is
11 Coyote Run Apartments, Phase II. This is going to be
12 the follow-up to Phase I, which is 140 units in Palm
13 Springs. Phase II is a 66-unit new construction family
14 apartment project.

15 They are asking for construction financing from
16 the Agency. And the construction loan is in the amount
17 of \$6,450,000 at 3-percent interest for 18 months. Then
18 it would roll into a permanent loan in the amount of a
19 million, six dollars at 5 and a half percent for 30 years.

20 The locality involvement includes the Community
21 Redevelopment Agency of the City of Palm Springs, the
22 land donation to the partnership, which is valued at
23 \$700,000. They're also making a permanent loan to the
24 project in the amount of a million dollars for 55 years
25 at 3 percent.

1 The sponsors also received financing from
2 Housing and Community Development from the MHP program
3 in the amount of \$2,428,834 for 55 years at 3 percent
4 interest and from the HOME program in the amount of
5 \$2,155,601 also for 55 years at 3 percent.

6 They're applying for an AHP loan which is
7 expected to be awarded in November in the amount of
8 \$350,000 for 32 years.

9 Tina Ilvonen will now present the slides.

10 MS. ILVONEN: The first slide is looking to the
11 east. This is -- this is -- the project site is
12 northwest of downtown, northwest of the airport. It is
13 off of Interstate 10 in Indian Hills, north of
14 Highway 111 and the mountains and two miles northwest of
15 the Palm Springs airport.

16 The uses surrounding the site are mainly
17 Phase I, which is right here. And this will be a public
18 park that will be constructed concurrently with the
19 construction of the project. There's vacant land across
20 the street, single-family homes adjoining a mobile home
21 park, and other vacant land also. There are shopping
22 areas, medical clinics, restaurants within a mile of the
23 property.

24 And the next slide, I'm going to talk about the
25 environmental, which there's not much. There was a

1 Phase I report completed, and they said there's no
2 further investigation necessary. They did find some
3 undocumented fill on the site, which they recommended
4 removing during the rough grading operations.

5 The next slide shows some of the elevations of
6 the project. The project is being designed by
7 Interactive Design Company, and the construction company
8 is William C. Buster, Incorporated.

9 The next slide shows a site plan. And this will
10 be connected to Coyote Run Phase I here and here. And
11 the total site is 6.78 acres. The development contains
12 17 residential buildings and one community building.
13 The community building is right here. And here's the
14 swimming pool next to it. There's also a children's
15 play area, 75 carports, and 68 open spaces on-site. The
16 2,300-square-foot community building will house the
17 management office, laundry room, and public rest rooms,
18 kitchen and meeting room for community events.

19 The next slide shows the rents. The rents are
20 at 30-percent SMI, 50-percent AMI, and 60-percent AMI.
21 And the rents run from 31 percent to 67 percent of the
22 market rate rents for the area.

23 And I will stop my presentation there.

24 MS. WHITTALL-SCHERFEE: The borrower -- I'm
25 sorry, the sponsor of this project is Coachella Valley

1 Housing Coalition. They are also the developer of Phase
2 I. They have developed nearly 2,300 units in Riverside
3 County. And of that, approximately 1,400 are apartment
4 units. We are familiar with them. In 1993 we financed
5 Las Casas Phase III, which is 78 units in Coachella.

6 And with that, we'd happy to entertain any
7 questions and request approval.

8 CHAIRPERSON WALLACE: Questions?
9 Ed.

10 MR. CZUKER: I'm very supportive of the project.
11 I want to just say that the construction costs at
12 \$107,000 a unit are more in line with some of the -- what
13 we hope to see. If you back out the land costs per
14 unit, the total project cost of 180 less the land, there
15 seems to be very high impact fees here. And even with
16 the high impact fees and high reserves, obviously
17 reserves help protect CalHFA. I think this is a project,
18 obviously, that is well conceived and certainly well
19 subsidized and worthy of our support.

20 I believe there is a typo on page 235. I don't
21 understand how under the appraisal category you can have
22 a final value of \$4,675,000.

23 MS. ILVONEN: That is the value, the market
24 value of the project. The construction value is a very
25 different value, which takes into consideration the

1 restricted amounts plus the investment plus the
2 beneficial financing.

3 MR. CZUKER: So are you saying --

4 MS. ILVONEN: So there's two very different
5 values that we're looking at.

6 MR. CZUKER: So you're showing a final value
7 which you tie into a permanent loan.

8 MS. ILVONEN: The final value that ties into the
9 permanent loan is \$4.6 million. That's a 34-percent LTV
10 on the permanent. The construction value is
11 \$10.4 million, which is a 62-percent LTV on the
12 construction loan.

13 MR. CZUKER: So while our loan-to-cost and loan-
14 to-value look low relative to that number, if you go on
15 cost approach, based on all the costs necessary,
16 obviously something looks a little off here in that we
17 have 11, 12 million dollars in total budget --

18 MS. ILVONEN: The cost approach is --

19 MR. CZUKER: -- Plus value of 4.6.

20 MS. ILVONEN: The cost approach has a very
21 low -- they rely on cost approach very little when
22 coming up to market value, which is this final value of
23 \$4.6 million.

24 MR. CZUKER: Even that is 34 percent.

25 MS. ILVONEN: Uh-hmm.

1 MR. CZUKER: That's the construction. That's
2 why it's confusing.

3 MR. FRANKLIN: That's the --

4 MR. CZUKER: Does the construction loan have
5 more than the value?

6 MS. WHITTALL-SCHERFEE: In evaluating the tax
7 credits.

8 MR. FRANKLIN: But then you see that and the
9 reason is all these different layers of the permanent
10 financing have restrictions on it.

11 MR. WARREN: Yeah, it's --

12 MR. FRANKLIN: It's important you do an income
13 basis to value the property, where it comes in, whereas
14 in the construction phase theoretically those numbers
15 haven't come in yet.

16 MR. CZUKER: Right. The construction loan is
17 obviously higher than the final value.

18 MR. WARREN: When we take the value --

19 MR. FRANKLIN: With restricted rents, which I
20 think we also --

21 CHAIRPERSON WALLACE: Hang on, guys. The
22 stenographer is going nuts and so some of these well-
23 chosen remarks are not going to be recorded.

24 MR. WARREN: You will occasionally see here in
25 the Agency the construction period valuation includes

1 tax credits, which is if we had to foreclose, for
2 example, during the construction period we would -- the
3 assets would be retained we would require, because we
4 have a valuation of the tax credits, which in this case
5 is about \$3 million.

6 When we do our permanent valuation, we do not
7 include tax credits. We look at it from a straight
8 market rate. This is a market rate comparison, so
9 occasionally you get this anomaly. Well, the anomaly
10 happens a lot with the construction period value pumped
11 up with the tax credits and the permanent period can be
12 less because restrictions. It's just kind of an
13 indemnity issue.

14 But the test is are we covered from an LTV
15 standpoint if we ever had to take back the property,
16 hence the higher valuation for the construction period?

17 MR. SHINE: If we do, are we still restricted?

18 MR. WARREN: I'm sorry?

19 MR. SHINE: If we take it back, are you still
20 restricted or are you contemplating that we --

21 MR. WARREN: Well, that's -- technically, no,
22 we're not, but it would be very problematic for the
23 Agency to take the property, say, after the permanent or
24 whatever and eliminate the restrictions. I think we
25 just probably would not do that.

1 When we underwrite a property where the primary
2 debt is based upon restricted rents, we compete against
3 the smaller one. But as a matter of policy for the
4 Agency, even if we did foreclose, we're not going to
5 terminate the locality restrictions. We just would not
6 do that.

7 MR. SHINE: But at that point we have a smaller
8 loan. We'd have been paid off on the proceeds down to
9 one-six.

10 MR. WARREN: We could have been, yes. That's
11 right.

12 CHAIRPERSON WALLACE: Any further questions?

13 MR. CZUKER: How would the new construction loan
14 programs be received as well as administered by the
15 Agency as well as the public?

16 MR. WARREN: We have approximately six projects
17 for construction loans in the pipeline today, plus
18 whatever was in the package today, so it's been very
19 well received. They are primarily linked with MHP
20 programs, Mr. Czucker, and we think it will grow well.

21 But as you can also see in the package today,
22 there are a number of them where we still want to use
23 loan-to-lender because of the existing relationships we
24 have with the other lenders.

25 As far as administration, our first draw, I

1 think, is in a couple weeks, and I think there's one or
2 two small pieces left. Essentially everything is in
3 place. We feel very confident about it.

4 MS. WHITTALL-SCHERFEE: We're actually getting
5 ready to close the first construction loan next week,
6 and then there will be another closing of our second
7 construction loan at the end of this month, the
8 beginning of October.

9 CHAIRPERSON WALLACE: Well, this agenda is
10 replete with loan-to-lender and construction loans like
11 we're not used to, so we're kind of -- we're kind of
12 looking at it a little tighter and we need that
13 hand-holding, Linn. I think we're on the right track,
14 but there's an awful lot of these that -- the loan-to-
15 lender we're kind of used to now, the construction loan
16 program. We're doing okay.

17 MR. WARREN: That's right.

18 CHAIRPERSON WALLACE: And there's quite a bit of
19 this, looking in the pipeline?

20 MR. WARREN: There is. And really the driving
21 force, quite frankly, behind it is the level of MHP.
22 And I think, as Mr. Franklin has attested, I think his
23 folks estimated, you know, five to six years with an MHP
24 outflow, and we're leaning to that. And I think our
25 goal is now to expand the marketing for the construction

1 loans to those localities that are primary funders that
2 are not using MHP like some of the other projects we've
3 seen, which are also prevailing wage jobs. And we'll
4 see how accepted they are.

5 But what is beneficial in all this is the MHP
6 program has given us a good opportunity to establish the
7 program with good borrowers and we'll use that to
8 demonstrate for further business.

9 CHAIRPERSON WALLACE: We're comforted we're in
10 good shape.

11 On that high note, Ed.

12 MR. CZUKER: I move approval.

13 CHAIRPERSON WALLACE: Motion by Czucker and a
14 second?

15 MR. SHINE: Second.

16 CHAIRPERSON WALLACE: By Shine. Thank you,
17 gentlemen.

18 And any discussion on the motion?

19 Hearing, seeing none from Board or audience,
20 Secretary, please call roll.

21 MS. OJIMA: Ms. Johantgen.

22 MS. JOHANTGEN: Aye.

23 MS. OJIMA: Mr. Bayuk.

24 MR. BAYUK: Aye.

25 MS. OJIMA: Ms. Sandoval.

1 MS. SANDOVAL: Aye.

2 MS. OJIMA: Mr. Czucker.

3 MR. CZUKER: Aye.

4 MS. OJIMA: Mr. Franklin.

5 MR. FRANKLIN: Aye.

6 MS. OJIMA: Mr. Shine.

7 MR. SHINE: Aye.

8 MS. OJIMA: Mr. Wallace.

9 CHAIRPERSON WALLACE: Aye.

10 MS. OJIMA: Resolution 03-43 has been approved.

11 CHAIRPERSON WALLACE: Resolution 03-43 is hereby
12 approved.

13 On to Bayport Apartments in Alameda.

14 Resolution 03-44 (Bayport Apartments)

15 MS. WHITTALL-SCHERFEE: Bayport Apartments is
16 located in Alameda on the former Alameda Naval Air
17 Station Base. They are requesting construction and
18 permanent financing from the Agency. Their construction
19 loan request is for \$9,335,000 at 3-percent variable
20 interest for 18 months.

21 That first mortgage will be broken into a
22 taxable piece and a tax-exempt piece. The tax-exempt
23 piece is expected to be \$6,700,000, and the taxable piece
24 is \$2,635,000. When the loan rolls into permanent, the
25 first mortgage will be for a million-five at 5 and a

1 half percent for 30 years, and there will be a second
2 mortgage at \$1,450,000 at 5 and a half percent for ten
3 years. The second mortgage piece is very similar to the
4 structures you've seen elsewhere. It's based on the HUD
5 Section 8 that has been requested on this property, and
6 it's based on that income stream, and it's fully
7 amortized over a ten-year period.

8 There's going to be a ground lease on this
9 project, and the reason for it is that in 1972, the City
10 of Alameda passed Measure A, and that restricted
11 residential development to no more than two units per
12 structure. The Alameda Housing Authority is exempt from
13 this restriction, and so in order for the Bayport
14 Apartments project to benefit from the exemption, the
15 Alameda Housing Authority is maintaining a fee interest
16 in the project. The sponsors entered into a ground
17 lease for 75 years at a dollar per year, and the ground
18 lease will transfer. It would be assumed by the limited
19 partnership when that entity is formed.

20 Other financing on this project includes Housing
21 and Community Development MHP money in the amount of
22 \$3,930,103 for 55 years at 3 percent. And also HOME
23 money from Alameda County in the amount of \$385,792 for
24 55 years at 3 percent. They're also applying for an
25 MHP -- I'm sorry, for an AHP loan that is expected to be

1 awarded in November of 2003 in the amount of \$306,000.

2 And with that, Tina will talk about the slides.

3 MS. ILVONEN: Okay. This first slide is looking
4 to the north. This is Jack London Square across the
5 channel, and this is Alameda. This is the redevelopment
6 area. This will be the new housing. The City of
7 Alameda is also developing a new business park and a
8 12-acre waterfront park.

9 While I have this slide up, I'm going to talk
10 about the environmental. This site is being developed
11 in connection with the redevelopment of the Alameda
12 Naval Air Station and the Fleet Industrial Supply
13 Center. I'm talking about the whole 215 acres right
14 now.

15 Over the course of several years, the
16 environmental mitigation has taken place. There were
17 asbestos-containing materials, lead-based paint,
18 thermostats, florescent lamps identified in the
19 residential structures. In addition, organochlorine
20 pesticides used to prevent termite intrusion had
21 accumulated beneath the soil.

22 Demolition and OCP removal activities have been
23 performed. All asbestos and lead have been taken
24 off-site and disposed of properly. In addition,
25 29,000 tons of impacted soil have been removed from the

1 site and multiple rounds of excavation were performed
2 until post-excavation sampling indicated that all
3 pesticides have been removed to below the residential
4 risk-based screening levels as established by the San
5 Francisco Bay Regional Water Quality Control Board.

6 We will be requesting an updated Phase I and
7 review of the environmental reports by URS, our
8 environmental consultant. If there's any additional
9 testing or remediation that needs to be completed, our
10 consultant will let us know that. Also, if anything
11 does need to be done, the Alameda Housing Authority is
12 responsible for that pursuant to the ground lease.

13 Okay, this next slide is looking to the
14 southwest. And this redevelopment area is 74 acres.
15 This is the 74 acres that's being redeveloped by
16 Catellus. This is Atlantic Avenue, which is an existing
17 street. Fifth Street, which is going to be a main -- a
18 new main street to the new business park will be
19 developed right here, right along the site and along the
20 College of Alameda, which is adjacent to the site.

21 These will be single-family homes. This will be
22 another main street developed called Main Street, and
23 this will be Tinker Avenue along here. And this is
24 where houses will be demolished also.

25 Oh, there's also coast guard housing that's

1 existing right here to the north of the site. And this
2 is the site plan for the new 72-acre site. There will
3 be a four-acre park with a school. This is the
4 multifamily housing site. It's three acres, a portion
5 of which is for ten townhomes which are also being
6 developed by RCD. That's not part of what we're
7 financing. We're financing the 2.5-acre site for
8 multifamily housing.

9 And Bayport Apartments consists of
10 34 two-bedroom flats and 18 three-bedroom townhomes.
11 It's designed with 11 separate two-story residential
12 buildings, each comprised of between two and eight
13 units. It's one of the reasons why the construction
14 costs are so high, because it's designed to fit into the
15 neighborhood, the new redeveloped single-family home
16 neighborhood.

17 Each building has outdoor space for each unit.
18 The buildings are wood frame, stucco siding. Roofs will
19 be pitched and composition shingles. The units will
20 have central gas heat, washer and dryer hookups.
21 There are 67 parking spaces on-site with additional
22 parking spaces on the surrounding streets. The project
23 will also have a laundry room and community room with a
24 community center. There will also be a basketball court
25 and a tot lot.

1 The next slide shows the rents. And the rents
2 range from 30 percent to 81 percent of the market rates
3 in the area. The rents are set at 35 percent SMI,
4 50 percent and 60 percent AMI.

5 Also, one other thing, the Section 8 rents are
6 showing as higher than the market rate rents. There
7 will be a Section 8 market study completed before
8 construction starts. And the market study will
9 determine what the final Section 8 rents are. We do
10 have a Section 8 loan that's ten years and that's
11 based -- it's ten years because the Section 8 contract
12 is ten years. And it's based on the Section 8 rents
13 during underwriting. If those change, the Section 8
14 loan will need to be reduced if they go down.

15 And I'll stop there.

16 MS. WHITTALL-SCHERFEE: The sponsor on this
17 project is Resources for Community Development. They
18 have developed 900 affordable housing units and
19 emergency shelter beds in 30 projects in the East Bay.
20 We're very familiar with RCD. We have approved
21 financing on five of their projects, four of them have
22 been completed, and one of them, Laurel Apartments in
23 Fairfield, has received a commitment but is not yet
24 under construction.

25 And with that, we'd be happy to address any

1 questions, and we request approval.

2 CHAIRPERSON WALLACE: Ed.

3 MR. CZUKER: Thank you, Mr. Chair.

4 First, can you explain why the construction loan
5 needed to be split into both a taxable and tax exempt as
6 opposed to just doing it in one way or the other? And
7 then second, it looks like the architectural fees here
8 are exceptionally high at over \$12,000 a unit. And this
9 gets back to an earlier comment, which is, you know, we
10 look at the scope of all of the service contracts and
11 subcontractors where there may be some excessive fees or
12 is something else pushing it to that number? Maybe you
13 can address that.

14 MS. ILVONEN: Okay. On the construction loan
15 being split into a tax-exempt and taxable portion, that
16 has to do the 50-percent test. 50 percent of the
17 project's total development costs needs to be financed
18 with tax-exempt financing. And we don't want to take
19 more tax-exempt financing than the project needs, so we
20 split the construction into a tax-exempt and taxable
21 portion.

22 And on the architectural fees, they are high and
23 I did ask about that. And it's because Catellus is
24 building a 435-single-family home development in the
25 neighborhood, and there was a lot of opposition to

1 building affordable housing. This is actually the
2 result of a lawsuit that this affordable housing is
3 being required to be built. And it -- it's required to
4 fit into the character of the neighborhood, so there's a
5 lot -- there's many small buildings with a lot of
6 architectural features, and that's why the architectural
7 fees and construction costs are very high on this
8 project.

9 MR. CZUKER: So the construction costs are
10 really not that high when you factor in the
11 three-bedrooms and the larger units. The architectural
12 fees, do they include perhaps some zoning or planning
13 entitlement work?

14 MS. ILVONEN: I am not sure of that.

15 MS. WHITTALL-SCHERFEE: What we see with a lot
16 of these projects where there's been a lot of
17 neighborhood opposition, things get drawn and redrawn
18 and redesigned, and that really can make our
19 architectural fees a lot more expensive than you would
20 otherwise expect.

21 MS. PARKER: I think we had that issue at our
22 last meeting on a project that was in Berkeley that we
23 had tremendous neighborhood opposition, and the redrawing
24 of it continued to escalate the costs.

25 MR. CZUKER: That makes sense.

1 MR. SHINE: In theory that sounds right. In
2 Berkeley they were forced to change that which they'd
3 built, so it was a much different thing. They put in
4 some facade goodies on the building so it fits into the
5 neighborhood.

6 And it gets back to the comment earlier that
7 when you do address the construction line item, the more
8 particulars of what you add up to get to construction,
9 probably a good idea would be, as another note, to do
10 the same thing in the architecture. Because unless
11 there's a lot of money spent on zoning and expeditors
12 and political and neighborhood outreach and so on, I'm
13 sure this is a direct ultimately, but it looks funny to
14 those of us who have been building for a long time and
15 aren't accustomed to those kinds of things.

