CalHFA BOARD OF DIRECTORS

Thursday, March 11, 2004

Hyatt Regency Sacramento
1209 L Street
Sacramento, California
(916) 443-1234

9:30 a.m.

1. Roll Call.

2. Approval of the minutes of the January 22, 2004 Board of Directors meeting.

3. Chairman/Executive Director comments.

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

5. Discussion, recommendation and possible action relative to final loan commitment modification for the following project: (Linn Warren)

NUMBER	DEVELOPMENT	LOCALITY	UNITS
03-038-L/N	Villa Amador	Brentwood/ Contra Costa	96

Resolution 04-11..229

6. Update of CalHFA Five Year (2004-05 to 2008-09) Business Planning (Powerpoint presentations).

7. Discussion of other Board matters/Reports.

8. CalHFA Marketing Video and Public Service Announcement Presentation.

9. 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 $12.00 per night or valet parking at $18.00; and 2) rates for guests not staying at the hotel is $6.00 (*w/coupon) based on availability or valet parking at $18.00.

FUTURE MEETING DATE: Next CalHFA Board of Directors Meeting will be May 12, 2004, at the Hilton Burbank Airport & Convention Center, Burbank, California.

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*coupon will be available at meeting site.

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

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ORIGINAL

BOARD OF DIRECTORS

PUBLIC MEETING

--oOo--

The Westin, San Francisco Airport
Oak Room
One Old Bayshore Highway
Millbrae, California

Thursday, January 22, 2004
9:43 a.m. to 12:49 p.m.

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Minutes Approved by the Board of Directors at its meeting held:
March 11, 2004

Attest: [signature]

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

STATE OF CALIFORNIA

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BOARD MINUTES OF 1/22/04
EDITS MADE ON 3/11/04

Approved by Thomas C. Hughes

Page 55, line 4, "taxes and" changed to read: "tax-exempt" (per Kenneth Carlson)

Page 59, line 16, "taxable-exempt" changed to read: "tax-exempt" (per Kenneth Carlson)

Page 60, line 1, "regulations" changed to read: "resolutions" (per Kenneth Carlson)

Page 60, line 10, "'03" changed to read: "III" (per Kenneth Carlson)

Page 60, line 15, "year's" changed to read: "year" (per Kenneth Carlson)

Page 60, line 22, "health" changed to read: "HELP" (per Kenneth Carlson)

Page 129, line 1, "guy" changed to read: "Di" (per Di Richardson)

Page 129, line 11, "sequel" changed to read: "segue'" (per Kenneth Carlson)

Respectfully submitted,

Gail C. Schurr
3/16/2004

A P P E A R A N C E S

Directors Present:

THERESA ANN PARKER (Acting Chair)

EDWARD W. BAYUK

JAN BOEL

EDWARD M. CZUKER

MATTHEW O. FRANKLIN

DORA LEONG GALLO

JEANNE PETERSON
for Philip Angelides
State Treasurer

CATHY SANDOVAL
for Sunne Wright McPeak
Secretary
Business, Transportation and Housing Agency

JACK SHINE

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CalHFA Staff Present:

THOMAS C. HUGHES
General Counsel

JOJO OJIMA

--oOo--

A P P E A R A N C E S

Continued

For the Staff of the Agency:

NANCY ABREU
Director of Insurance

MARGARET ALVAREZ
Director of Asset Management

KENNETH R. CARLSON
Director of Financing

KEN GIEBEL
Marketing Program

RICHARD A. LaVERGNE
Chief Deputy Director

JACKLYNNE RILEY
Director of Administration

GERALD SMART
Chief of Homeownership Programs

RUTH VAKILI
Multifamily Loan Officer

LINN G. WARREN
Director of Multifamily Programs

LAURA-WHITTALL-SCHERFEE
Chief of Multifamily Programs

KEN WILLIAMS
Chief of Homeownership Special Programs

Also Present

CARRIE HAWKINS

ROBERT N. KLEIN II

CLARK E. WALLACE

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BE IT REMEMBERED that on Thursday, January 22, 2004, commencing at the hour of 9:43 a.m., at The Westin, San Francisco Airport, Oak Room, One Old Bayshore Highway, Millbrae, California, before me, DANIEL P. FELDHAUS, CSR #6949, RDR and CRR, the following proceedings were held:

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CHAIR PARKER: Welcome, everyone, to the first meeting of the year 2004 for the California Housing Finance Agency. My name is Terri Parker. I'm the executive director of the Agency. And I, today, will act in a ministerial capacity as Board chair, non-voting member, to walk us through our agenda.