16 MR. WARREN: I think it's important to note that
17 on these types of projects, particularly in urban areas
18 like Berkeley and Alameda, that those have development
19 periods of four and five and six years, which is not
20 uncommon. The project that Terri mentioned had a
21 development period of almost three years. Each time
22 there is a change, the architect has to do something.
23 So what we often see is that the fees are high.

24 But it often represents a four- and five-year
25 process in which the architect gets it every single

1 time. I've seen that happen time and time again,
2 particularly in these neighborhood opposition groups, it
3 just takes a lot to keep architects on task.

4 MR. SHINE: We're not saying it doesn't happen.
5 I have had my own projects. It's just -- we'll look
6 forward to your exhibit.

7 MR. WARREN: Okay.

8 CHAIRPERSON WALLACE: I had one eight and a half
9 years, 74 hearings, before I broke ground.

10 MR. SHINE: You win.

11 MR. FRANKLIN: I think that --

12 CHAIRPERSON WALLACE: I got it approved, but
13 then they sued and incorporated. I got approved by the
14 county board of supervisors. My architects and legal
15 fees were out of sight. In fact, I flew down this
16 morning with my lawyer who defended me. So it drove the
17 costs up. Eight and a half years and your pro forma
18 doesn't look too good.

19 MR. FRANKLIN: Again, the discussion when you're
20 talking construction, constructive attention on costs is
21 very healthy. I think it's a good thing to keep
22 watching.

23 Just a parenthetical comment, our unit that
24 reviews housing elements for all jurisdictions in the
25 state has spent much of the summer with this City, which

1 does, as the write-up mentioned, have a measure in place
2 that effectively prohibits multifamily development,
3 which is why they're doing the ground lease from the
4 housing authority. But it's an extremely difficult
5 environment to develop in right now. They're about to
6 get another military lease, I believe, in addition to
7 this one, so there are big plans to do more, but it will
8 be interesting to see if they can get it done. But it
9 is, I think, one of the toughest development
10 environments.

11 In that light, it's disappointing to see \$15,000
12 a unit on impact fees, because they hit them coming and
13 going, but.

14 MS. ILVONEN: Mr. Czucker, I was just told that
15 these architectural costs also include site work, joint
16 trench, and high civil engineering costs.

17 MR. CZUKER: I'm sorry, I could barely hear you.

18 CHAIRPERSON WALLACE: Say it again, Tina.

19 MS. ILVONEN: The architectural fees also
20 include site work, joint trench, and high civil
21 engineering costs.

22 MR. CZUKER: Thank you.

23 CHAIRPERSON WALLACE: Makes more sense.

24 In any case, the project pencils out and you
25 recommend we approve it then.

1 MS. WHITTALL-SCHERFEE: Yes. Yes, we do.

2 CHAIRPERSON WALLACE: How about that, you guys?
3 Cathy.

4 MS. SANDOVAL: I noticed that there's
5 significant environmental mitigation that has gone on,
6 and I'm glad to see that you're going to be continuing
7 to review it. Are we comfortable with how the
8 environmental mitigation was been conducted, and how it's
9 affected the cost of the project?

10 MS. ILVONEN: Well, we haven't had it reviewed
11 by our environmental consultant yet. But the reports
12 that I have reviewed said that it has met the risk-based
13 screening tests of the Regional Water Quality Control
14 Board and that no further environmental investigation is
15 necessary, that they removed the asbestos and the leads
16 and disposed of it off-site and removed the
17 pesticide-containing soil and disposed of it off-site.

18 In addition, the Housing Authority of the City
19 of Alameda is responsible for any environmental work
20 that is found to be necessary, if any.

21 MR. HUGHES: I can add from personal experience
22 in my private practice, I represented the original party
23 who was entitled to the site with the base closing, and
24 the entire base has been studied extremely stringently.
25 And my client was also satisfied with the remediation at

1 this particular site. As it turned out, someone else
2 came in and got it, but the EOD has some residual for
3 liability.

4 CHAIRPERSON WALLACE: Yes, Jack.

5 MR. SHINE: Just one question. Tell me about
6 the insurance.

7 CHAIRPERSON WALLACE: Jack, hold that just a
8 little bit closer.

9 MR. SHINE: I noticed they had asked for an
10 exemption in having to have any earthquake insurance.
11 Is that -- I imagine that's been a source of a great
12 deal of discussion. I haven't heard any mention about
13 it. Are we -- is this recommendation one that includes
14 granting the exemption for them to have earthquake
15 insurance?

16 MR. WARREN: That's right. Most of these -- all
17 of these construction projects today have requested the
18 waiver. And how we are approaching that from a
19 procedural standpoint is we are delivering architectural
20 packages that were designed by URS, our earthquake
21 engineer, to the architect and the construction engineer
22 telling them what the requirements are to meet our level
23 for the waiver of the earthquake insurance. They
24 basically fill that out, respond back with preliminary
25 plans, and based upon the representations, then we

1 proceed assuming the waiver would be granted.

2 MR. SHINE: You're talking about additional
3 requirements with regard to structural?

4 MR. WARREN: That's correct, yeah, to meet UBC97
5 or greater.

6 To date, every one we've gotten back -- we've
7 gotten back two or three, I think, so far. And they
8 have all met the standards with a minimum of the
9 increased structural. The next project is a little
10 different. I'll tell you about that in just a minute.

11 So with the design that's being followed, then
12 when we get the final set of plans, then we get the
13 final waiver. And if someone should fail to do so, then
14 the insurance may be required. But in almost -- in all
15 cases to date, the engineers have indicated they have
16 complied with our requirements.

17 MR. SHINE: The necessary structural
18 engineering?

19 MR. WARREN: Exactly. And then during the
20 construction period, our engineer goes back out to the
21 site, inspects it, and the final plan is signed off. So
22 it's a complete project, and this process costs the
23 sponsors an additional \$10,000 in fees, which we then
24 use to pay our structural engineers to do the analysis.

25 MS. ILVONEN: In this project, the earthquake

1 insurance is included. The earthquake insurance is
2 included in the operational budget on this, because at
3 the time of the underwriting, I wasn't certain they
4 would be receiving the earthquake waiver. So if they do
5 get the earthquake waiver, their costs, their budget, is
6 going to go down as far as their cash flow, and their
7 cash flow will look better.

8 MR. SHINE: They will receive more cash.

9 MS. ILVONEN: Right. Right.

10 MR. SHINE: Does this have any --

11 MS. ILVONEN: They won't be spending the cash
12 they had in the budget for earthquake insurance, anyway.

13 MR. SHINE: Does that have any impact on our
14 loan or on the reserve or anything? If we issue the
15 waiver, is additional cash -- what happens to it?

16 MR. WARREN: The reason we did the project in
17 the first place was to reduce the amount of locality
18 financing, but -- not having all the numbers in front of
19 me, but in the general sense of our loan can go out and
20 it can be supported, which it should be because of
21 reduced operating expenses, then locality financing
22 would probably need to go down. It would go down.

23 MR. SHINE: Then what goes down?

24 MR. WARREN: The locality contribution would be
25 less because our loan would be larger.

1 CHAIRPERSON WALLACE: Makes sense. But we're
2 right on the threshold. We haven't had -- we had the
3 presentation by URS two meetings ago or whenever?

4 MS. PARKER: Last meeting.

5 CHAIRPERSON WALLACE: At the last meeting?

6 MS. PARKER: The last meeting.

7 CHAIRPERSON WALLACE: And set up these
8 guidelines. And everybody -- what's happened is that
9 everybody is trying to meet the guidelines.

10 MR. WARREN: Yes, they are.

11 CHAIRPERSON WALLACE: And school is still out
12 whether they do and the impacts related thereto.

13 MR. SHINE: I'm sure glad there's 25-percent
14 LTD.

15 CHAIRPERSON WALLACE: Okay. Any further
16 questions?

17 If not, the Chair will entertain a motion.

18 No motion; these guys lose.

19 MS. SANDOVAL: Move to approve.

20 CHAIRPERSON WALLACE: Cathy.

21 MR. FRANKLIN: I second.

22 CHAIRPERSON WALLACE: Matt.

23 There's a motion duly secondly before us. Any
24 discussion on the motion?

25 Seeing, hearing none, Secretary, please call the

1 roll.

2 MS. OJIMA: Thank you.

3 Ms. Johantgen.

4 MS. JOHANTGEN: Aye.

5 MS. OJIMA: Mr. Bayuk.

6 MR. BAYUK: Aye.

7 MS. OJIMA: Ms. Sandoval.

8 MS. SANDOVAL: Aye.

9 MS. OJIMA: Mr. Czucker.

10 MR. CZUKER: Aye.

11 MS. OJIMA: Mr. Franklin.

12 MR. FRANKLIN: Aye.

13 MS. OJIMA: Mr. Shine.

14 MR. SHINE: Aye.

15 MS. OJIMA: Mr. Wallace.

16 CHAIRPERSON WALLACE: Aye.

17 MS. OJIMA: Resolution 03-44 has been approved.

18 CHAIRPERSON WALLACE: Resolution 03-44 is hereby

19 approved. We have done Copper Creek at the front end,

20 and so we're now on our last project, Mission Creek in

21 San Francisco.

22 (Mr. Bayuk leaves.)

23 Resolution 03-46 (Mission Creek)

24 MR. WARREN: Mr. Chairman, the request for

25 Mission Creek is for the initial commitment. Let me

1 explain why we are doing it this way.

2 A few weeks ago, we got a request from the San
3 Francisco Redevelopment Agency and Mercy Housing to put
4 forth a financing proposal for the Mission Creek Senior
5 Project which is being developed down in the Mission
6 Creek redevelopment area in the city. The reason we
7 were asked is with the upward movement of long-term
8 rates, both the RDA and Mercy felt that it would be
9 appropriate and helpful to the project if we would put
10 together a financing package to help with the long-term
11 financing.

12 We know this project. Tina and I looked at it
13 basically about a year ago. But because of earthquake
14 insurance issues, interestingly enough, we didn't
15 proceed. So the request is really twofold. The first
16 is that in order to include this in the upcoming third-
17 round bond issue -- by the way, the RDA has put the
18 request for bond allocation in the third round with
19 CDLAC, and it's under consideration now. If the RDA
20 decides that our financing is beneficial, then they may
21 transfer the allocation to the Agency for inclusion in
22 the third-round approval bond issue.

23 In order to do that, we need to have some action
24 by the Board that our finance folks can show to the bond
25 underwriters saying that the Board has generally

1 approved this. Then what would happen in November, we
2 would come back for a final commitment. And then the
3 timing of the final commitment in November would be at
4 or about the time that the full bond issue for the
5 program is being priced, so it would fit into it fairly
6 well, but it needs to be included early on for the
7 planning purposes and pricing purposes.

8 If the RDA decides not to pull the allocation
9 and have us do the transaction, then we would go for a
10 bond re-funding, which would mean three years after the
11 project is completed we would then re-fund out based on
12 the life of the main loan, which is approximately
13 \$10 million.

14 So the financial request in front of the Board
15 today is for an initial commitment, and you would see
16 the final in November, that if the CDLAC allocation is
17 pulled and given to us, we would do a primary loan for
18 \$10,400,000 and a bridge loan for \$11,555,000. If it's a
19 re-funding, then we would only do the \$10,400,000 of the
20 transaction.

21 I'll stop there and let Tina show you a couple
22 quick slides.

23 MS. ILVONEN: Okay. I just wanted to explain
24 one thing about it. The first loan is a 20-year fixed
25 fully amortized loan, and that loan is based on both the

1 tax credit rents and the Section 8 rents. There will be
2 a ten-year Section 8 contract, but the second ten years,
3 Years 11 through 20, would be guaranteed by the
4 redevelopment agency. That's why we're underwriting a
5 20-year Section 8 loan and combining it as really one
6 loan.

7 And other financing on the project is MHP funds
8 of \$7 million, AHP funds of \$625,000. The redevelopment
9 agency has several loans to the project; a \$10.8 million
10 first mortgage -- or mortgage from redevelopment agency
11 funds; a million-dollar mortgage from HOPWA funds; a
12 third mortgage of \$360,000 from CDBG funds, and that's
13 specifically for the adult day health center; and a
14 fourth mortgage is \$431,000, and it's a hazardous
15 materials mitigation and demolition loan.

16 The project is in the Mission Bay area of San
17 Francisco, and it's in a developed neighborhood by the
18 new Giants ballpark. It's adjacent to the Mission Place
19 being developed by Catellus, which will include
20 595 rental units, 45,000 square feet of neighborhood
21 office space, 83,000 feet of retail space including a
22 Safeway, a Borders Books, and a Wells Fargo.

23 Towards the northeast is the South Beach area
24 with residences, restaurants, a marina, and the new
25 ballpark. There's also the Yerba Buena Center close by.

1 The site is one acre, and the project will
2 consist of a seven-story L-shaped reinforced concrete
3 frame. The structure includes approximately 174,000
4 square feet. Parking is provided in an on-grade garage
5 with 34 spaces. The building will be serviced with two
6 elevators. There will be a courtyard garden on the
7 second-level podium deck. There's also rooftop
8 terraces. The building also contains property
9 management offices, maintenance spaces on the first
10 floor, a multipurpose room, exercise rooms, computer
11 room, and a community kitchen next to the resident
12 dining room on the second floor, and laundry facilities
13 on each floor.

14 In addition to the residential areas in the
15 building, there's also a city library branch, a
16 4,000-square-foot retail commercial space, and a
17 6,000-square-foot adult day health center.

18 This project is for frail elderly, and the
19 project will be fully accessible to accommodate their
20 needs. There will also be a lot of services on-site in
21 addition to the adult day health center, two full-time
22 on-site community and resident initiative coordinators,
23 and 24-hour security desk coverage.

24 The adult day health center will accept
25 residents from the Mission Creek Center community as

1 well as other seniors in the area. It will be open
2 seven days a week and will serve a total of 100 -- 80 to
3 100 individuals per day. The services include skilled
4 nursing, occupational and physical therapy, and personal
5 care.

6 I also wanted to talk about the environmental on
7 this project. This is part of Mission Bay and it was --
8 it was filled in the late 1800s. The site is blanketed
9 by approximately 30 feet of fill. There has been a
10 geotechnical investigation on the site, and it is
11 recommended that the building be supported on a pile
12 foundation, with the piles reaching the bedrock in order
13 to gain support from the bedrock.

14 There was a Phase I done on the entire site
15 that's being developed, and Catellus is responsible for
16 cleaning the environmental problems on the site. Lead
17 has been found in the soil as well as other metals. The
18 soil that is being disturbed by the development, where
19 there's drilling for piles, that will be removed from
20 the site. And we will request a Phase I update and
21 review of the environmental reports by URS, if this loan
22 does end up coming to CalHFA.

23 MR. WARREN: Thank you, Tina.

24 The earthquake insurance is important from the
25 standpoint that, as Tina indicated, the project is built

1 on piles. We've had a preliminary review by URS that
2 did come back very positive. We have some remaining
3 reviews to do, but because of the fill nature of this
4 part of the Bay Area, it should pass the earthquake
5 waiver, so we will think good thoughts.

6 So with that, we'd like to recommend approval,
7 with the understanding if we do proceed with the
8 project, the Board will see it in November.

9 CHAIRPERSON WALLACE: Okay. Let's let somebody
10 go before Ed here.

11 MR. FRANKLIN: I actually just have a question.
12 I'm interested in the RDA guaranteeing the second ten
13 years on the HAP contract. Have you seen that before,
14 do you expect them to do it in other circumstances, and
15 what do you think was sort of, you know, the calculus
16 for them in coming to that decision? Because I think if
17 we could get more RDAs in that kind of situation, it
18 would help us leverage these dollars quite a bit more.

19 MR. WARREN: It would really be nice. This is
20 an established program with the RDA. They have done
21 this on a number of projects with a number of loans. We
22 did the first one, as a matter of fact, with the RDA on
23 a project four years ago. And the reason we did this is
24 concerns from the redevelopment agency had been very
25 aggressive in reserving the Section 8 profits. They

1 really have written the book on this.

2 And the way they did it is through leasehold
3 projects and to guarantee the Section 8 to encourage
4 lenders like us and others like Citibank to lend against
5 that Section 8 increment and then what they'd do is
6 essentially guarantee us.

7 What lenders have done is gone back to the RDA
8 and said show us how you reserved appropriately for this
9 should bad things happen. And all of us have come away
10 very satisfied that there are reserves that are set
11 aside, there are liability dollars set aside by the RDA,
12 and they, like us, are betting on the good nature of HUD
13 to go forward with their funding and stuff like that, so
14 we shall see.

15 But it's a very good project, a very good
16 program by the RDA. And you're right, Mr. Franklin,
17 we've actually encouraged other RDAs to do the same
18 thing, and some are actually being more serious than
19 others have, but with the guarantee from the RDA, we are
20 comfortable.

21 MR. FRANKLIN: Are you -- can you tell me, are
22 you seeing it in other areas and do you think that other
23 large RDAs are in similar positions as far as their
24 reserve requirements?

25 MR. WARREN: I think they are. Certainly in all

1 fairness, San Francisco RDA has a fair amount of assets.
2 Others don't. I've come across a couple towns in the
3 Valley actually that have guaranteed this. I'm not sure
4 where Los Angeles and San Diego are, although we have
5 had discussion with them, I think it's something that we
6 bring up on a regular basis and ask if they'll do it.

7 MR. FRANKLIN: I'd encourage that, exactly,
8 whenever you're working with the RDAs to basically ask
9 the question --

10 MR. WARREN: That's correct.

11 MR. FRANKLIN: -- As to whether they would. I
12 personally think it's a very good bet, and this is
13 exactly what we need as a first step forward to create
14 the comfort for lenders such as CalHFA.

15 MR. WARREN: That's right.

16 CHAIRPERSON WALLACE: Jack.

17 MR. SHINE: We're building -- there's 80 units
18 at about 550 feet apiece in the project, which adds up
19 to about 75-, 80,000 feet a building. What is the other
20 hundred thousand feet for?

21 MR. WARREN: Well, there are 140 units in total in
22 the project.

23 MR. SHINE: Okay. Well, that doubles it.

24 MR. WARREN: That was an easy one, Mr. Shine.

25 Thank you for that softball.

1 CHAIRPERSON WALLACE: You want the record
2 stricken?

3 MR. SHINE: 140 units, right, at 550 feet per
4 unit? Right?

5 MR. WARREN: Right.

6 MR. SHINE: Is about 80,000 square feet; right?

7 MR. WARREN: And there are --

8 MR. SHINE: 170,000 feet in the project. I'm
9 just curious what it's devoted to.

10 MR. WARREN: There's --

11 MS. ILVONEN: There's a library branch, there's
12 the adult day health center, and there's 4,000 square
13 feet of retail space in the project also.

14 MR. SHINE: That adds up to a hundred thousand
15 feet or so.

16 MS. ILVONEN: Yes.

17 MR. SHINE: None of that is parking, is it?

18 MS. ILVONEN: And there is some parking.

19 There are only 34 parking spaces because this is a project
20 for frail seniors.

21 CHAIRPERSON WALLACE: Okay. Jack, do you want
22 to think about it while --

23 MS. PARKER: Mr. Shine, I would certainly --

24 MR. SHINE: I'm --

25 MS. PARKER: To the extent that we come back, I

1 know that this isn't an issue today, if there are
2 questions that the Board would certainly like for us to
3 focus on in our presentation next month when it comes
4 back, let us know what they are and we'll make sure it's
5 addressed.

6 MR. SHINE: I think it's a nice project. I'm
7 not familiar with this kind of project because I don't
8 develop that kind of development, so it's like speaking
9 a different language. But it seems to me if you're
10 building something with 70- to 80,000 feet of usable
11 space for the purpose which you're building, which is a
12 place for people to live, and you're constructing
13 175,000 feet to get there, then I don't know if it's
14 mandated or appropriate or what the reason is, but it
15 seems to me somebody is getting a hundred thousand feet
16 of something that is not devoted for places for people
17 to live. And I'm just curious what it is what we're
18 building. Are we trying to get them to the city?

19 MR. WARREN: That is what the RDA -- they are
20 redeveloping the entire Mission Bay area and this is one
21 of the --

22 MR. SHINE: Is that part of why they're giving
23 us \$10 million?

24 MR. WARREN: And that's why they're giving us so
25 much money. That's exactly right.

1 MR. SHINE: If they're paying for it, I don't
2 care, I'm just curious.

3 MR. FRANKLIN: That is part, as I think the
4 presentation highlighted somewhat, but there's a very
5 large redevelopment across basically from the ballpark
6 heading west for, you know -- they went through the
7 numbers, but it's a phenomenally large development, and
8 they're building a lot of housing and intentionally, you
9 know, mixed use. So that's why I think he said a pretty
10 retail -- is it retail or office?

11 MS. ILVONEN: 4,000 square feet of retail.

12 MR. FRANKLIN: It was only 4,000.

13 MS. PARKER: Because there's the library.

14 CHAIRPERSON WALLACE: Okay. Mr. Czuker.

15 MR. CZUKER: First, to shed some light on the
16 question, the prior question, it is very common in
17 senior citizen projects of this type to have tremendous
18 amounts of recreational space that's devoted to the
19 project, whether it be community rooms, whether it be
20 libraries, whether it be even to put in, in some cases,
21 dining facilities, activity rooms of all kinds,
22 including sometimes being able to host doctors and so
23 forth, and so they have a large percentage, maybe not a
24 hundred thousand square feet, but to have a large amount
25 of common area associated with the relatively small size

1 of senior units is actually a normal phenomenon for
2 senior projects of this type.

3 I think the cost per unit obviously is still an
4 issue. You're dealing with San Francisco being a
5 high-cost area, and the cost of this construction is
6 very expensive. That's something we've discussed
7 before. But to address your original concern, it is not
8 uncommon to have numerous common area facilities that
9 support and add services to the seniors who live in
10 these facilities.

11 Obviously, since this is a preliminary review,
12 the appraisals aren't done yet. We don't know how the
13 high cost is going to be handled, relative to loan-to-
14 value, loan to cost, which I'm sure we'll address later.

15 I just had a question which wasn't really
16 discussed in any great detail relative to the
17 possibility of a bridge loan and maybe you can take a
18 minute to explain when and -- when would a bridge loan
19 come into being? It's only for one year. You mentioned
20 that depending on the approvals of the City, it may or
21 may not be necessary, and I'm not quite sure how it ties
22 into --

23 MR. WARREN: That's --

24 MR. CZUKER: What's the source for repayment of
25 that bridge loan?

1 MR. WARREN: The source of the repayment if we
2 did the bridge loan would be tax credit equity for the
3 project. And the reason we would only do the bridge
4 loan would be to -- of the tax-exempt financing would be
5 to qualify for the 4-percent credits.

6 If the allocation stays with the RDA and those
7 credits are financed by Citibank, for example, then the
8 4 percent/50-percent test is met through that particular
9 construction loan, so it's not an issue. If the
10 allocation came to us, since we're not the construction
11 lender under either scenario in this project, the bridge
12 loan would have to be put in in three years to qualify
13 the project for the 4-percent credits.

14 MR. CZUKER: So if the -- if I understand you
15 correctly, if Citibank or an outside source provides the
16 construction financing, then CalHFA will not be requested
17 to provide a bridge loan, and the only time that becomes
18 necessary is if you're in effect bridging the construction
19 period and using tax credit proceeds to retire another
20 bridge loan.

21 MR. WARREN: Not really bridging the
22 construction period, but placing additional tax-exempt
23 debt on the property at a point in time when you qualify
24 for the 4-percent credits.

25 MR. CZUKER: So it's the 50-percent rule?

1 MR. WARREN: That's correct. Yeah. And that
2 would happen at the same time the permanent loan would
3 go on, but it's only to facilitate the 4 percent and
4 it's only the one-year bridge loan.

5 And bridge loan is probably a bad term. It's
6 really just kind of a facilitating loan for a year to
7 qualify.

8 MR. CZUKER: Thank you.

9 CHAIRPERSON WALLACE: Any further questions?

10 So you're looking for an initial go-forward and
11 sort out some of these issues and come back hopefully
12 pretty soon?

13 MR. WARREN: Yeah.

14 MR. CZUKER: Move approval.

15 CHAIRPERSON WALLACE: Approval by Mr. Czuker.
16 Or motion by Mr. Czuker.

17 MR. FRANKLIN: Second.

18 CHAIRPERSON WALLACE: Mr. Franklin seconds.

19 Any discussion on the motion for initial
20 approval? Board? Audience?

21 Hearing and seeing none, Secretary, please call
22 the roll.

23 MS. OJIMA: Thank you.

24 Ms. Johantgen.

25 MS. JOHANTGEN: Aye.

1 MS. OJIMA: Mr. Bayuk.
2 (No audible response was heard.)
3 MS. OJIMA: Ms. Sandoval.
4 MS. SANDOVAL: Aye.
5 MS. OJIMA: Mr. Czucker.
6 MR. CZUKER: Oh, is it me? Aye.
7 MS. OJIMA: Thank you Mr. Czucker.
8 Mr. Franklin.
9 MR. FRANKLIN: Aye.
10 MS. OJIMA: Mr. Shine.
11 MR. SHINE: Aye.
12 MS. OJIMA: Mr. Wallace.
13 CHAIRPERSON WALLACE: Aye.
14 MS. OJIMA: Resolution 03-46 has been approved.
15 CHAIRPERSON WALLACE: Resolution 03-46 is hereby
16 approved.
17 What else have you got, Linn?
18 MR. WARREN: We're done, Mr. Chairman.
19 CHAIRPERSON WALLACE: Let me then say, Item 5.
20 Item 5: Discussion of Other Board Matters/Reports
21 CHAIRPERSON WALLACE: Are there any other
22 unagendized items from the Board that are pressing that
23 we should put forth at this moment?
24 MR. SHINE: I think you should be complimented
25 on shepherding us through all of these projects in time

1 for you to get out so we can also.

2 CHAIRPERSON WALLACE: The last train out of
3 town.

4 Actually, what I was going to say is we have all
5 done good. This went smoother, better. The
6 presentations were right on the money and short and
7 sweet, so well done to all of us. And the Board, I
8 think your questions were excellent today and shed some
9 light on the situation. They were really helpful. Good
10 for us.

11 So Item 5, nothing.
12 Item 6: Public Testimony

13 CHAIRPERSON WALLACE: Anything from the members
14 of the public who might be here under Item 6 that you
15 would like to bring to our attention?

16 Hearing, seeing none, let me again thank you,
17 remind you that our parking discount tickets are up here
18 up front with JoJo.

19 We look forward to our next meeting on November
20 13th. I'm not sure I do. It's our 48th anniversary. I
21 may not make it. But my wife has long held that I'm
22 always at some kind of a meeting on our anniversary
23 anyway --

24 MS. PARKER: It's in the Bay Area, Mr. Wallace.

25 CHAIRPERSON WALLACE: -- And that one of these

1 days I'll make it up to her.

2 MS. PARKER: It's in the Bay Area.

3 JoJo has sent out to you all to look at your
4 calendars for next year the 2004 calendar. I would
5 point out that we're going to try to invite Mr. Klein to
6 come to accept a gift of appreciation, so I'm trying to
7 work on that, so you may see your colleague at the next
8 meeting. I encourage you all to attend.

9 CHAIRPERSON WALLACE: And he's right down the
10 peninsula, so that's a great time to do that.

11 Did you have a question?

12 MS. JOHANTGEN: No.

13 CHAIRPERSON WALLACE: No? I thought I saw a
14 hand waving over here, but I just failed an eye test, so
15 I apologize. What's that big E over there? Okay.
16 Thanks again. You did great.

17 We are on our way.

18 (Whereupon the meeting concluded at 12:32 p.m.)

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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 24th day of September, 2003.



Yvonne K. Fenner
Certified Shorthand Reporter
License No. 10909

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CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Murphy Ranch II
Morgan Hill, Santa Clara County, CA
CalHFA # 03-053 C/N

SUMMARY

This is a final commitment request for construction financing in the amount of \$7,235,000 and a permanent loan in the amount of \$4,400,000. Murphy Ranch II is a 38-unit family apartment project in Morgan Hill. The property is owned by Murphy Ranch II LP, a Limited Partnership whose general partner is First Community Housing Corporation.

LOAN TERMS**Construction**

First Mortgage	\$7,235,000
Interest Rate	Variable
Term	18 Months, interest only
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.

Permanent

First Mortgage	\$4,400,000
Interest Rate	5.50%
Term	30 year fixed, fully amortized
Financing	Tax-exempt

LOCALITY INVOLVEMENT

The Redevelopment Agency of the City of Morgan Hill (RDA) has committed a loan in the principal amount of \$3,400,000 for a term of 55 years, at 4% simple interest. The RDA loan will subordinate to a CalHFA first deed of trust and regulatory agreement.

PROJECT DESCRIPTION**Project Location**

- The subject property is located in the City of Morgan Hill, in southern Santa Clara County. Morgan Hill is bordered by San Jose, San Martin and Gilroy, and is 20 miles south of downtown San Jose.

- The site is located at 310 East Dunne Avenue at the intersection of Butterfield Road, in a Redevelopment district known as Ojo De Agua. The project is one-half mile from two grocery-anchored shopping centers, two miles from major retail shopping, within 0.7 to two miles from all levels of schools, two blocks from the CalTrain station, and a bus stop is located across the street. A new community and cultural center is .25 miles from the site, two public parks are within one-half mile of the site and Highway 101 is one-half mile away.
- The property is an in-fill site and is Phase II of Murphy Ranch, an existing 62-unit family apartment project financed by CalHFA, completed in July and that achieved stabilized occupancy in September 30, 2003.
- Land uses in the vicinity include a mix of single family homes, vacant land and commercial buildings.

Site

- The project consists of a 38-unit family apartment building on a 2.02 acre site.
- The property is zoned R-3/RPD, which allows for development as planned.

Improvements

Phase II consists of ten two-story residential buildings containing 38 townhouse-style units. Thirty-four units are townhouse-style ranging in size from two bedrooms, 1-¾ baths to four bedrooms, two baths. Four of the three bedroom, two bath units are flats. The units will contain a dishwasher, refrigerator, a washer and dryer, a garbage disposal, gas range/oven, plastic laminate countertops and forced air heating and air conditioning. Hot water is provided by an individual heater. Each unit will have a large private patio and a walk-in closet. Each bedroom will be wired for phone and internet access. The buildings will be wood frame construction on reinforced concrete slab foundations, with composition shingle roofs, and Hardiplank exterior siding with wood trim. There will be 124 parking spaces; 104 spaces are uncovered, and 20 are covered.

The community building is 2,800 square feet and contains offices, a learning/computer center, full kitchen, a recreation/meeting room, two bathrooms and a maintenance room. A pool with a cabana is located next to the community building. The cabana contains two showers and a storage room. A large play area is located near the pool and a second tot lot is located near Phase II buildings.

The community building, two playgrounds, pool and cabana have been constructed and are located on the land within the first phase. The on-going maintenance costs will be shared on a pro-rata basis by the two phases. A recorded access agreement, an operating expense reimbursement agreement, a joint use agreement and cross easements are subject to review and approval by CalHFA prior to recordation of the permanent loan.

Murphy Ranch exceeds Title 24 energy standards by 25% by utilizing such methods as gas appliances, low flow water fixtures, hydronic heating and cooling, vinyl double-glazed windows, recycled carpet and interior trim, photovoltaic electricity generation for common area lighting and solar-heating for the pool.

Parking for the subject phase will total 124 spaces, 104 of which are covered. The parking ratio is 3.25 spaces per unit. In addition, the developer will offer all residents of Murphy Ranch free transit passes for CalTrain use.

Construction of Phase II is scheduled to begin in June 2004 and is expected to be completed by June 2005.

Unit Mix:

No. of Units	No. of Bedrooms	No. of Bathrooms	Unit Square Footage
12	2	1 3/4	1,017
24	3	2	1,164-1,337
2	4	2	1,397
38			

Off-site improvements

All off-site improvements have been completed as part of Phase I.

MARKET

Market Overview

- The City of Morgan Hill is located near San Jose to the North and San Martin and Gilroy to the South. The market study defines the Primary Market Area (PMA) as Morgan Hill and the adjoining unincorporated community of San Martin. The PMA spans a radius of between six and 15 miles from the subject.
- The population in the PMA is 49,295 residents, and is expected to grow by 1.15% annually between 2003 to 2008, 37% higher than growth anticipated in Santa Clara County.
- There are 15,472 households in the PMA, with an average of 3.4 persons per household.
- The median household income in the PMA is \$93,144, which is 11% higher than that of Santa Clara County. Nearly 53% of the households in the PMA earn less than the PMA's median household income.
- Single family units comprise 80% of the housing units in the PMA, according to the 2000 census information.
- The median value of a single family home in the PMA in 2003 is estimated to be \$632,501, which is 14% higher than that of the County.
- Renters account for 25% of all households in the PMA and 90% of these renter households occupy multifamily housing. Over 85% of the multifamily housing stock in the PMA was built prior to 1980.
- Within the PMA, 34% of all renter households pay over 40% of their income towards rent.
- Employment in Santa Clara County is broken down as follows: 38% in the services industry, followed by manufacturing (18%) and retail (12%). Within the PMA, employment by occupations closely follows that of the County.
- From 2000 to 2003, employment grew 2.1%. The unemployment rate in Morgan Hill was 6.6%, well below that of Santa Clara County, which is currently 8.4%.

Housing Demand and Supply

In the PMA, seven market-rate projects were surveyed, totaling 413 units. The market study focused on projects which were in close proximity to the subject, had a similar floor plan, and were newer, or recently remodeled. There were very few projects containing three bedroom units and none containing four bedroom units. Therefore, the market study surveyed single family homes to determine market rents for these floor plans.

Rents for the market rate projects surveyed range from \$1,200 to \$1,372 for a two-bedroom unit and \$1,867 to \$1,967 for three- and four-bedroom units. Common area amenities in the market rate projects were similar to the subject's, with covered parking, a pool and a community room. Unit amenities were similar to the subject's as well, with air conditioning, dishwashers, storage and patios. Occupancy levels averaged 95.8% for market rate projects in the PMA.

There are seven affordable rental properties totaling 438 units within the PMA. Of the affordable properties surveyed, 40% of the units are restricted to those earning 50% of median and 26% are restricted to those earning 60% of median. The majority of the affordable housing projects were built in the 1990's. The affordable properties leased up as rapidly as they were completed and most have extensive waiting lists. The vacancy rate is from 1% to 2% and vacancy is merely a factor of turnover. Occupancy levels averaged 98% for affordable projects in the PMA.

There is presently one affordable housing project in the planning stages which is a 72-unit, 9% tax credit project in Morgan Hill. Grading began in August and the project will be ready for occupancy in late 2004, prior to Phase II's entry to the market, scheduled for mid-2005.

PROJECT FEASIBILITY

Market rents are estimated to be \$1,300 for two-bedroom units, \$1,500 for three-bedroom units and \$1,610 for four-bedroom units.

Rent Differentials (Market versus Restricted)

Unit Type	Subject	Market Rate Average	\$ Difference	% Market
Two Bedroom		\$1,300		
50%	\$929		\$371	71%
60%	\$1,095		\$205	84%
Three Bedroom		\$1,500		
50%	\$1,074		\$426	72%
60%	\$1,301		\$199	87%
Four Bedroom		\$1,610		
50%	\$1,196		\$414	74%
60%	\$1,449		\$161	90%

Estimated Lease-up Period

The project is expected to be leased up within 60 days of completion, which is an absorption rate of 18 units per month. This estimate is based on the achievement of Phase I, which was completed mid July and fully occupied by September 30, 2003 at rents identical to Phase II. During the marketing of Phase I, an interest list of over 1,000 was generated, resulting in a waiting list of 652 qualified applicants. This waiting list will also be utilized for Murphy Ranch II.

OCCUPANCY RESTRICTIONS

CalHFA 20% of the units (8) will be restricted to 50% or less of AMI

City of Morgan Hill 100% of the units (38) will be restricted to 60% or less of AMI

TCAC 100% of the units (38) are restricted to 60% or less of AMI

ENVIRONMENTAL

A Phase I Environmental Assessment report prepared by Confidential Compliance Consultants dated August 8, 1998 was completed for Phase I and II. No adverse conditions were noted. An updated Phase I report has been ordered and will be a condition of closing the construction loan.

ARTICLE XXXIV

A letter dated March 22, 2001 by the City of Morgan Hill Redevelopment Agency states that the Murphy Ranch project received approval under Article XXXIV through adoption by the voters of Gilroy and Santa Clara County of Measure A in November, 1988.

DEVELOPMENT TEAM

Borrower

Murphy Ranch II, LP

The project is to be owned by Murphy Ranch II, LP, a California limited partnership, with First Community Housing Corporation, a California nonprofit public benefit corporation ("FCH") as the general partner. FCH has been developing affordable housing in California for over 15 years and has completed seven projects containing 535 units. Currently three projects with 236 units are under construction. CalHFA financed a loan to lender loan for the construction of the first phase of Murphy Ranch and the permanent loan is scheduled to close this month, ahead of the original closing schedule.

The borrower has offered a Completion and Repayment guarantee during construction. The guarantee is subject to review and approval by staff of the financial information provided by the borrower and compliance with the Agency's underwriting standards.

Management Agent

The John Stewart Company

The John Stewart Company ("John Stewart") was founded in 1978 and is a full service housing management organization with employees throughout the state of California. John Stewart manages over 22,000 rental apartment units, 70 of which are tax credit projects totaling over 5,000 units. They are known to CalHFA and manage several projects in the CalHFA portfolio, and are the manager of Phase I.

Architect

Fisher-Friedman Associates

Fisher-Friedman Associates was founded in 1964 and specializes in residential design and planning. They have designed over 40 apartment projects in California totaling over 9,000 units. Fisher-Friedman is the architect for Phase I.

Contractor

L & D Construction Co., Inc.

L & D Construction Co., Inc. ("L & D") was incorporated in 1979 and their primary focus is on multifamily rental units. Their client list includes projects for ten non-profit developers. L & D has completed 10 affordable housing projects with over 1,163 units during the past twenty years and has over 452 units in three projects currently under construction.