I will report to my colleagues on the Board that with four vacancies, the Governor's office is in the process of interviewing and talking to people as potential candidates for appointment. And I expect that by the time that we meet in March, there will be additional colleagues joining us on the Board. And that's all the information that I have about that.

JoJo, would you do the roll call, please?

MS. OJIMA: Thank you.

Item 1: Roll Call

MS. OJIMA: Ms. Peterson for Mr. Angelides?

MS. PETERSON: Here.

MS. OJIMA: Mr. Bayuk?

MR. BAYUK: Here.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Here.

MS. OJIMA: Mr. Franklin?

MR. FRANKLIN: Here.

MS. OJIMA: Ms. Gallo?

MS. GALLO: Here.

MS. OJIMA: Ms. Sandoval for Ms. McPeak?

MS. SANDOVAL: Here.

MS. OJIMA: Mr. Shine?

MR. SHINE: Here.

MS. OJIMA: Ms. Arduin?

(No audible response was heard.)

CHAIR PARKER: Ms. Boel?

MS. BOEL: Here.

MS. OJIMA: Ms. Parker?

CHAIR PARKER: Here.

MS. OJIMA: We have a quorum.

CHAIR PARKER: Thank you.

I would note that although you have not had a chance to meet, there are new members of the Board.

Sunne Wright McPeak is the new Secretary of Business, Transportation and Housing Agency. Obviously, Cathy is representing her today.

Donna Arduin is the Director of Finance. The Director of Finance is a non-voting member who rarely comes to the meetings.

Jan Boel is a new Board Member with the Governor's Office of Planning and Research.

And Dora Leong Gallo is also a new Board Member, as the Speaker's appointee. And Dora comes from Community of Friends in Los Angeles.

So I welcome all of our new Board Members, and give any of them the opportunity, if any of them would like, to make any comments.

We welcome you.

MS. SANDOVAL: Can I just say briefly, on behalf of Sunne Wright McPeak, who is the Secretary of Business, Transportation and Housing Agency, she believes very firmly that housing is the linchpin of economic development, and has very much been encouraging everybody in the transportation community to look at the linkages between transportation and housing. So she is very committed to the work that this organization is doing to furthering housing.

CHAIR PARKER: Thank you.

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Item 2. Approval of the Minutes of September 18, 2003, Board of Directors Meeting

CHAIR PARKER: Next is the approval of the minutes from September 18, 2003.

If you have a chance --

MR. CZUKER: So moved.

CHAIR PARKER: Moved.

Is there a second?

MR. FRANKLIN: Second.

CHAIR PARKER: Second by Mr. Franklin.

Is there any discussion?

(No audible response was heard.)

CHAIR PARKER: Did you find any errors, Mr. Shine? We'd appreciate if --

MR. SHINE: I had this all marked up, and then I can't find my marks. It was not a big deal.

CHAIR PARKER: Is it an appropriate correction? Because we could ask the maker of the motion, to the extent that there's a correction needed --

MR. SHINE: It was just an English and grammar item -- and forget it.

(Laughter)

CHAIR PARKER: So a motion and a second.

JoJo, would you call roll, please?

MS. OJIMA: Thank you.

Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Mr. Bayuk?

MR. BAYUK: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Mr. Franklin?

MR. FRANKLIN: Aye.

MS. OJIMA: Ms. Gallo?

MS. GALLO: Can I abstain because I wasn't here?

MS. OJIMA: You abstain?

MS. GALLO: Yes.

MS. OJIMA: Ms. Sandoval?

MS. SANDOVAL: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: The minutes have been approved.

CHAIR PARKER: Thank you.

There are seven of us. It requires six votes.

So, as I said, hopefully next time, since there are 11 voting members, six required for a quorum; irrespective of the number who attend, six are needed for a vote to occur.

But as we add more members, we will not be in any danger if anyone needs to abstain or recuse

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themselves from any particular item.

MR. SHINE: Are we okay?

CHAIR PARKER: We are okay.

Item 3. Chairman/Executive Director Comments

CHAIR PARKER: The next item is the Chairman and the Executive Director's comments.