Project Summary

143 Date: 5-Jan-04

Project Profile:

Project: Murphy Ranch II
Location: 310 East Dunne Avenue
 Morgan Hill
County: Santa Clara
Borrower: Murphy Ranch II, L.P.
 GP: First Community Housing Corp.
 LP: Apollo Capital LLC
Program: Tax-Exempt
CalHFA #: 03-053

Cap Rate: 7.50%
Market: \$7,000,000
Construction As Restricted: \$8,300,000

LTCLTV: Construction Permanent
Loan/Cost: 60% 37%
Loan/Value: 87% 53%

Project Description:

Units: 38
Handicap Units: 2
Blidge Type: Flats, townhomes
Buildings: 10
Stories: 1
Gross Sq Ft: 47,018
Land Sq Ft: 87,899
Units/Acre: 19
Total Parking: 124
Covered Parking: 20

Financing Summary:

	Amount	Per Unit	Rate	Term
CalHFA First Mortgage	\$4,400,000	\$115,789	5.50%	30
City of Morgan Hill	\$3,400,000	\$89,474	4.00%	55
Deferred Developer Fee	\$93,063	\$2,449	n/a	
Tax Credit Equity	\$4,121,546	\$108,462	n/a	
CalHFA Construction Loan-tax-exempt	\$7,235,000	\$190,395	3.00%	18

Unit Mix:

Type	Manager		25% AMI		40% AMI		50% AMI		60%		Total
	number	rent	number	rent	number	rent	number	rent	number	rent	
1 bedroom			0	0	0	0	0	0	0	0	0
2 bedroom			0	0	0	0	5	929	7	1,095	12
3 bedroom	1		0	0	0	0	9	1,074	14	1,301	24
4 bedroom			0	0	0	0	1	1,196	1	1,449	2
subtotal	1		0		0		15		22		38

Fees, Escrows, and Reserves:

PERMANENT LOAN

Fees	Basis of Requirements	Amount	Security
CalHFA Permanent Loan	0.50% Permanent Loan	\$22,000	Cash
CalHFA Bridge Loan	0.50% Bridge Loan	0	Cash
Escrows			
Construction Defect	2.50% of Hard Costs	\$167,607	Letter of Credit
Reserves			
Operating Expense Reserve	10.00% of Gross Income	\$51,402	Cash
Rent Up Reserve		\$0	Cash
Annual Replacement Reserve Deposit - New Cor	\$350 per unit	\$13,300	Operations

CONSTRUCTION LOAN

Fees	Basis of Requirements	Amount	Security
CalHFA Construction Loan	1.00% Total Construction Loan	\$72,350	Cash
Application Fee		\$500	Cash
Inspection fee	\$1,500 x 15 months of construction	\$18,000	Cash
Guarantees			
Bond Origination Guarantee	1.00% of Total Loans	\$72,350	letter of credit
Completion Guarantee-Borrower	10.00% of Construction Contract	\$670,427	letter of credit
Performance Bond-contractor	100.00% of Total Hard Costs	6,704,266	Bond
Payment Bond-contractor	100.00% of Total Hard Costs	6,704,266	Bond

Sources and Uses-Construction

Murphy Ranch II

144 SOURCES:

<i>Name of Lender / Source</i>	Construction Amount	Loan per unit	Percentage
CalHFA Construction Loan	7,235,000	190,395	67.05%
City of Morgan Hill	3,400,000	89,474	31.51%
Total Institutional Financing	10,635,000	279,868	98.55%
Equity Financing			
Tax Credit Equity	70,000	1,842	0.65%
Deferred Developer Fee	86,040	2,264	0.80%
Total Equity Financing	156,040	4,106	1.45%
TOTAL SOURCES	10,791,040	283,975	100.00%

USES:

	Construction Amount	Loan per unit	Percentage
Acquisition	918,403	24,169	8.51%
Rehabilitation	0	0	0.00%
New Construction	6,704,266	176,428	62.13%
Architectural Fees	399,381	10,510	3.70%
Survey and Engineering	68,704	1,808	0.64%
Const. Loan Interest & Fees	501,201	13,190	4.64%
Permanent Financing	52,000	1,368	0.48%
Legal Fees	95,000	2,500	0.88%
Reserves	9,026	238	0.08%
Contract Costs	21,850	575	0.20%
Construction Contingency	496,217	13,058	4.60%
Local Fees	1,104,425	29,064	10.23%
TCAC	22,207	584	0.21%
Other Costs	<u>137,747</u>	<u>3,625</u>	<u>1.28%</u>
PROJECT COSTS	10,530,427	277,117	97.58%
Developer Overhead/Profit	225,613	5,937	2.09%
Consultant/Processing Agent	35,000	921	0.32%
TOTAL USES	10,791,040	283,975	100.00%

Sources and Uses-Permanent Murphy Ranch II

SOURCES:

<i>Name of Lender / Source</i>	<u>Perm Amount</u>	<u>Loan \$ per unit</u>	<u>Percentage</u>
CalHFA First Mortgage	4,400,000	115,789	36.62%
City of Morgan Hill	3,400,000	89,474	28.30%
CalHFA Construction Loan	0	0	0.00%
Contributions From Operations	0	0	0.00%
Borrower Contribution	0	0	0.00%
Total Institutional Financing	7,800,000	205,263	64.92%
Equity Financing			
Tax Credits	4,121,546	108,462	34.30%
Deferred Developer Equity	93,063	2,449	0.77%
Total Equity Financing	4,214,609	110,911	35.08%
TOTAL SOURCES	12,014,609	316,174	100.00%

USES:

	<u>Perm Amount</u>	<u>Loan \$ per unit</u>	<u>Percentage</u>
Acquisition	918,405	24,169	7.64%
Rehabilitation	0	0	0.00%
New Construction	6,704,266	176,428	55.80%
Architectual Fees	399,381	10,510	3.32%
Survey and Engineering	68,704	1,808	0.57%
Const. Loan Interest & Fees	501,201	13,190	4.17%
Permanent Financing	52,000	1,368	0.43%
Legal Fees	95,000	2,500	0.79%
Reserves	60,428	1,590	0.50%
Contract Costs	21,850	575	0.18%
Construction Contingency	496,836	13,075	4.14%
Local Fees	1,104,425	29,064	9.19%
TCAC	22,207	584	0.18%
Other Costs	<u>137,747</u>	<u>3,625</u>	<u>1.15%</u>
PROJECT COSTS	10,582,450	278,486	88.08%
Developer Overhead/Profit	1,397,159	36,767	11.63%
Consultant/Processing Agent	35,000	921	0.29%
TOTAL USES	12,014,609	316,174	100.00%

Annual Operating Budget**Murphy Ranch II**

		\$ per unit
INCOME:		
Total Rental Income	514,020	13,527
Laundry	0	-
Other Income	<u>0</u>	<u>-</u>
Gross Potential Income (GPI)	514,020	13,527
Less:		
Vacancy Loss	25,701	676
Total Net Revenue	488,319	12,851
EXPENSES:		
		<u>\$ per unit</u>
Payroll	53,326	1,403
Administrative	39,414	1,037
Utilities	15,199	400
Operating and Maintenance	26,100	687
Insurance and Business Taxes	10,800	284
Taxes and Assessments	1,000	26
Reserve for Replacement Deposits	<u>13,300</u>	<u>350</u>
Subtotal Operating Expenses	159,139	4,188
Financial Expenses		
Mortgage Payments (1st loan)	299,793	7,889
Total Financial	299,793	7,889
Total Project Expenses	458,932	12,077

SOURCES:

	Permanent Dollars	Construction	Permanent Per Unit	% of Total Sources	Interest Rate
CalHFA First Mortgage	4,400,000		115,789	36.6%	5.50%
City of Morgan Hill	3,400,000	3,400,000	89,474	28.3%	3.00%
CalHFA Construction Loan	0	7,235,000	0	0.0%	3.00%
Contributions From Operations	0	0	0	0.0%	0.00%
Borrower Contribution	0	0	0	0.0%	0.00%
Deferred Developer Fee	93,063	86,040	2,449	0.8%	0.00%
Tax Credit Equity	4,121,546	70,000	108,462	34.3%	0.00%
Total Sources	12,014,609	10,791,040	316,174		
(Gap)/Surplus	0	0			

USES:

<i>ACQUISITION</i>	Permanent Dollars	Construction	Permanent Loan Per Unit	% of perm. Loan Total
Total Land Cost or Value	918,403	918,403	24,169	7.64%
Legal/Broker Fees			-	0.00%
Demolition			-	0.00%
Off-Site Improvements			-	0.00%
Existing Improvements Value			-	0.00%
Other			-	0.00%
Total Acquisition Cost	918,403	918,403	24,169	7.64%
<i>REHABILITATION</i>				
Site Work	-	-	-	0.00%
Structures	-	-	-	0.00%
General Requirements	-	-	-	0.00%
Contractor Overhead	-	-	-	0.00%
Contractor Profit	-	-	-	0.00%
Total Rehab. Costs	-	-	-	0.00%
<i>NEW CONSTRUCTION</i>				
Site Work	1,253,982	1,253,982	33,000	10.44%
Structures	4,679,723	4,679,723	123,151	38.95%
General Requirements	432,315	432,315	11,377	3.60%
Contractor Overhead	338,246	338,246	8,901	2.82%
Contractor Profit		0	-	0.00%
Furnishings		0	-	0.00%
Total New Const. Costs	6,704,266	6,704,266	176,428	55.80%
<i>ARCHITECTURAL FEES</i>				
Design	334,381	334,381	8,800	2.78%
Supervision	65,000	65,000	1,711	0.54%
Total Architectural Costs	399,381	399,381	10,510	3.32%
SURVEY & ENGINEERING	68,704	68,704	1,808	0.57%
<i>CONST. INTEREST & FEES</i>				
Const. Loan Interest	193,482	193,482	5,092	1.61%
Construction Loan Fee	72,350	72,350	1,904	0.60%
Application Fee	500	500	13	0.00%
Predevelopment Interest	-	0	-	0.00%
Taxes	44,760	44,760	1,178	0.37%
Insurance	154,609	154,609	4,069	1.29%
Title and Recording	15,000	15,000	395	0.12%
Contractor's insurance bond			-	0.00%
Title, escrow, misc. const. closing	2,500	2,500	66	0.02%
CalHFA Construction Inspection Fee	18,000	18,000	474	0.15%
	501,201	501,201	12,716	4.02%

<i>PERMANENT FINANCING</i>	Permanent Dollars	Construction	Permanent Loan Per Unit	% of perm. Loan Total
Finance Fee-Permanent Loan	22,000	22,000	579	0.18%
148 Title and Recording	10,000	10,000	263	0.08%
Bridge Loan Interest	-	0	-	0.00%
HUD Environ. Review	10,000	10,000	263	0.08%
Other-EQ Waiver Fee	10,000	10,000	263	0.08%
Total Perm. Financing Costs	52,000	52,000	1,368	0.43%
<i>LEGAL FEES</i>				
Permanent Legal Fee	15,000	15,000	395	0.12%
Construction Legal	10,000	10,000	263	0.08%
Other	25,000	25,000	658	0.21%
Other-syndication/organization	45,000	45,000	1,184	
Total Attorney Costs	95,000	95,000	2,500	0.79%
<i>RESERVES</i>				
Operating Expense Reserve	51,402	0	1,353	0.43%
Bond Origination Guarantee			-	0.00%
Letter of Credit Costs	9,026	9,026	238	0.08%
Rent Up Reserve			-	0.00%
Total Reserve Costs	60,428	9,026	1,590	0.50%
<i>CONTRACT COSTS</i>				
Appraisal	12,000	12,000	316	0.10%
Market Study	9,850	9,850	259	0.08%
Total Contract Costs	21,850	21,850	575	0.18%
<i>CONTINGENCY</i>				
Hard Cost Contingency	308,027	308,027	8,106	2.56%
On & Off Site Contingency	77,007	77,007		
Soft Cost Contingency	111,804	111,183	2,942	0.93%
Total Contingency Costs	496,838	496,217	13,075	4.14%
<i>OTHER</i>				
TCAC App/Alloc/Monitor Fees	22,207	22,207	584	0.18%
Environmental Audit	15,347	15,347	404	0.13%
Soils, Survey, Testing	46,000	46,000	1,211	0.38%
Permit Processing Fees	267,920	267,920	7,051	2.23%
Impact fees	836,505	836,505	22,013	6.96%
Marketing/Furnishings	40,000	40,000	1,053	0.33%
Other-Audit	25,000	25,000	658	0.21%
Other-Consultants	11,400	11,400	300	
Total Other Costs	1,264,379	1,264,379	33,273	10.52%
PROJECT COSTS	10,582,450	10,530,427	278,486	88.08%
<i>DEVELOPER COSTS</i>				
Developer Overhead/Profit	1,397,159	225,613	36,767	11.63%
Consultant/Processing Agent	35,000	35,000	921	0.29%
Project Administration	-		-	0.00%
Consultant/Processing Agent			-	0.00%
Total Developer Costs	1,432,159	260,613	37,688	11.92%
TOTAL PROJECT COST	12,014,609	10,791,040	316,174	100.00%

Cash Flow**Murphy Ranch II****CalHFA Development Num**

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
<i>Market Rent Increase</i>	0	0	0	0	0	0	0
Market Rents	0	0	0	0	0	0	0
<i>Affordable Rent Increase</i>	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	514,020	526,871	540,042	553,543	567,382	581,566	596,106
TOTAL RENTAL INCOME	514,020	526,871	540,042	553,543	567,382	581,566	596,106
OTHER INCOME							
<i>Other Income Increase</i>	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	0	0	0	0	0	0	0
Other Income	0	0	0	0	0	0	0
TOTAL OTHER INCOME	0						
GROSS INCOME	514,020	526,871	540,042	553,543	567,382	581,566	596,106
<i>Vacancy Rate : Market</i>	0	0	0	0	0	0	0
<i>Vacancy Rate : Affordable</i>	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	25,701	26,344	27,002	27,677	28,369	29,078	29,805
EFFECTIVE GROSS INCOME	488,319	500,527	513,040	525,866	539,013	552,488	566,300
OPERATING EXPENSES							
<i>Annual Expense Increase</i>	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expenses	144,839	150,633	156,658	162,924	169,441	176,219	183,268
Replacement Reserve	13,300	13,300	13,300	13,300	13,300	13,965	13,965
<i>Annual Tax Increase</i>	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	1,000	1,000	1,000	1,000	1,000	1,000	1,000
TOTAL EXPENSES	159,139	164,933	170,958	177,224	183,741	191,184	198,233
NET OPERATING INCOME	329,180	335,594	342,082	348,642	355,272	361,304	368,068
DEBT SERVICE							
CalHFA - 1st Mortgage	299,793	299,793	299,793	299,793	299,793	299,793	299,793
CASH FLOW after 1st Mortgage	29,387	35,802	42,290	48,849	55,479	61,512	68,275
DEBT COVERAGE RATIO	1.10	1.12	1.14	1.16	1.19	1.21	1.23

Cash Flow

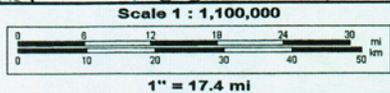
RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17
<i>Market Rent Increase</i>	0	0	0	0	0	0	0
Market Rents	0	0	0	0	0	0	0
<i>Affordable Rent Increase</i>	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	657,989	674,439	691,300	708,582	726,297	744,454	763,066
TOTAL RENTAL INCOME	657,989	674,439	691,300	708,582	726,297	744,454	763,066
OTHER INCOME							
<i>Other Income Increase</i>	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	0	0	0	0	0	0	0
Other Income	0	0	0	0	0	0	0
TOTAL OTHER INCOME	0						
GROSS INCOME	657,989	674,439	691,300	708,582	726,297	744,454	763,066
<i>Vacancy Rate : Market</i>	0	0	0	0	0	0	0
<i>Vacancy Rate : Affordable</i>	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	32,899	33,722	34,565	35,429	36,315	37,223	38,153
EFFECTIVE GROSS INCOME	625,090	640,717	656,735	673,153	689,982	707,232	724,912
OPERATING EXPENSES							
<i>Annual Expense Increase</i>	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expenses	214,397	222,973	231,892	241,168	250,814	260,847	271,281
Replacement Reserve	14,663	14,663	14,663	14,663	15,396	15,396	15,396
<i>Annual Tax Increase</i>	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	1,000	1,000	1,000	1,000	1,000	1,000	1,000
TOTAL EXPENSES	230,060	238,636	247,555	256,831	267,211	277,243	287,677
NET OPERATING INCOME	395,029	402,081	409,180	416,322	422,771	429,988	437,235
DEBT SERVICE							
CalHFA - 1st Mortgage	299,793	299,793	299,793	299,793	299,793	299,793	299,793
CASH FLOW after 1st Mortgage	95,237	102,288	109,387	116,530	122,979	130,196	137,443
DEBT COVERAGE RATIO	1.32	1.34	1.36	1.39	1.41	1.43	1.46

Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27
<i>Market Rent Increase</i>	0	0	0	0	0	0	0
Market Rents	0	0	0	0	0	0	0
<i>Affordable Rent Increase</i>	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	842,282	863,339	884,922	907,045	929,721	952,964	976,788
TOTAL RENTAL INCOME	842,282	863,339	884,922	907,045	929,721	952,964	976,788
OTHER INCOME							
<i>Other Income Increase</i>	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	0	0	0	0	0	0	0
Other Income	0	0	0	0	0	0	0
TOTAL OTHER INCOME	0						
GROSS INCOME	842,282	863,339	884,922	907,045	929,721	952,964	976,788
<i>Vacancy Rate : Market</i>	0	0	0	0	0	0	0
<i>Vacancy Rate : Affordable</i>	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	42,114	43,167	44,246	45,352	46,486	47,648	48,839
EFFECTIVE GROSS INCOME	800,168	820,172	840,676	861,693	883,235	905,316	927,949
OPERATING EXPENSES							
<i>Annual Expense Increase</i>	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expenses	317,360	330,054	343,257	356,987	371,266	386,117	401,562
Replacement Reserve	16,166	16,166	16,166	16,166	16,975	16,975	16,975
<i>Annual Tax Increase</i>	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Taxes and Assessments	1,000	1,000	1,000	1,000	1,000	1,000	1,000
TOTAL EXPENSES	334,526	347,221	360,423	374,153	389,241	404,092	419,536
NET OPERATING INCOME	465,641	472,951	480,253	487,540	493,994	501,225	508,413
DEBT SERVICE							
CalHFA - 1st Mortgage	299,793	299,793	299,793	299,793	299,793	299,793	299,793
CASH FLOW after 1st Mortgage	165,849	173,158	180,461	187,747	194,202	201,432	208,620
DEBT COVERAGE RATIO	1.55	1.58	1.60	1.63	1.65	1.67	1.70

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Murphy Ranch II 153

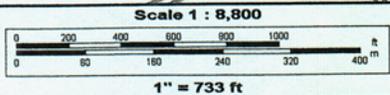
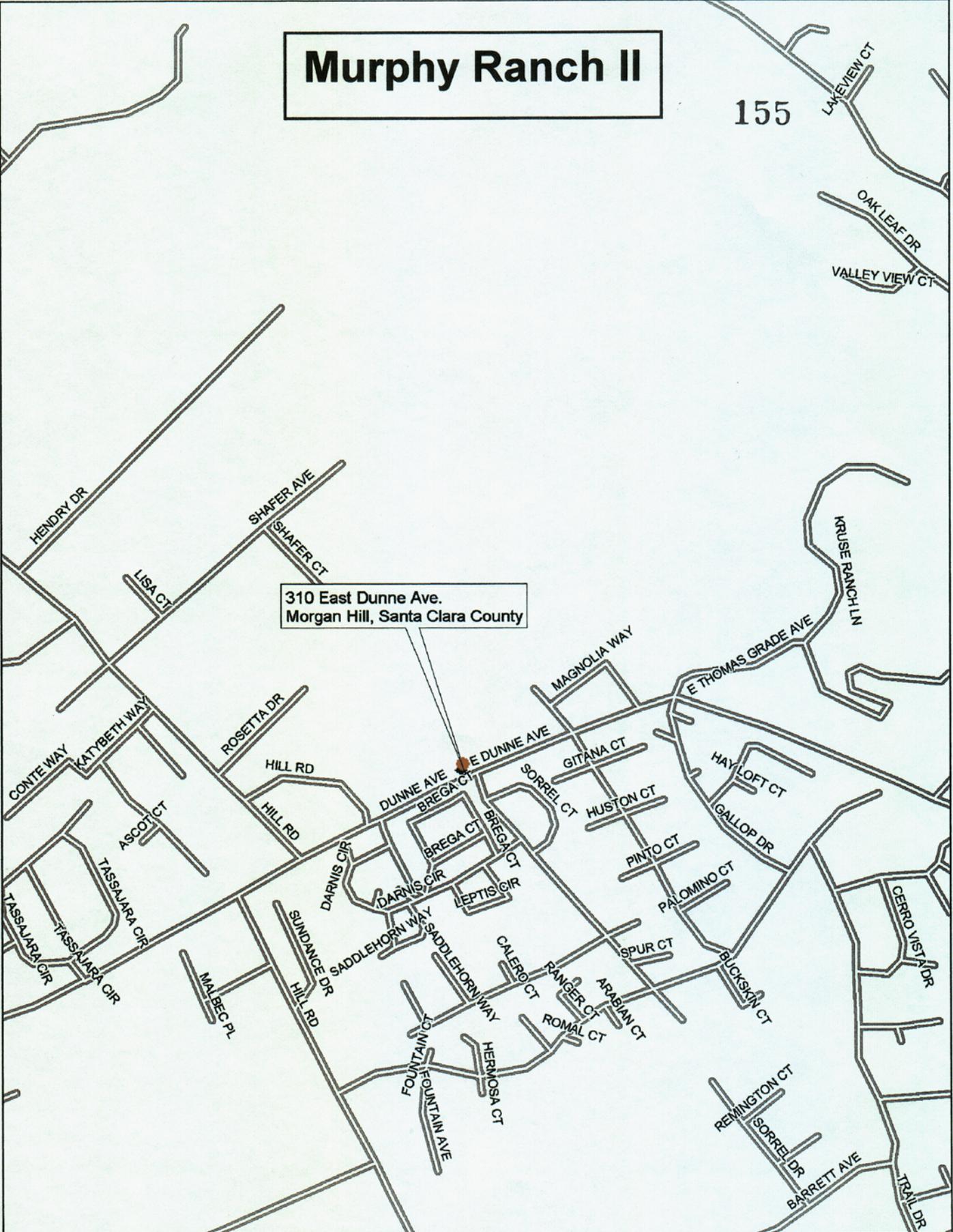


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Murphy Ranch II

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Morgan Hill, Santa Clara County



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RESOLUTION 04-01

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

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WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Murphy Ranch II, L.P., a California limited partnership (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amounts described herein, the proceeds of which are to be used to provide construction and permanent mortgage loans on a 38-unit multifamily housing development located in the City of Morgan Hill to be known as Murphy Ranch II (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated January 5, 2004 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

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

WHEREAS, on October 22, 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:

<u>PROJECT NUMBER</u>	<u>DEVELOPMENT NAME/ LOCALITY</u>	<u>NUMBER OF UNITS</u>	<u>MORTGAGE AMOUNT</u>
03-053-C/N	Murphy Ranch II Morgan Hill/Santa Clara	38	Construction First Mortgage: \$7,235,000 Permanent First Mortgage: \$4,400,000

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Resolution 04-01
Page 2

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

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

I hereby certify that this is a true and correct copy of Resolution 04-01 adopted at a duly constituted meeting of the Board of the Agency held on January 22, 2004, at Millbrae, California.

ATTEST: _____
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Pacific Grove Senior Apartments
Pacific Grove, Monterey County, CA
CalHFA # 03-049 L/N

SUMMARY

This is a final commitment request for a loan to lender loan in the amount of \$5,280,000 and a tax-exempt first mortgage in the amount of \$1,360,000. Pacific Grove Senior Apartments is a 49-unit senior apartment project in Pacific Grove. The property is owned by the City of Pacific Grove and will be leased to Jewel Avenue Associates LP, a Limited Partnership whose general partner is South County Housing Corporation.

LOAN TERMS**Loan to Lender**

First Mortgage	\$5,280,000
Interest Rate	3.00%, simple interest
Term	24 Months, interest only
Financing	Tax-exempt

Permanent

First Mortgage	\$1,360,000
Interest Rate	5.50%
Term	30 year fixed, fully amortized
Financing	Tax-exempt

LOCALITY INVOLVEMENT

The City of Pacific Grove has leased the property to Jewel Avenue Associates for a term of 80 years. Upon execution of the lease agreement, the borrower paid an up-front lease payment of \$300,000. The City of Pacific Grove has funded a land loan of \$300,000 to pay the up front lease payment. The loan is for a term of nine years at 3% simple interest. The loan will be paid off at permanent loan closing through permanent loan proceeds. Prior to permanent loan closing, a one-time rental payment of \$375,000 plus 3% accrued interest from the date of the lease (November 20, 2002) until the rental payment is made will be due, an amount estimated to be \$390,000. During the operating period, the lease payment is \$1 per year.

The City has committed a loan in the amount of \$110,000 for a term of 57 years, at 0% interest, with residual receipts repayment and has waived plan check and building permit fees in the amount of \$99,240. The two City loans will subordinate to a CalHFA first deed of trust and regulatory agreement.

Negotiations are underway with the City of Pacific Grove and the developer relative to security for CalHFA's regulatory agreement and deed of trust.

The reserve replacement is set at \$400 per unit in years 1 through 16. In years 17-30, the reserve replacement is \$125 per unit. In years 17-30, the project is to maintain a minimum reserve replacement of \$24,500.

OTHER FINANCING

- AHP has approved a loan of \$300,000 at 0% interest for a term of 30 years. All loans will subordinate to the CalHFA Regulatory Agreement and Deeds of Trust.
- An application for HOME funds in the amount of \$3,500,000 has been made. The proposed terms are 0% interest for a term of 55 years. Prior to closing the loan to lender loan, the borrower is to provide a commitment from HOME in the amount of \$3,500,000.
- Prior to closing the loan to lender loan, the borrower is to provide an investor commitment letter evidencing the tax credit equity commitment amount.

PROJECT DESCRIPTION

Project Location

- The subject property is located in the City of Pacific Grove in Monterey County, adjacent to the cities of Monterey and Carmel.
- The site is located at 650 Jewell Avenue, 600 feet west of the Monterey Bay, along an area known as Lover's Point.
- The site is located in a primarily residential community. To the south are residential uses consisting of well-maintained single-family homes. To the west is the Sally Griffin Senior Center, and across the street is the 18-hole public golf course. A mobile home park and Chase Park are to the North and East of the site.
- The location is very convenient to senior services and in close proximity to retail services. There is a grocery store and pharmacy .25 miles from the site, and the downtown area is .20 miles away. Downtown Pacific Grove offers a variety of shopping, restaurants, entertainment and a library. The property is across the street from the Sally Griffin Senior Center which provides a wide variety of services, such as Meals on Wheels, fitness, education, computer, and arts classes. The nearest hospital is located three miles from the site and a bus stop is located across the street in front of the senior center.

Site

- The site consists of two parcels totaling 1.63 acres. The parcel being developed as residential is 1.13 acres and the open, unimproved space, known as Chase Park, is one-half acre. Both parcels are zoned C-2, which is a commercial zoning that permits multi-family dwellings. With a density bonus under this zoning, 32 units are allowable per acre, allowing for the development of the 49 affordable senior units.
- During the operating period, there will be minimal operating cost and maintenance relative to maintenance for Chase Park, as the park is one-half acre, with no lighting or irrigation.

Improvements

The project will consist of a single three-story and four-story building over a subterranean garage. The building will include 48 rental units and one manager's unit, one laundry room and a community/recreation room with a small kitchen, computer area and library area. The building has one elevator located in the middle of the building, security entry at the parking level and security entry at the main entrance. The construction will be wood frame concrete slab foundation, cedar shake-style siding, composition shingle roof, and copper gutters and downspouts.

On-site parking will consist of 19 covered spaces in the garage, nine spaces at grade, and 30 spaces located on the park site adjacent to the senior building. As a condition of approval by the Coastal Commission, the 30 spaces are available for public parking for access to the nearby beach and are also available to residents of the subject property for visitor parking.

The units will have a refrigerator, a gas range/oven, disposal and full bath. Heating will be via a gas cadet wall heater in the living room, a baseboard electric heater in the bedroom and a heat lamp/light combo in the bath.

Unit Mix:

No. of Units	No. of Bedrooms	No. of Bathrooms	Unit Square Footage
8	Studio	1	470
34	1	1	588
7	2	1	833
49			

Off-site improvements

Offsite improvements will consist only of installation of curbs, gutters and sidewalks.

MARKET

Market Overview

- The market study defines the Primary Market Area (PMA) as Pacific Grove, Monterey, Carmel, Seaside and Marina. The PMA includes a geographic radius extending eight miles from the subject site. However, the market study indicates that senior projects generally attract tenants from a wider geographical area. Due to the desirable location, the subject property will likely attract tenants from outside the PMA.
- The population in the PMA is 113,290 in 2003 and is expected to increase by only .22% by 2008, compared to an estimated growth rate in Monterey County of 1.25%. The slow growth rate in the PMA is due primarily to the lack of available land for development and

the moderate economic growth experienced since the closure of the Fort Ord military base in 1994.

- There are 43,053 households in the PMA. Senior households in the PMA total 11,788.
- The average household size in the PMA is 2.41 persons.
- 55% of the housing units in the PMA are occupied by renters. Additionally, seniors represent 50% of all renter households.
- The median income in the PMA is \$56,424, which is slightly higher than the county's median income of \$54,236. The median income is expected to increase 13.5% between 2003 and 2008.
- The median age in the PMA is 38.3, compared to that of the County at 32.4. This is because of a higher concentration of seniors in the Pacific Grove area compared to the County.
- In Pacific Grove, the labor force totals 11,050 and the unemployment rate is 3.1%. The largest employers are the Defense Language Institute and Naval Postgraduate School (23%), the Community Hospital (16%), the Pebble Beach Company (15%), and California State University Monterey Bay (6%). Countywide, the employment sectors are as follows: professional services (53%), retail trade (21%), manufacturing (13%), public administration (6%), transportation and communication (5%), and Agriculture (2%).

Housing Demand and Supply

The subject is located in a highly-desirable and expensive real estate market with no new affordable or market rate developments currently planned.

There are no senior independent-living market rate apartments in Pacific Grove and Monterey, and only two affordable senior projects within the PMA, which were located five to 7.5 miles from the subject. Because there are no senior apartments in the area, general occupancy properties report an occupancy rate by seniors which ranges from 10% to 30%, which is substantially higher than is normally seen in typical market conditions.

Four market-rate general occupancy projects were surveyed in the market study, totaling 328 units. All of these properties were built in the 1960's to 1970's, and all but one was walk-up configuration, which is an inferior product for seniors. Of the general occupancy properties surveyed, 12% were studios 37% of the units were one bedroom, one bath, 30% were two bedroom, two baths, 21% were two bedroom, one bath. In comparison, 16% of the subject's units are studios, 67% of the units are one bedroom, one bath, and 16% are two bedroom, one bath units.

The subject property is superior to the projects surveyed, considering project's proximity to a senior center, downtown shopping and the coastline. In addition, the subject is new and offers elevator service.

The occupancy rate for the general occupancy market rate projects is 98.6%, translating to five vacant units out of 328 total units. The average annual turn-over rate for these projects is 26%.

There are five senior tax-credit financed projects located in Monterey County, however only two of these projects totaling 90 units are located within 7.5 miles of the subject. The rest are located in inland cities of King City, Salinas and Soledad and are not considered to be competitive. The rents for the two competitive affordable projects are primarily set at 60% of median, with some at 50%.

The occupancy rates for affordable projects within the County are 100%, with extensive waiting lists. The average turn-over rate for the affordable senior projects is 15%. The City of Pacific Grove has generated a list of 300 seniors interested in leasing the project, without any marketing efforts made.

The subject property offers similar, if not superior, amenities than those offered in both the market-rate and affordable properties listed above. Only one affordable senior project offers senior services and programs, and none of the market rate projects offer similar amenities.

The subject property does not offer dishwashers in the units, which is typical for the affordable senior projects. Although most of the projects that are market rate, general population units with one and two bedrooms have dishwashers, the market study did not find that a lack of dishwashers in the subject property will be a detriment due to the subject's overall superiority to all projects surveyed.

PROJECT FEASIBILITY

Market rents for a studio average \$827. Market rents for a one bedroom unit average \$1,098 and rents for a two bedroom, one bath unit average \$1,339.

Rent Differentials (Market versus Restricted)

Unit Type	Subject	Market Rate Average	\$ Difference	% Market
Studio		\$827		
45%	\$434		\$393	52%
One Bedroom		\$1,098		
50%	\$513		\$585	47%
60%	\$611		\$487	56%
Two Bedroom		\$1,339		
50%	\$620		\$719	46%
60%	\$739		\$600	55%

Estimated Lease-up Period

Due to the high demand for affordable senior apartments and complete lack of such housing, the market study estimates that the project will be leased up within 1.8 months, the time required to process the leases and move tenants into the property.

OCCUPANCY RESTRICTIONS

CalHFA 20% of the units (10) will be restricted to 50% or less of AMI
The CalHFA Regulatory Agreement will be for a term of 30 years.

City of Pacific Grove 100% of the units (48) will be restricted to 60% or less of AMI for 30 years from the date of the building permit.

AHP 17% of the units (8) will be restricted to 45% or less of AMI.
46% of the units (22) will be restricted to 50% or less of AMI.
37% of the units (18) will be restricted to 60% or less of AMI.

HOME 13% of the units (6) will be restricted to 50% or less of AMI.
15% of the units (7) will be restricted to 60% or less of AMI.

TCAC 100% of the units (48) are restricted to 60% or less of AMI

ENVIRONMENTAL

A Phase I Environmental Report dated June 2002 reports that the subject site operated as a lumber company from 1926 until 1956. From 1967 to the present, there have been no permanent structures on the property. There are no hazardous materials from previous operations, nor are there environmental impacts from nearby properties.

A geotechnical investigation dated September 20, 2001 revealed a low potential for liquefaction and differential settlement. There are no extraordinary design requirements relative to the soil conditions. An updated geotechnical investigation has been requested and will be obtained prior to close of the construction loan.

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

Prior to close of the loan to lender loan, an update to the Phase I is required.

ARTICLE XXXIV

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

DEVELOPMENT TEAM**Borrower**Jewell Avenue Associates, L.P.

Jewell Avenue Associates, L.P. is a limited partnership formed for the development and ownership of the subject project. South County Housing Corporation Inc., a 501(c)3 corporation, is the general partner and was founded in 1979. Since then, South County has acquired, rehabilitated and built over 42 affordable housing projects with a total of 1,350 units in California, 679 of which are multifamily apartments, including the Monticelli project in Gilroy, initially financed as a loan to lender loan. The permanent loan on Monticelli closed in 2003. In addition, CalHFA has financed the Corralitos apartments in Freedom, which is another loan to lender project currently under construction.

Management AgentSouth County Property Management

South County Property Management, is an affiliate 501(c)(4) corporation of South County Housing Corporation. South County Property Management was incorporated in 1995 and shares the same board of directors as South County Housing Corporation. South County Property Management manages all 42 of South County's projects as well as 14 other residential and 7 commercial properties for other owners.

ArchitectFlesher Foster Architects and Herman and Coliver Architects

The project is being designed by Flesher Foster Architects and Herman and Coliver Architects. Flesher Foster Architects was formed in 1987 and is located in Pacific Grove. The firm has designed a wide variety of projects ranging from office buildings, libraries, recreational facilities and multifamily projects. The principals of Herman and Coliver Architects have been design professionals since 1968 and have focused primarily on multifamily affordable housing projects. The firm has extensive expertise in working with local nonprofit developers, neighborhood groups, municipalities and communities in order to assist in the acceptance of the affordable projects in which they are involved with.

ContractorSegue Construction

Segue Construction, founded in 1992, focuses on the construction of affordable multifamily apartment dwellings for Bay Area non-profit housing developers. Segue's cofounders, Paul Broeker and Kirk Wallis have 26 and 27 years of experience, respectively, in the industry working as engineers, general contractors and developers. Segue has built projects for developers such as BRIDGE Housing, Mid-Peninsula Housing Coalition, and the Housing Authority of Santa Clara County. All three developers have had great experiences with Segue,

and stated that Segue completed their projects on time and within budget. Other CalHFA projects constructed by Segue include Oak Court Apartments in Palo Alto, which is currently under construction, Capital Avenue Apartments for JSM Enterprises, and Monte Vista Apartments and Grayson Creek Apartments for BRIDGE Housing.

Project Summary

167 Date: 5-Jan-04

Project Profile:

Project: Pacific Grove Senior Apartments
Location: 650 Jewell Avenue
 Pacific Grove 93950 **Cap Rate:** 6.00%
County: Monterey **Market:** \$5,720,000
Borrower: Jewell Avenue Associates **Income:** \$4,600,000
Managing G.P.: South County Housing Corporation **Final Value:** \$5,720,000
LP: TBD
Program: Tax-Exempt **LTCLTV:** Construction Permanent
CalHFA# 03-049L/N **Loan/Cost** 59% 14%
Loan/Value 92% 24%

Project Description:

Units 49
Handicap Units 2
Bldg. Type senior
Buildings 1
Stories 3
Gross Sq Ft 45,681
Land Sq Ft 71,003
Units/Acre 43
Total Parking 58
Covered Parking 19

Financing Summary:

	Amount	Per Unit	Rate	Term
CalHFA First Mortgage	\$1,360,000	\$27,755	5.50%	30
CalHFA Loan to Lender	\$5,280,000	\$107,755	3.00%	24 mos
City of Pacific Grove fee waiver	\$99,240	\$2,025	0.00%	57
City of Pacific Grove	\$110,000	\$2,245	0.00%	57
City of Pacific Grove-land loan	\$300,000	\$6,122	3.00%	9
AHP	\$300,000	\$6,122	0.00%	55
Neighborhood Reinvestment	\$315,000	\$6,429	0.00%	-
HOME	\$3,500,000	\$71,429	0.00%	-
Deferred Developer Equity	\$468,854	\$9,568	0.00%	-
Tax Credit Equity	\$3,394,956	\$69,285	0.00%	-
		\$0	0.00%	-

Unit Mix:

Type	Manager		45% AMI		50% CHFA		60% AMI		Market		Total
	number	rent	number	rent	number	rent	number	rent	number	rent	
Studio			8	\$434	0	\$0	0	\$0	0	0	8
1 bedroom	1	\$620	0	\$0	18	\$513	15	\$620	0	0	34
2 bedroom			0	\$0	4	\$611	3	\$739	0	0	7
3 bedroom			0	\$0	0	\$0	0	\$0	0	0	0
subtotal	1		8		22		18		0		49

Fees, Escrows, and Reserves:

Fees	Basis of Requirements	Amount	Security
Commitment Fee	1.00% of L to L Amt.	\$52,800	Cash
Finance Fee	0.50% of Permanent Loan	\$6,800	Cash
Escrows			
Bond Origination Guarantee	1.00% of T/E Loans; or L to L if applicable	\$52,800	Letter of Credit
Inspection fee	\$1,500 x months of construction	\$21,000	Cash
Construction Defect	2.50% of Hard Costs	\$127,377	Letter of Credit
Reserves			
Operating Expense Reserve	10.00% of Gross Income	\$33,215	Letter of Credit
Initial Deposit to Replacement Reserve	0.00% of Gross Income	\$0	Cash
Annual Replacement Reserve Deposit	\$400 per unit-years 1-16	\$19,600	Operations
	\$125 per unit-years 17-30		

Sources and Uses

Pacific Grove Senior Apartments

SOURCES:

<i>Name of Lender / Source</i>	Permanent Amount	Construction Amount	Construction % of total	Permanent \$ per unit
CalHFA First Mortgage	1,360,000		13.8%	27,755
CalHFA Loan to Lender	0	5,280,000	0.0%	0
HOME	3,500,000	2,594,737	35.5%	71,429
City of Pacific Grove fee waiver	99,240	99,240	1.0%	2,025
City of Pacific Grove	110,000	110,000	1.1%	2,245
City of Pacific Grove-land loan	300,000	300,000	3.0%	6,122
AHP	300,000	300,000	3.0%	6,122
Neighborhood Reinvestment	315,000	315,000	3.2%	6,429
Total Institutional Financing	5,984,240	8,998,977	60.8%	122,127
Equity Financing				
Tax Credits	3,394,956	0	34.5%	69,285
Deferred Developer Equity	468,854	0	4.8%	9,568
Total Equity Financing	3,863,810	0	39.2%	78,853
TOTAL SOURCES	9,848,050	8,998,977	100.0%	200,981

USES:

	Permanent Amount	% of total	\$ per unit
Acquisition	835,759	8.5%	17,056
Rehabilitation	0	0.0%	0
New Construction	5,948,653	60.4%	121,401
Architectural Fees	419,725	4.3%	8,566
Survey and Engineering	67,500	0.7%	1,378
Const. Loan Interest & Fees	641,830	6.5%	13,099
Permanent Financing	17,300	0.2%	353
Legal Fees	80,000	0.8%	1,633
Reserves	46,550	0.5%	950
Contract Costs	22,000	0.2%	449
Construction Contingency	310,683	3.2%	6,340
Local Fees	99,240	1.0%	2,025
TCAC/Other Costs	185,337	1.9%	3,782
PROJECT COSTS	8,674,577	88.1%	177,032
Developer Overhead/Profit	1,138,473	11.6%	23,234
Consultant/Processing Agent	35,000	0.4%	714
TOTAL USES	9,848,050	100.0%	200,981

SOURCES:

	Permanent Dollars	Perm. Bridge	Construction	Percent of Total Sources	Interest Rate
CalHFA First Mortgage	1,360,000			13.8%	5.50%
HOME	3,500,000		2,594,737	35.5%	0.00%
CalHFA Loan to Lender			5,280,000	0.0%	3.00%
City of Pacific Grove fee waiver	99,240		99,240	1.0%	0.00%
City of Pacific Grove	110,000		110,000	1.1%	1.00%
City of Pacific Grove-land loan	300,000		300,000		
AHP	300,000		300,000	3.0%	0.00%
Neighborhood Reinvestment	315,000		315,000	3.2%	0.00%
Deferred Developer Equity	468,854			4.8%	0.00%
Tax Credit Equity	3,394,956			34.5%	0.00%
Total Sources	9,848,050		8,998,977		
(Gap)/Surplus	0		0		

USES:

	Permanent Period	Construction Period	Permanent per unit	Pct. of total
ACQUISITION				
Ground Lease Payments	690,000	690,000	14,082	7%
Legal/Broker Fees	8,500	8,500	173	0%
Demolition		-	-	0%
Off-Site Improvements	137,259	137,259	2,801	1%
Existing Improvements Value		-	-	0%
Total Acquisition Cost	835,759	835,759	17,056	8%
REHABILITATION				
Site Work			-	0%
Structures			-	0%
General Requirements			-	0%
Contractor Overhead			-	0%
Contractor Profit			-	0%
Total Rehab. Costs	-	-	-	0%
NEW CONSTRUCTION				
Site Work	509,751	509,751	10,403	5%
Structures & landscaping	4,585,320	4,585,320	93,578	47%
General Requirements	470,060	470,060	9,593	5%
Contractor Overhead	174,261	174,261	3,556	2%
Contractor Profit	174,261	174,261	3,556	2%
Furnishings		-	-	0%
Other - construction mgr.	35,000	35,000	714	0%
Total New Const. Costs	5,948,653	5,948,653	121,401	60%
ARCHITECTURAL FEES				
Design	376,225	376,225	7,678	4%
Supervision	43,500	43,500	888	0%
Total Architectural Costs	419,725	419,725	8,566	4%
	-	-	-	0%
SURVEY & ENGINEERING	67,500	67,500	1,378	1%
CONST. INTEREST & FEES				
Const. Loan Interest	411,330	411,330	8,394	4%
Construction Loan Fee-CalHFA	52,800	52,800	1,078	1%
Construction Loan Fee	52,700	52,700		
Legal		-	-	0%
Bond Premium	49,000	49,000	1,000	0%
Taxes	12,000	12,000	245	0%
Insurance	40,000	40,000	816	0%
Title and Recording	15,000	15,000	306	0%
Construction Loan Costs	9,000	9,000	184	0%
Other		-	-	0%
Total Const. Interest & Fees	641,830	641,830	13,099	7%

<i>PERMANENT FINANCING</i>		Permanent Period	Construction Period	Permanent per unit	Pct. of total
170	Commitment Fee			-	0%
	Finance Fee	6,800	3,397	139	0%
	Application Fee	500		10	0%
	Title and Recording	10,000		204	0%
	Bridge Loan Interest			-	0%
	HAT Bridge Loan			-	0%
	HUD Environ. Review	-		-	0%
	Other			-	0%
Total Perm. Financing Costs	17,300	3,397	353	0%	
<i>LEGAL FEES</i>					
	Bank Legal	30,000	30,000	612	0%
	Borrower Legal Fee	15,000	15,000	306	0%
	Other-syndication legal	35,000		714	0%
	Total Attorney Costs	80,000	45,000	1,633	1%
<i>RESERVES</i>					
	Operating Expense Reserve	-	0	-	0%
	Bond Origination Guarantee	-	0	-	0%
	Letter of Credit Costs		0	-	0%
	Operating Expense Reserve	46,550	0	950	0%
	Total Reserve Costs	46,550	-	950	0%
<i>CONTRACT COSTS</i>					
	Appraisal	22,000	22,000	449	0%
	Market Study		-	-	0%
	PNA		-	-	0%
	Total Contract Costs	22,000	22,000	449	0%
<i>CONTINGENCY</i>					
	Hard Cost Contingency	295,683	295,683	6,034	3%
	Soft Cost Contingency	15,000	15,000	306	0%
	Total Contingency Costs	310,683	310,683	6,340	3%
<i>OTHER</i>					
	TCAC App/Alloc/Monitor Fees	31,948	32,863	652	0%
	Environmental Audit	35,000	35,000	714	0%
	Soils Report Expense		-	-	0%
	Asbestos/Lead-based Paint Report		-	-	0%
	Seismic Study Expense		-	-	0%
	Permit Processing Fees	99,240	99,240	2,025	1%
	Impact Fees	63,889	63,889	1,304	1%
	Accounting	8,500		173	0%
	Marketing Budget	15,000	15,000	306	0%
	CalHFA Construction Inspection Fee	21,000	21,000	429	0%
	Other-EQ Waiver	10,000	10,000	204	0%
	Total Other Costs	284,577	276,992	5,808	3%
	PROJECT COSTS	8,674,577	8,571,539	177,032	88%
<i>DEVELOPER COSTS</i>					
	Developer Overhead/Profit	1,138,473	427,438	23,234	12%
	Consultant/Processing Agent	35,000		714	0%
	Project Administration			-	0%
	Consultant/Processing Agent	-		-	0%
	Total Developer Costs	1,173,473	427,438	23,948	12%
	TOTAL PROJECT COST	9,848,050	8,998,977	200,981	100%

Annual Operating Budget Pacific Grove Senior Apartments

		\$ per unit
INCOME:		
	Amount	\$ per unit
Total Rental Income	327,444	6,683
Laundry	4,704	96
Gross Potential Income (GPI)	332,148	6,779
Less:		
Vacancy Loss	16,607	339
Total Net Revenue	315,541	6,440
EXPENSES:		
	Amount	\$ per unit
Payroll	64,364	1,314
Administrative	36,294	741
Utilities	40,975	836
Operating and Maintenance	34,649	707
Insurance and Business Taxes	8,058	164
Taxes and Assessments	1,860	38
Reserve for Replacement Deposits	19,600	400
Subtotal Operating Expenses	205,800	4,200
Financial Expenses		
Mortgage Payments (1st loan)	92,663	1,891
Total Financial	92,663	1,891
Total Project Expenses	298,463	6,091

Cash Flow**Pacific Grove Senior Apartments****CalHFA Development Number**

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
<i>Affordable Rent Increase</i>	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	327,444	335,630	344,021	352,621	361,437	370,473	379,735
TOTAL RENTAL INCOME	327,444	335,630	344,021	352,621	361,437	370,473	379,735
OTHER INCOME							
<i>Other Income Increase</i>	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	4,704	4,822	4,942	5,066	5,192	5,322	5,455
Other Income	0	0	0	0	0	0	0
TOTAL OTHER INCOME	4,704	4,822	4,942	5,066	5,192	5,322	5,455
GROSS INCOME	332,148	340,452	348,963	357,687	366,629	375,795	385,190
<i>Vacancy Rate : Affordable</i>	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	16,607	17,023	17,448	17,884	18,331	18,790	19,259
EFFECTIVE GROSS INCOME	315,541	323,429	331,515	339,803	348,298	357,005	365,930
OPERATING EXPENSES							
<i>Annual Expense Increase</i>	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Expenses	186,200	193,648	201,394	209,450	217,828	226,541	235,602
Replacement Reserve	19,600	19,600	19,600	19,600	19,600	20,580	20,580
<i>Ground Lease Payment Increase</i>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Ground Lease Payment	1	1	1	1	1	1	1
TOTAL EXPENSES	205,801	213,249	220,995	229,051	237,429	247,122	256,183
NET OPERATING INCOME	109,740	110,180	110,520	110,752	110,869	109,883	109,747
DEBT SERVICE							
CalHFA - 1st Mortgage	92,663	92,663	92,663	92,663	92,663	92,663	92,663
CASH FLOW after 1st Mortgage	17,076	17,517	17,857	18,089	18,206	17,220	17,084
DEBT COVERAGE RATIO	1.18	1.19	1.19	1.20	1.20	1.19	1.18

Cash Flow

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17
RENTAL INCOME							
<i>Affordable Rent Increase</i>	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	419,156	429,635	440,376	451,385	462,670	474,237	486,092
TOTAL RENTAL INCOME	419,156	429,635	440,376	451,385	462,670	474,237	486,092
OTHER INCOME							
<i>Other Income Increase</i>	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	6,022	6,172	6,326	6,485	6,647	6,813	6,983
Other Income	0	0	0	0	0	0	0
TOTAL OTHER INCOME	6,022	6,172	6,326	6,485	6,647	6,813	6,983
GROSS INCOME	425,178	435,807	446,702	457,870	469,316	481,049	493,076
<i>Vacancy Rate : Affordable</i>	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	21,259	21,790	22,335	22,893	23,466	24,052	24,654
EFFECTIVE GROSS INCOME	403,919	414,017	424,367	434,976	445,851	456,997	468,422
OPERATING EXPENSES							
<i>Annual Expense Increase</i>	4.00%	4.00%	4.00%	4.00%	4.00%	3.75%	3.75%
Expenses	275,621	286,646	298,112	310,037	322,438	335,336	347,911
Replacement Reserve	21,609	21,609	21,609	21,609	21,609	6,125	6,125
<i>Ground Lease Payment Increase</i>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Ground Lease Payment	1						
TOTAL EXPENSES	297,231	308,256	319,722	331,647	344,048	341,462	354,037
NET OPERATING INCOME	106,687	105,760	104,645	103,330	101,802	115,535	114,385
DEBT SERVICE							
CalHFA - 1st Mortgage	92,663	92,663	92,663	92,663	92,663	92,663	92,663
CASH FLOW after 1st Mortgage	14,024	13,097	11,982	10,666	9,139	22,872	21,722
DEBT COVERAGE RATIO	1.15	1.14	1.13	1.12	1.10	1.25	1.23

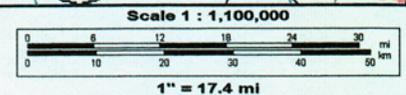
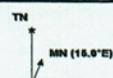
Cash Flow

	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27
RENTAL INCOME							
<i>Affordable Rent Increase</i>	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Affordable Rents	536,555	549,969	563,718	577,811	592,256	607,063	622,239
TOTAL RENTAL INCOME	536,555	549,969	563,718	577,811	592,256	607,063	622,239
OTHER INCOME							
<i>Other Income Increase</i>	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Laundry	7,708	7,901	8,098	8,301	8,508	8,721	8,939
Other Income	0	0	0	0	0	0	0
TOTAL OTHER INCOME	7,708	7,901	8,098	8,301	8,508	8,721	8,939
GROSS INCOME	544,263	557,870	571,816	586,112	600,765	615,784	631,178
<i>Vacancy Rate : Affordable</i>	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Less: Vacancy Loss	27,213	27,893	28,591	29,306	30,038	30,789	31,559
EFFECTIVE GROSS INCOME	517,050	529,976	543,226	556,806	570,726	584,995	599,619
OPERATING EXPENSES	no 5%						
<i>Annual Expense Increase</i>	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
Expenses	403,107	418,223	433,907	450,178	467,060	484,575	502,746
Replacement Reserve	6,125	6,125	6,125	6,125	6,125	6,125	6,125
<i>Ground Lease Payment Increase</i>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Ground Lease Payment	1						
TOTAL EXPENSES	409,233	424,349	440,033	456,304	473,186	490,701	508,872
NET OPERATING INCOME	107,817	105,627	103,193	100,502	97,540	94,294	90,747
DEBT SERVICE							
CalHFA - 1st Mortgage	92,663	92,663	92,663	92,663	92,663	92,663	92,663
CASH FLOW after 1st Mortgage	15,154	12,964	10,530	7,839	4,877	1,631	(1,916)
DEBT COVERAGE RATIO	1.16	1.14	1.11	1.08	1.05	1.02	0.98

Pacific Grove Senior 175



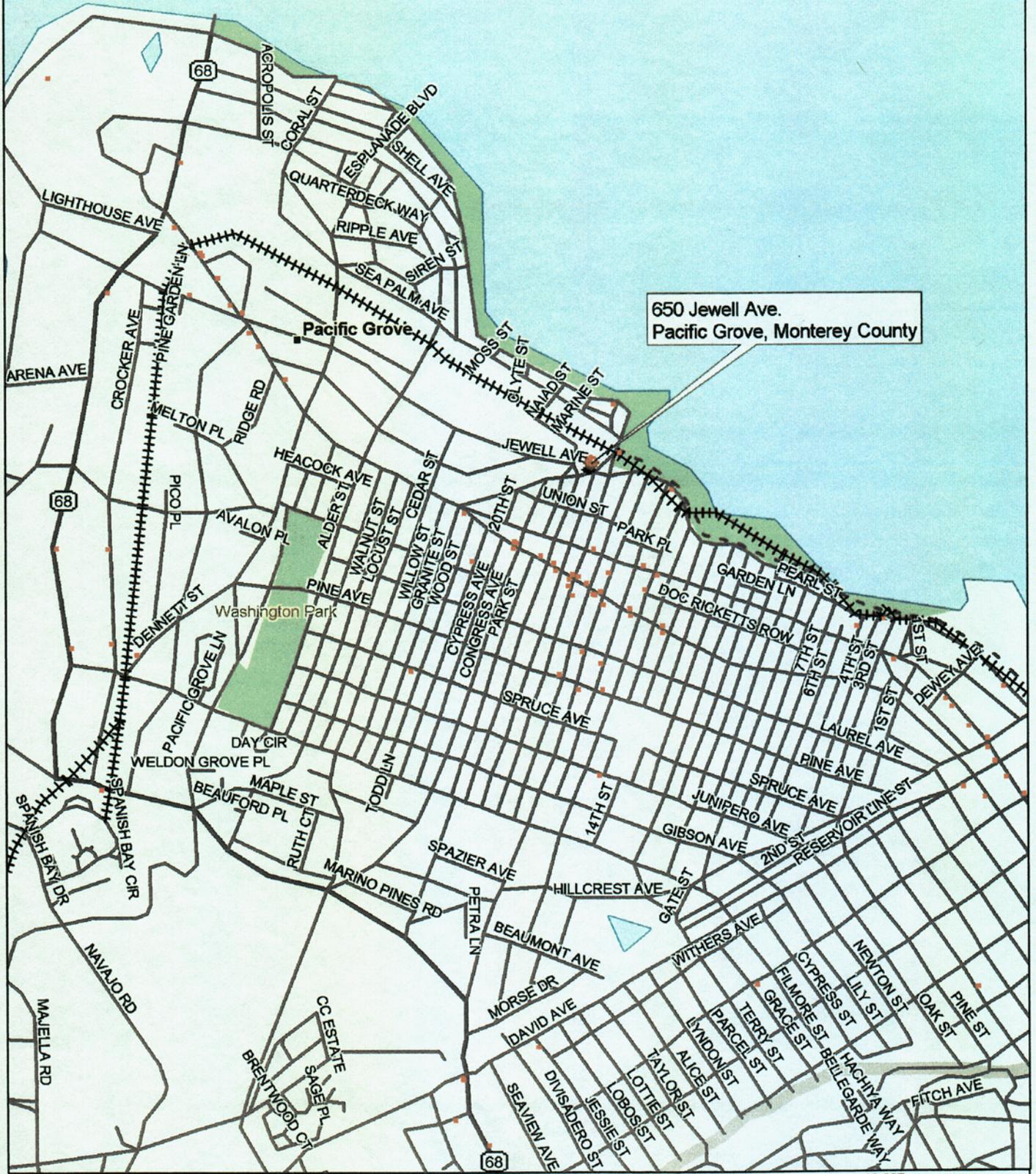
650 Jewell Ave.
Pacific Grove, Monterey County



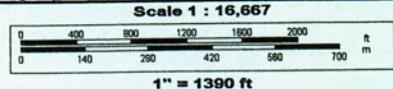
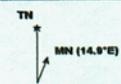
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RESOLUTION 04-02

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Jewell Avenue Associates, L.P., a limited partnership (the "Borrower"), seeking a loan commitment under the Agency's Loan-to-Lender and Tax-Exempt Loan Programs in the mortgage amounts described herein, the proceeds of which are to be used to provide financing for a 49-unit multifamily housing development located in the City of Pacific Grove to be known as Pacific Grove Senior Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated January 5, 2004 (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 November 12, 2003, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

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

<u>PROJECT NUMBER</u>	<u>DEVELOPMENT NAME/ LOCALITY</u>	<u>NUMBER OF UNITS</u>	<u>MORTGAGE AMOUNT</u>
03-049-L/N	Pacific Grove Senior Apartments Pacific Grove/Monterey	49	Loan-to-Lender: \$5,280,000 Permanent First Mortgage: \$1,360,000

1 Resolution 04-02

2 Page 2

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

8 3. All other material modifications to the final commitment, including increases
9 in mortgage amount of more than seven percent (7%), must be submitted to this Board for
10 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
11 or the Director of Multifamily Programs of the Agency, change the legal, financial or public
12 purpose aspects of the final commitment in a substantial or material way.

13 I hereby certify that this is a true and correct copy of Resolution 04-02 adopted at a duly
14 constituted meeting of the Board of the Agency held on January 22, 2004, at Millbrae,
15 California.

16 ATTEST: _____
17 Secretary

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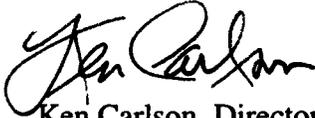
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MEMORANDUM**To:** Board of Directors**Date:** January 7, 2004

Ken Carlson, Director of Financing

From: CALIFORNIA HOUSING FINANCE AGENCY**Subject:** ANNUAL SINGLE FAMILY BOND REAUTHORIZATION
RESOLUTION 04-03

Resolution 04-03 would authorize the sale and issuance of CalHFA single family bonds (with related interest rate swaps and other financial agreements) for another year. In addition, the resolution would authorize the Agency to borrow for homeownership purposes using both short-term and long-term credit facilities.

Annual reauthorization, a practice approved by the Board every year since 1987, enables the staff to schedule and size our bond transactions to meet demand for loan funds throughout the year without regard to the timing of individual Board meetings.

Resolution 04-03 would authorize single family bonds to be issued in various amounts by category, as follows:

- (1) equal to the amount of prior single family bonds being retired, including eligible bonds of other issuers;
- (2) equal to the amount of private activity bond volume cap made available for our single family program by the California Debt Limit Allocation Committee;
- (3) up to \$900 million of federally-taxable single family bonds (in addition to any taxable bonds issued under the first category).

Bonds would be authorized to be issued under any of the previously-approved forms of indenture as listed in the resolution. We again anticipate continuing to use the Home Mortgage Revenue Bond indenture, with its Aa2/AA- ratings, for our single family bond issuances in 2004. Bonds issued under this 20-year-old financing program now comprise approximately 75% of our \$7.84 billion of outstanding bonds.

The resolution would also authorize the full range of related financial agreements, including contracts for investment of bond proceeds, for warehousing of mortgages pending the availability of bond proceeds, for interest rate hedging (including the continued use of interest rate swaps), Board of Directors and for forward delivery of bonds through August 1, 2006. The resolution would also authorize contracts for consulting services or information services related to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, and similar matters, and contracts for financial printing and similar services.

The resolution would also reauthorize short-term credit facilities in an aggregate amount not to exceed \$400 million (for both the Homeownership and Multifamily Programs). This authorization would allow us to continue to utilize our \$300 million warehouse line from the State's Pooled Money Investment Board and our \$100 million line of credit from the Bank of America.

A new section of the resolution would authorize long-term credit facilities in an aggregate amount not to exceed \$300 million (for both the Homeownership and Multifamily Programs). A long-term credit facility has been offered by Fannie Mae, and we believe that it will be a useful borrowing tool for carrying loans made for downpayment assistance or made to local agencies under the HELP program or the new Locality Initiatives program. The downpayment assistance loans (primarily for the Agency-funded CHAP program) and the HELP loans are currently carried directly by the Agency's Housing Assistance Trust; the Locality Initiatives program is being developed by our Multifamily Programs staff.

In addition, the resolution would reauthorize cooperation with local agencies such as the Southern California Home Financing Authority, with whom we are currently working. We expect our initial issuance of \$100 million of SCHFA bonds early in 2004 to be followed by a number of subsequent issues. In addition, we have begun discussions with the City of Los Angeles Department of Housing and hope to assist them as well.

In order to allow for necessary overlap of authority for bond issues scheduled during the time that reauthorization is being considered, Resolution 04-03 would not expire until 30 days after the first Board meeting in the year 2005 at which there is a quorum. Likewise, last year's single family resolution (03-05) will not expire until 30 days after this meeting.

In past years we have strived to lock in our cost of funds approximately every 60 days, whether by means of pricing fixed-rate bonds or, in recent years, via the interest rate swap market. In 2004, we will continue to do our best to periodically match our cost of funds to our lending rates, but this effort will be affected by the complexities of our cooperative programs with SCHFA and the City of Los Angeles and our plans to fund a portion of our new loans with moneys received from "excess" prepayments of loans made in recent years.

Attachment

RESOLUTION NO. 04-03

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY
AUTHORIZING THE AGENCY'S SINGLE FAMILY BOND INDENTURES, THE
ISSUANCE OF SINGLE FAMILY BONDS, SHORT- AND LONG-TERM CREDIT
FACILITIES FOR HOMEOWNERSHIP PURPOSES, AND RELATED FINANCIAL
AGREEMENTS AND CONTRACTS OF SERVICES

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

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

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

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

WHEREAS, pursuant to the Act, the Agency has the authority to enter into short-term and long-term credit facilities for the same purposes for which the Agency may issue bonds;

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

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

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

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

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

(b) the aggregate amount of private activity bond allocations under federal tax law heretofore or hereafter made available to the Agency (including any such allocations made available to a Local Agency in connection with the issuance of Local Agency Bonds) for such purpose, and

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

Section 2. Authorization and Timing. The Bonds are hereby authorized to be issued in such aggregate amount at such time or times on or before the day 30 days after the date on which is held the first meeting of the Board in the year 2005 at which a quorum is present, as the Executive Director of the Agency (the "Executive Director") deems appropriate, upon consultation with the Treasurer of the State of California (the "Treasurer") as to the timing of each such issuance; provided, however, that if the bonds are sold at a time on or before the day 30 days after the date on which is held such meeting, pursuant to a forward purchase or drawdown agreement providing for the issuance of such Bonds on or before August 1, 2006 upon specified terms and conditions, such Bonds may be issued on such later date.

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

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

- (b) that certain indenture pertaining to the HOHI Bonds (the "HOHI Indenture"),
- (c) that certain indenture pertaining to the HOM Bonds (the "HOM Indenture"),
- (d) those certain indentures pertaining to the HMP Bonds (the "HMP Indentures"),
- (e) that form of general indenture approved by Resolution No. 92-41, adopted November 12, 1992 (the "SHOP Indenture"),
- (f) that form of master trust indenture proposed by Fannie Mae ("Fannie Mae") in connection with their "MRB Express" program and approved by Resolution No. 93-30, adopted September 7, 1993 (the "Fannie Mae MRB Express Program Indenture"),
- (g) that form of general indenture designed for the Fannie Mae Index Option Program and approved by Resolution No. 94-01, adopted January 13, 1994 (the "Fannie Mae Index Option Program Indenture"),
- (h) those certain indentures pertaining to the SFMor Bonds (the "SFMor Indentures"),
- (i) the form of draw down bond indenture approved by Resolution No. 01-04, as amended by Resolution No. 01-39, adopted November 8, 2001, and/or
- (j) the form of bond indenture approved by Resolution No. 02-01, as amended by Resolution 02-17, adopted June 6, 2002.

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

Section 4. Approval of Forms of Supplemental Indenture. The Executive Director and the Secretary are hereby authorized and directed, for and on behalf and in the name of the Agency, to execute and acknowledge and to deliver with respect to each series of Bonds, if and to the extent appropriate, a supplemental indenture (a "Supplemental Indenture") pertaining to such series in substantially the form of the respective supplemental indentures previously executed and delivered or approved, each with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof. Changes reflected in any Supplemental Indenture may include, without limitation, provision for a supplemental pledge of

Agency moneys or assets (including but not limited to, a deposit from the Supplementary Bond Security Account created under Section 51368 of the Act) and provision for the Agency's general obligation to additionally secure the Bonds if appropriate in furtherance of the objectives of the Program.

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

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

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

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

The Treasurer is hereby authorized and requested, without further action of the Board and unless instructed otherwise by the Board, to sell each series of Bonds at the time and

place and pursuant to the terms and conditions set forth in each such purchase contract as finally executed. The Treasurer is hereby further authorized and requested to deposit the proceeds of any good faith deposit to be received by the Treasurer under the terms of a purchase contract in a special trust account for the benefit of the Agency, and the amount of said deposit shall be retained by the Agency, applied at the time of delivery of the applicable Bonds as part of the purchase price thereof, or returned to the Purchasers, as provided in such purchase contract.

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

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

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

Section 11. Authorization of Program Documents. The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more mortgage purchase and servicing agreements (including mortgage-backed security pooling agreements) and one or more loan servicing agreements with such lender or lenders or such servicer or servicers as the Executive Director may select in accordance with the purposes of the Program, and any such selection of a lender or lenders or a

servicer or servicers is to be deemed approved by this Board as if it had been made by this Board. The mortgages to be purchased may be fixed rate, step rate, adjustable rate, graduated payment or any combination of the foregoing, may have terms of 30 years or less and may be insured by such mortgage insurers as are selected by the Executive Director in furtherance of the objectives of the Program.

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

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

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

Section 12. Authorization of Short-term Credit Facilities. The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more short-term credit facilities for the purposes of (i) financing the purchase of Loans on an interim basis, prior to the financing of such Loans with Bonds, whether issued or to be issued and (ii) financing expenditures of the Agency incident to, and necessary or convenient to, the issuance of Bonds, including, but not limited to, Agency expenditures to pay costs of issuance, capitalized interest, redemption price of prior bonds of the Agency, costs relating to credit or liquidity support, costs relating to investment products, or net payments and expenses relating to interest rate hedges and other financial products. Any such short-term credit facility may be from any appropriate source, including, but not limited to, the Pooled Money Investment Account pursuant to Government Code Section 16312; provided, however, that the aggregate outstanding principal amount of short-term credit facilities from the Pooled Money Investment Account authorized under this resolution or Resolution No. 04-04 (the multifamily financing resolution adopted at the same meeting) may not at any time exceed \$400,000,000 (separate and apart from the amount of Bonds authorized by Section 1 of this resolution).

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

Section 13. Authorization of Long-Term Credit Facilities. The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more long-term credit facilities for the purposes of financing the making or purchase of non-traditional loan products or other assets, including, but not limited to, loans for downpayment assistance or loans to local public entities, in each case for the purpose of providing, directly or indirectly, financial assistance to persons and families of low or moderate income to enable them to purchase single family residences. As determined by the officer of the Agency executing any such credit facility, the Agency's payment obligations under such credit facility may be secured by a pledge of any such loans or assets and may be general obligations of the Agency; provided that loans and assets financed from proceeds of any such credit facility are not required to have scheduled or expected payments sufficient to produce amounts sufficient to satisfy the obligations of the Agency under such credit facility when due. Any such credit facility may be from any appropriate source, including, but not limited to, Fannie Mae. The aggregate outstanding principal amount of such credit facilities authorized under this resolution or Resolution No. 04-04 (the multifamily financing resolution adopted at the same meeting) may not at any time exceed \$300,000,000 (separate and apart from the amount of Bonds authorized by Section 1 of this resolution), and no such credit facility shall have a term in excess of twenty (20) years or bear interest at a stated rate in excess of fifteen percent (15%) per annum (or in the case of any such credit facility pursuant to which interest accrues at a variable rate, a maximum floating interest rate of twenty-five percent (25%) per annum). Each such credit facility may be executed, acknowledged and delivered with terms not inconsistent with the requirements of this paragraph as the officer or officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 14. Local Agency Cooperation. (a) The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver one or more agreements with one or more Local Agencies providing that the Agency shall sell Local Agency Bonds for the purpose of providing funds for the Program for the purchase of Loans financing Residences within the jurisdiction of the applicable Local Agency. Each such agreement shall contain the provisions required by Section 52062 of the Local Agency Assistance Act and shall provide that the method by which the Agency shall utilize the proceeds of Local Agency Bonds in the Agency's Program shall be for the Agency to borrow such proceeds by the issuance of Bonds to the Local Agency. The Bonds shall be in the form and shall be issued under the terms and conditions authorized by this resolution, applied as appropriate under the circumstances. The Bonds shall serve as the primary source of payment of and as security for the Local Agency Bonds.

The Local Agency Bonds are hereby authorized to be sold at such time or times, on or before the day 30 days after the date on which is held the first meeting of the Board in the year 2005 at which a quorum is present, as the Executive Director deems appropriate, upon consultation with the Treasurer as to the timing of each such sale.

(b) The Executive Director is hereby authorized to circulate one or more Preliminary Official Statements relating to the Local Agency Bonds and, after the sale of the Local Agency Bonds, to execute and circulate one or more Official Statements relating to the Local Agency Bonds, and the circulation of such Preliminary Official Statements and such

Official Statements to prospective and actual purchasers of the Local Agency Bonds is hereby approved. The Executive Director is further authorized to hold information meetings concerning the Local Agency Bonds and to distribute other information and material relating to the Local Agency Bonds.

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

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

Section 15. Ratification of Prior Actions. All actions previously taken by the Agency relating to the implementation of the Program, the issuance of the Bonds, the issuance of any prior bonds, the execution and delivery of related financial agreements and related program agreements and the implementation of any credit facilities as described above, including, but not limited to, such actions as the distribution of the Agency's Lender Program Manual, Mortgage Purchase and Servicing Agreement, Servicing Agreement, Developer Agreement, Servicer's Guide, Program Bulletins and applications to originate and service loans, and the sale of any foreclosed property, are hereby ratified.

Section 16. Authorization of Related Actions and Agreements. The Treasurer, the Executive Director and the officers of the Agency, or the duly authorized deputies thereof, are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all agreements and documents which they deem necessary or advisable in order to consummate the issuance, sale, delivery, remarketing, conversion and administration of Bonds and otherwise to effectuate the purposes of this resolution, including any amendment or supplement to any agreement or document relating to Bonds in any manner that would be authorized under this resolution if such agreement or document related to Bonds authorized by this resolution. Such agreements may include, but are not limited to, remarketing agreements, tender agreements or similar agreements regarding any put option for the Bonds, broker-dealer agreements, market agent agreements, auction agent agreements or other agreements necessary or desirable in connection with the issuance of Bonds in, or the conversion of Bonds to, an auction rate mode or an indexed rate mode, agreements for the investment of moneys relating to

the Bonds, reimbursement agreements relating to any credit or liquidity enhancement or put option provided for the Bonds, continuing disclosure agreements and agreements for necessary services provided in the course of the issuance of the bonds, including but not limited to, agreements with bond underwriters and placement agents, bond trustees, bond counsel and financial advisors and contracts for consulting services or information services relating to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, and similar matters, and contracts for financial printing and similar services. The Agency's reimbursement obligation under any such reimbursement agreement may be a special, limited obligation or a general obligation and may, subject to the rights of the Bondholders, be secured by a pledge of the same revenues and assets that may be pledged to secure Bonds.

This resolution shall constitute full, separate, complete and additional authority for the execution and delivery of all agreements and instruments described in this resolution, without regard to any limitation in the Agency's regulations and without regard to any other resolution of the Board that does not expressly amend and limit this resolution.

Section 17. Additional Delegation. All actions by the Executive Director approved or authorized by this resolution may be taken by the Chief Deputy Director of the Agency, the Director of Financing of the Agency, the Comptroller of the Agency or any other person specifically authorized in writing by the Executive Director.

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SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 04-03 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 22nd day of January, 2004, of which meeting all said directors had due notice; and that at said meeting said Resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 22nd day of January, 2004.

[SEAL]

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

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SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 04-03 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 22nd day of January, 2004, of which meeting all said directors had due notice; and that at said meeting said Resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

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

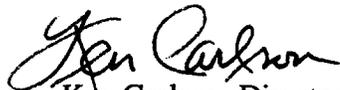
IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this ____ day of

_____, ____.

[SEAL]

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

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MEMORANDUM**To:** Board of Directors**Date:** January 7, 2004

Ken Carlson, Director of Financing

From: CALIFORNIA HOUSING FINANCE AGENCY**Subject:** ANNUAL MULTIFAMILY BOND REAUTHORIZATION
RESOLUTION 04-04

Resolution 04-04 would authorize the sale and issuance of CalHFA multifamily bonds (with related interest rate swaps and other financial agreements) for another year. In addition, the resolution would authorize the Agency to borrow for multifamily purposes using both short-term and long-term credit facilities.

Annual reauthorization, a practice approved by the Board every year since 1987, enables the staff to schedule and size our bond transactions to meet the demand for loan funds throughout the year without regard to the timing of individual Board meetings.

Resolution 04-04 would authorize multifamily bonds to be issued in various amounts by category, as follows:

- (1) equal to the amount of prior multifamily bonds being retired, including eligible bonds of other issuers;
- (2) equal to the amount of private activity bond volume cap made available for our multifamily program by the California Debt Limit Allocation Committee;
- (3) up to \$800 million for the combined amount of 501(c)(3) bonds, "governmental purpose" bonds, and federally-taxable multifamily bonds (in addition to any taxable bonds issued under the first category);
- (4) up to \$300 million for financing or refinancing the acquisition of existing multifamily loans;

While bonds would be authorized to be issued under any of the previously-approved forms of indenture as listed in the resolution, we again anticipate continuing to utilize the Multifamily Housing Revenue Bonds III indenture, which relies on the Agency's general obligation ratings of Aa3/AA- for its credit. The \$1.08 billion of bonds outstanding (as of February 1) under this 7-year-old indenture constitutes approximately 14.6% of our \$7.4 billion of debt. Our general obligation is pledged to a total of \$1.28 billion (17.6%) of our bonds, and \$1.25 billion of these are multifamily bonds. Our G.O. acts as the primary credit enhancement for our multifamily program, thus reducing the cost of outside sources of credit, while preserving our program's independence. As an example, we were able to obtain bond insurance at a relatively inexpensive premium for last year's multifamily auction bonds.

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The resolution would also authorize the full range of related financial agreements, including contracts for investment of bond proceeds, for warehousing of mortgages pending the availability of bond proceeds, for interest rate hedging (including the continued use of interest rate swaps), and for forward delivery of bonds through August 1, 2006. The resolution would also authorize contracts for consulting services or information services related to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, and similar matters, and contracts for financial printing and similar services.

The resolution would also reauthorize short-term credit facilities in an aggregate amount not to exceed \$400 million (for both the Homeownership and Multifamily Programs). This authorization would allow us to continue to utilize our \$300 million warehouse line from the State's Pooled Money Investment Board and our \$100 million line of credit from the Bank of America. This bank line of credit is primarily used for multifamily loan warehousing.

A new section of the resolution would authorize long-term credit facilities in an aggregate amount not to exceed \$300 million (for both the Homeownership and Multifamily Programs). A long-term credit facility has been offered by Fannie Mae, and we believe that it will be a useful borrowing tool for carrying loans made for downpayment assistance or made to local agencies under the HELP program or the new multifamily Locality Initiatives program. The downpayment assistance loans (primarily for the Agency-funded CHAP program) and the HELP loans are currently carried directly by the Agency's Housing Assistance Trust; the Locality Initiatives program is being developed by our Multifamily Programs staff.

In order to allow for necessary overlap of authority for bond issues scheduled during the time that reauthorization is being considered, Resolution 04-04 would not expire until 30 days after the first Board meeting in the year 2005 at which there is a quorum. Likewise, last year's multifamily resolution (03-06) will not expire until 30 days after this meeting.

During 2004 we anticipate a small issue of multifamily drawdown bonds and two issues of our Multifamily Housing Revenue Bonds III -- in June and November -- each in connection with the CDLAC allocation meeting schedule. We expect both of the MHRB-III transactions to include additional bonds to be authorized by this resolution, such as 501(c)(3) bonds, refunding bonds, and taxable bonds.

Attachment

RESOLUTION NO. 04-04

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY
AUTHORIZING THE AGENCY'S MULTIFAMILY BOND INDENTURES, THE ISSUANCE
OF MULTIFAMILY BONDS, SHORT- AND LONG-TERM CREDIT FACILITIES FOR
MULTIFAMILY PURPOSES, AND RELATED FINANCIAL AGREEMENTS AND
CONTRACTS OF SERVICES

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

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

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

WHEREAS, pursuant to the Act, the Agency has the authority to enter into short-term and long-term credit facilities for the purposes of financing the Program, including the making of Loans and the payment of other costs of the Agency incident to, and necessary or convenient to, the issuance of the bonds, and for the purposes of financing the making or purchase of non-traditional loan products or other assets, including, but not limited to, loans to local public entities, in each case for the purpose of providing, directly or indirectly, rental housing for persons and families of low or moderate income;

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

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

- (a) the aggregate amount of prior multifamily bonds of the Agency (or of other issuers to the extent permitted by law) to be redeemed or maturing in connection with such issuance;
- (b) the aggregate amount of private activity bond allocations under federal tax law heretofore or hereafter made available to the Agency for such purpose;
- (c) if and to the extent the Bonds are "qualified 501(c)(3) bonds" under federal tax law, are not "private activity bonds" under federal tax law, or are determined by the Executive Director of the Agency (the "Executive Director") to be intended not to be tax-exempt for federal income tax purposes, \$800,000,000; and
- (d) if and to the extent the Bonds are issued for the purpose of financing or refinancing the acquisition of existing Loans that finance existing Developments, or for the purpose of refinancing such Developments, \$300,000,000.

Section 2. Authorization and Timing. The Bonds are hereby authorized to be issued at such time or times on or before the day 30 days after the date on which is held the first meeting in the year 2005 of the Board of Directors of the Agency at which a quorum is present, as the Executive Director deems appropriate, upon consultation with the Treasurer of the State of California (the "Treasurer") as to the timing of each such issuance; provided, however, that if the Bonds are sold at a time on or before the day 30 days after the date on which is held such meeting, pursuant to a forward purchase or drawdown agreement providing for the issuance of such Bonds on a later date on or before August 1, 2006, upon specified terms and conditions, such Bonds may be issued on such later date; and provided, further, that Bonds being issued to refund Bonds of the type described in Section 1(d) of this resolution or to refinance Developments financed by Bonds of the type described in such Section 1(d) may be issued at any time prior to the original maturity date of the original Loans financed by such Bonds.

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

- (1) the Multi-Family Revenue Bonds (Federally Insured Loans) Indenture, dated as of April 17, 1979;
- (2) the Multi-Unit Rental Housing Revenue Bonds Indenture, dated as of July 12, 1979;
- (3) the Rental Housing Revenue Bonds (FHA Insured Loans) Indenture, dated as of June 1, 1982;

- (4) the Multi-Unit Rental Housing Revenue Bonds II Indenture, dated as of September 1, 1982;
- (5) the Multifamily Rehabilitation Revenue Bonds, 1983 Issue A Indenture, dated as of December 1, 1983;
- (6) the Multifamily Housing Revenue Bond (Insured Letter of Credit 1984-I) Indenture, dated as of March 1, 1984;
- (7) the Housing Revenue Bond Indenture, dated as of July 1, 1984;
- (8) the Multifamily Rehabilitation Revenue Bond, 1985 Issue A, Indenture, dated as of March 1, 1985;
- (9) the form of indenture approved by the Board of Directors of the Agency at its May 11, 1989 meeting for the Financial Guaranty Insurance Company program;
- (10) the Housing Revenue Bond II Indenture, dated as of July 1, 1992;
- (11) the Multifamily Housing Revenue Refunding Bond Indentures, dated as of July 1, 1993 (including as originally delivered and as amended and restated);
- (12) the Multifamily Housing Revenue Bond (Tara Village Apartments), 1994 Series A, Indenture, dated as of November 1, 1994;
- (13) the Multifamily Housing Revenue Bond (FHA Insured Mortgage Loans) Indenture, dated February 1, 1995;
- (14) the Multifamily Housing Revenue Bond II Indenture, dated as of October 1, 1995;
- (15) the Multifamily Housing Revenue Bond III Indenture, dated as of March 1, 1997;
- (16) the form of commercial paper note indenture presented to the May 11, 2000 meeting of the Agency;
- (17) the Multifamily Loan Purchase Bond Indenture, dated as of July 1, 2000;
- (18) the form of draw down bond indenture approved by Resolution No. 01-05, as amended by Resolution No. 01-39, adopted November 8, 2001; or
- (19) the form of bond indenture approved by Resolution No. 02-02, as amended by Resolution 02-17, adopted June 6, 2002.

Each such New Indenture may be executed, acknowledged and delivered with such changes therein as the officers executing the same approve upon consultation with the

Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

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

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

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

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

- (1) for the Agency's insured or uninsured, limited or general, obligation to pay any debt secured thereby,
- (2) for a pledge of an amount of the Supplementary Bond Security Account to the extent necessary to obtain an appropriate credit rating or appropriate credit enhancement,
- (3) for a pledge of additional revenues which may be released periodically to the Agency from the lien of one or more indentures heretofore entered into by the Agency, including but not limited to one or more of the following:
 - (A) the Prior Indentures,
 - (B) the Home Mortgage Revenue Bond Indenture, dated as of September 1, 1982, as amended, and

- (C) the indentures under which are issued the Single Family Mortgage Bonds,
- (4) for a deposit of such other available assets of the Agency in an appropriate amount in furtherance of the Program,
 - (5) for risk sharing provisions dividing between the Agency and any credit provider and/or FHA, in such manner as the Executive Director may deem necessary or desirable in furtherance of the objectives of the Program, the credit and financing risks relating to the Bonds and the Developments financed by the Bonds,
 - (6) for a liquidity facility,
 - (7) for contingent or deferred interest, or
 - (8) for the use or application of payments or receipts under any arrangement entered into under Section 9 of this resolution.

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

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

Section 6. Authorization of Sale of Bonds. The Bonds are hereby authorized to be sold at negotiated or competitive sale or sales. The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver one or more agreements, by and among the Agency, the Treasurer and such purchasers or underwriters

as the Executive Director may select (the "Purchasers"), relating to the sale of the Bonds, in such form as the Executive Director may approve upon consultation with the Agency's legal counsel, such approval to be evidenced conclusively by the execution and delivery of said agreements by the Executive Director.

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

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

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

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

into with parties selected by the Executive Director, after giving due consideration for the creditworthiness of the counterparties, where applicable, or any other criteria in furtherance of the objectives of the Program.

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

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

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

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

Section 11. Authorization of Short-Term Credit Facilities. In addition, the Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more short-term credit facilities for the purposes of (i) financing the purchase of Loans on an interim basis, prior to the financing of such Loans with Bonds, whether issued or to be issued and (ii) financing expenditures of the Agency incident to, and necessary or convenient to, the issuance of Bonds, including, but not limited to, Agency expenditures to pay costs of issuance, capitalized interest, redemption price of prior bonds of the Agency, costs relating to credit or liquidity support, costs relating to investment products, or net payments and expenses relating to interest rate hedges and other financial products. Any such short-term credit facility may be from any appropriate source, including, but not limited to, the Pooled Money Investment Account pursuant to Government Code Section 16312; provided, however, that the aggregate outstanding principal amount of short-term credit

facilities from the Pooled Money Investment Account authorized under this resolution or Resolution No. 04-03 (the single family financing resolution adopted at the same meeting) may not at any time exceed \$400,000,000 (separate and apart from the amount of Bonds authorized by Section 1 of this resolution).

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

Section 12. Authorization of Long-Term Credit Facilities. The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more long-term credit facilities for the purposes of financing the making or purchase of non-traditional loan products or other assets, including, but not limited to, loans to local public entities, in each case for the purpose of providing, directly or indirectly, rental housing for persons and families of low or moderate income. As determined by the officer of the Agency executing any such credit facility, the Agency's payment obligations under such credit facility may be secured by a pledge of any such loans or assets and may be general obligations of the Agency; provided that loans and assets financed from proceeds of any such credit facility are not required to have scheduled or expected payments sufficient to produce amounts sufficient to satisfy the obligations of the Agency under such credit facility when due. Any such credit facility may be from any appropriate source, including, but not limited to, Fannie Mae. The aggregate outstanding principal amount of such credit facilities authorized under this resolution or Resolution No. 04-03 (the single family financing resolution adopted at the same meeting) may not at any time exceed \$300,000,000 (separate and apart from the amount of Bonds authorized by Section 1 of this resolution), and no such credit facility shall have a term in excess of twenty (20) years or bear interest at a stated rate in excess of fifteen percent (15%) per annum (or in the case of any such credit facility pursuant to which interest accrues at a variable rate, a maximum floating interest rate of twenty-five percent (25%) per annum). Each such credit facility may be executed, acknowledged and delivered with terms not inconsistent with the requirements of this paragraph as the officer or officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 13. Ratification of Prior Actions. All actions previously taken by the officers of the Agency in connection with the implementation of the Program, the issuance of the Bonds, the issuance of any prior bonds (the "Prior Bonds"), the execution and delivery of related financial agreements and related program agreements and the implementation of any credit facilities as described above are hereby approved and ratified.

Section 14. Authorization of Related Actions and Agreements. The Treasurer, the Executive Director and the officers of the Agency, or the duly authorized deputies thereof, are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all agreements and documents which they deem necessary or advisable in order to consummate the issuance, sale, delivery, remarketing, conversion and administration of

Bonds and Prior Bonds and otherwise to effectuate the purposes of this resolution, including any amendment or supplement to any agreement or document relating to Bonds or Prior Bonds in any manner that would be authorized under this resolution if such agreement or document related to Bonds authorized by this resolution. Such agreements may include, but are not limited to, remarketing agreements, tender agreements or similar agreements regarding any put option for Bonds or Prior Bonds, broker-dealer agreements, market agent agreements, auction agent agreements or other agreements necessary or desirable in connection with the issuance of Bonds in, or the conversion of Bonds or Prior Bonds to, an auction rate mode or an indexed rate mode, agreements for the investment of moneys relating to the Bonds or Prior Bonds, reimbursement agreements relating to any credit or liquidity enhancement or put option provided for the Bonds or the Prior Bonds, continuing disclosure agreements and agreements for necessary services provided in the course of the issuance of the bonds, including but not limited to, agreements with bond underwriters and placement agents, bond trustees, bond counsel and financial advisors and contracts for consulting services or information services relating to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, and similar matters, and contracts for financial printing and similar services. The Agency's reimbursement obligation under any such reimbursement agreement may be a special, limited obligation or a general obligation and may, subject to the rights of the Bondholders, be secured by a pledge of the same revenues and assets that may be pledged to secure Bonds.

This resolution shall constitute full, separate, complete and additional authority for the execution and delivery of all agreements and instruments described in this resolution, without regard to any limitation in the Agency's regulations and without regard to any other resolution of the Board that does not expressly amend and limit this resolution.

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

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SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 04-04 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 22nd day of January, 2004, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 22nd day of January, 2004.

[SEAL]

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

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SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of the Resolution No. 04-04 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 22nd day of January, 2004, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

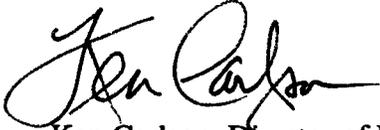
I further certify that I have carefully compared the foregoing copy with the original minutes of said meeting on file and of record in my office; that said copy is a full, true, and correct copy of the original resolution adopted at said meeting and entered in said minutes; and that said resolution has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

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

[SEAL]

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

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MEMORANDUM**To:** Board of Directors**Date:** January 7, 2004

Ken Carlson, Director of Financing

From: CALIFORNIA HOUSING FINANCE AGENCY**Subject:** AUTHORIZATION TO MAKE APPLICATION
TO THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
RESOLUTION 04-05

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

Resolution 04-05 would authorize application to CDLAC for a maximum of \$600 million of single family allocation and \$400 million of multifamily allocation. Such authorization would be in effect during the period of time in which Resolutions 04-03 and 04-04, which authorize the issuance of single family and multifamily bonds, are themselves in effect.

CDLAC met on December 17 to award an unprecedented fourth round of allocations of 2003 volume cap. At this meeting, the committee also took action to grant to CalHFA the amount of any remaining unused 2003 volume cap for use in our homeownership program. As of this writing, this amount remaining was \$74.1 million, but it could grow if issuers report any additional failures to use in their entirety allocations granted in 2003. In December of 2002 we were similarly allocated \$139.7 million of unused 2002 volume cap. The amount of 2004 volume cap to be allocated to the Agency will be partially offset by the amount of this unused 2003 volume cap we receive and carry forward.

CDLAC is tentatively scheduled to meet on January 21 to officially establish the new State ceiling amount, i.e., the amount of volume cap that can be allocated during 2004. Based on state population increases and an inflation adjustment, the 2004 State ceiling is estimated to be in excess of \$2.8 billion. At this same meeting CDLAC is also expected to determine amounts for each type of private activity -- e.g., homeownership (including the division between CalHFA and local issuers), multifamily, student loans, exempt facilities, industrial development. At the Board meeting we expect to be able to report what amounts CDLAC has set aside for housing in 2004.

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CDLAC staff will be recommending to the committee that only two application rounds be scheduled during 2004, with a third round to be implemented only if volume cap is still available at the end of the year. If the recommendation is accepted, then applications for both single family and multifamily may be taken and allocations granted according to the tentative schedule below:

	<u>Round 1</u>	<u>Round 2</u>
Applications Due	2/18/04	7/7/04
Allocation Meeting	4/21/04	9/15/04

The amounts proposed in Resolution 04-05 are greater than we would expect to apply for. However, the presumption is that the Board would want CalHFA to be authorized to apply and eligible to do so under CDLAC rules if applications for CalHFA loans greatly increase and allocation is available.

The attached table shows the amount of volume cap allocated to housing purposes over the past five years and what portion of these amounts were allocated to CalHFA.

Attachments

CDLAC ALLOCATIONS 1999 - 2003

Year	Volume Cap for all Programs	MULTIFAMILY ALLOCATIONS			SINGLE FAMILY
		All Multifamily	To CalHFA	% of MF Total	All Single Family
1999	\$1,633,327,500	\$889,099,275	\$36,782,500	4.1%	\$471,906,175
2000	\$1,657,256,050	\$911,644,686	\$159,315,000	17.5%	\$434,254,880
2001	\$2,122,538,462	\$1,099,132,743 ⁽²⁾	\$123,550,000 ⁽²⁾	11.2%	\$670,707,371 ⁽¹⁾⁽³⁾
2002	\$2,587,584,750	\$1,294,941,472	\$119,445,000	9.2%	\$843,197,582 ⁽¹⁾⁽⁴⁾
2003	\$2,633,702,475	\$1,436,702,475	\$227,370,000	15.8%	\$724,000,000 ⁽¹⁾⁽⁵⁾

⁽¹⁾ Includes MRBs and the Extra Credit Teacher Home Purchase Program.

⁽²⁾ Includes \$1,700,000 multifamily carry forward allocation.

⁽³⁾ Includes \$73,775,798 single family carry forward allocation.

⁽⁴⁾ Includes \$139,255,188 single family carry forward allocation.

⁽⁵⁾ Includes an estimated \$74,100,000 single family carry forward allocation.

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

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

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

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

WHEREAS, the Agency has by its Resolution No. 04-03 authorized the issuance of bonds for the Homeownership Program and desires to authorize application to the California Debt Limit Allocation Committee for private activity bond allocations to be used in connection with the issuance of a portion of such bonds in order for interest on such bonds to be excludable from gross income for federal income tax purposes;

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

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

WHEREAS, pursuant to the Act, the Agency has the authority to issue bonds to provide sufficient funds to finance the Multifamily Program;

WHEREAS, the Agency has by its Resolution No. 04-04 authorized the issuance of bonds for the Multifamily Program and desires to authorize application to the California Debt Limit Allocation Committee for private activity bond allocations to be used in connection with the issuance of a portion of such bonds in order for interest on such bonds to be excludable from gross income for federal income tax purposes;

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

Section 1. Authorization to Apply to CDLAC for the Homeownership Program. The officers of the Agency are hereby authorized to apply from time to time to the California Debt Limit Allocation Committee ("CDLAC") for private activity bond allocations in an aggregate amount of up to \$600,000,000 per year to be used in connection with bonds issued under Resolution No. 04-03 or resolutions heretofore or hereafter adopted by the Agency for the Homeownership Program. In the alternative, subject to the approval of CDLAC and under such terms and conditions as may be established by CDLAC, any such allocation received is authorized by this Board to be used in connection with a mortgage credit certificate program or in connection with a teacher home purchase program.

Section 2. Authorization to Apply to CDLAC for the Multifamily Program. The officers of the Agency are hereby authorized to apply from time to time to CDLAC for private activity bond allocations in an aggregate amount of up to \$400,000,000 per year, to be used in connection with bonds issued under Resolution No. 04-04 or resolutions heretofore or hereafter adopted by the Agency for the Multifamily Program.

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

SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 04-05 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 22nd day of January, 2004, of which meeting all said directors had due notice; and that at said meeting said Resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 22nd day of January, 2004.

[SEAL]

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

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M E M O R A N D U M**To: Board of Directors****Date: January 22, 2004****From: Tom Hughes, General Counsel** *TC-H*
CALIFORNIA HOUSING FINANCE AGENCY**Subject: 2004 Contracting Resolution**

At the first meeting of each year the Agency presents to the Board for its approval resolutions relating to contracting for the upcoming year. The 2004 contracting resolution is substantially identical to resolution 03-09, adopted by the Board on January 9, 2003.

By statute, the Board has the power to approve "major contractual obligations". By regulation, contracts involving over \$500,000 require Board approval, or delegation authority by the Board. Over the years, one of the primary functions of the Board has been to approve multi-family loans at each meeting. However, vendor and other similar third party contracts also fall within the statutory provision. Historically, each January the Board has, in the annual bond authority resolutions, granted the Agency the authority to enter into any vendor or other operational contracts needed to implement bond funded programs. Beginning in 2003, the Board extended that authority to non-bond funded programs and other operational expenditures in an annual contracting resolution.

There are two primary reasons for requesting the authority each year. The first is that the Agency, as a self-supporting competitive business, needs to be able to execute contracts in the regular course of business without waiting up to two months for the next Board meeting. Secondly, many of the affected contracts are multi-year arrangements, and there is frequently no way of knowing when or if the total compensation will exceed the threshold amount. In those circumstances, without the proposed delegation, the authority to continue payments under such contractual commitments may be questioned. There are some obligations which the Agency knows will exceed the threshold in a single year, such as bond counsel and related costs (which are also authorized by the annual bond resolutions), and lease payments for the Agency's three office spaces. Litigation costs in ongoing major litigation described in the resolution will also exceed the threshold in 2004.

The proposed resolution attempts to describe categories of contracts for which the Executive Director may contract. Each of these relates to the implementation of the day to day activities of the Agency. The expenditures under such contracts are also part of the Agency's annual budget, which is subject to the Board's review and approval each May.

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RESOLUTION 04-06

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

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

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

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

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

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

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

23 1. The Executive Director of the Agency, or the officers or employees of the
24 Agency, duly authorized by the Executive Director, may, during the calendar year 2004, and for
25 that portion of calendar year 2005 that precedes the first regularly scheduled meeting of the
26 Board of Directors in such year, execute such new or amended contracts in which the financial
27 obligation or liability exceeds \$500,000 over the term of such contract, as specified by this
resolution, without the need for further Board approval.

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

(a) Homeownership Programs

(i) Contracts authorized by Resolution 04-03, including loan
servicing and loan origination agreements.

3
4 (ii) Contracts for consulting services or information services relating to homeownership lending programs.

5 (iii) Contracting relating to the sale of properties acquired by
6 foreclosure

7 (b) Multifamily Lending Programs

8 (i) Contracts authorized by Resolution 04-04.

9 (ii) Contracts for consulting services or information services relating
10 to multifamily lending programs.

11 (iii) Contracts for underwriting of multifamily loans.

12 (c) Special Programs

13 (i) Contracts and loan documents relating to the award of HELP
14 loans to localities.

15 (ii) Contracts and loan documents relating to the award of tax
16 increment loans to redevelopment agencies.

17 (d) Mortgage Insurance Services

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

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

22 (e) Administration

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

25 (ii) Lease agreements for space, including leases, lease amendments
26 and related agreements for the premises at the Senator Office Building, at
27 1121 L Street, Sacramento, CA; the premises at 100 Corporate Pointe,
Culver City, CA; and the premises at the Meridian Plaza Building, 14th
and L Street, Sacramento, CA.



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

6 (f) Office of General Counsel

7 (i) Contracts for retention of counsel in any pending or anticipated
8 litigation, including the pending actions of West LB AG v. California
9 Housing Finance Agency, United states district Court , Southern District
10 of New York, and California Housing Finance Agency v. Hanover
11 California Management & Accounting Center et al., Orange County
12 Superior Court No. 02CC10634.

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

16 (g) Financing

17 (i) Contracts authorized by Resolutions 04-03 and 04-04.

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

21 (iii) Contracts for financial printing and similar services.

22 (h) Marketing

23 (i) Contracts for CalHFA branding and marketing services.

24 (ii) Contracts for advertising.

25 (i) Asset Management

26 (i) Contracts for property management or inspection services.

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

(iii) Sales of multi-family or single family real estate owned by the
Agency;

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(j) Accounting and Loan Servicing

(i) Contracts for auditing and accounting services.

(ii) Contracts for consulting or information services relating to financial reporting or accounting issues.

(k) Information Technology

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

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

4. Nothing in this resolution is intended to imply that any contract not described herein, but fully and completely authorized by another resolution of this Board of Directors, is not fully and completely authorized by such other resolution without regard to this resolution or any limitation in any regulation defining the term 'major contractual obligation'.

I hereby certify that this is a true and correct copy of Resolution 04-06 adopted at a duly constituted meeting of the Board of Directors of the Agency held on January 22, 2004, at Millbrae, California.

ATTEST: _____
Secretary