Just a couple of orders of business. There is a letter at your seat from Tom Hughes, General Counsel, with respect to the Board lunch today, to make sure for those of you that are attending, that you are aware of -- Tom, as the Board's Secretary, to assist you, so that we make sure that we are always in compliance with FPPC. We're looking forward to having a nice celebration of the service of Carrie Clark and Bob Klein. And we have directions and whatnot for the luncheon afterwards.

If there are any questions about the memo, please talk to Tom.

We have two items on the agenda today. This is also the Board meeting where we go through our annual resolutions of delegation. We will do our Business Plan update.

I may take a couple of items out of order, having all the action items go first, particularly if there are any Board members that need to leave early because of other commitments.

So with that variation, I think we will just essentially start with -- Linn, do you want to go through a couple of projects?

Item 4. Resolution 04-01 (Discussion, recommendation and possible action relative to final loan commitments for the two projects)

MR. WARREN: Thank you, Madam Chair, Members of the Board, good morning.

We have two projects for your consideration today. It's a fairly light agenda, mainly due to the fact that the CDLAC rounds have been set back a month. So my sense is that the March Board and the May Board will be back to our usual load of seven to nine projects. So we'll have a slight vacation today.

So with that, we have two projects for your consideration. I'm going to ask Laura and Ruth to present them.

So with that, why don't we go on and get right to it?

Resolution 04-01 (Murphy Ranch II, Morgan Hill/ Santa Clara)

MS. WHITTALL-SCHERFEE: I'll start the discussion on Murphy Ranch. Murphy Ranch Apartments was originally approved --

CHAIR PARKER: I'm not sure your mike is

working.

MS. WHITTALL-SCHERFEE: Is it working now?

CHAIR PARKER: Much better.

MS. WHITTALL-SCHERFEE: The little switch on the top.

Murphy Ranch II is the second phase of a project that was originally financed -- Phase I was originally financed by CalHFA. Murphy Ranch Apartments is a 62-unit project that is already completed. And the permanent loan is scheduled to close soon. This is a request for financing for Murphy Ranch II.

Murphy Ranch II is a 38-unit family project in Morgan Hill. They are requesting approval of financing through our construction loan program, for a construction loan in the amount of 7,235,000 dollars for two years. They also are requesting a permanent loan in the amount of 4,400,000 dollars.

The borrowing entity has already been informed -- I'm sorry, I'm already moving on to the next project.

Additional locality financing is also part of this project. The redevelopment agency for the City of Morgan Hill has approved a loan in the amount of 3,400,000 dollars, for a term of 55 years at 4 percent simple interest. The property is an infill behind

Phase I. And Ruth Vakili will go through the slides and explain how Phase I and Phase II fit together.

MS. VAKILI: Murphy Ranch, in the City of Morgan Hill, is about 20 miles south of downtown San Jose. You're looking right now at the northwest location, looking up Butterfield Boulevard. You can see that the streets are already installed. And towards the back of the site, which is outlined, you can see the emergency access road, which is right here, which has also been fully installed as a part of Phase I.

The project consists of 34 units of townhouse-style units; and they're ranging from two-bedroom to four-bedroom. There are four three-bedrooms, two baths, which are flats. There are 124 parking spaces, 20 of which are covered. The units themselves have forced-air heating and air-conditioning. Each unit has a large, private patio. And the units are all wired for phone and Internet access.

The community building, which is already part of Phase I and is built, is 2,800 square feet. There is also a pool, which you can see from this slide, as a part of Phase I.

The project exceeds the Title 24 energy standards by 25 percent, a point which the developer endeavored to try to do, and did a very good job.

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It is also located about two blocks from the Caltrain station, and a bus stop is located across the street. There are a variety of shopping and cultural opportunities right around the project. And in the neighborhood, there are a mix of single-family homes, vacant land, and commercial spaces.

You can see here the completed Phase I, which is very attractive.

The unit mix consists of 12 two-bedrooms, 24 three-bedrooms, and two four-bedrooms.

The market overview in the City of Morgan Hill consists mainly -- I'm sorry, let me back up.

The primary market area in Morgan Hill is Morgan Hill and parts of the unincorporated San Martin, which is a radius of about between 6 to 15 miles of the subject. In this area, the market study found seven market-rate projects, very few of which actually contain three- and four-bedroom units. There is a very high level of demand for larger housing units in this area. And within these seven market-rate projects, the occupancy levels were 96 percent. In the same area, there were seven affordable rental properties containing 438 units. The affordable rental properties, the vacancy rate ranges from 1 to 2 percent. Vacancy factors are mainly a function of turnover.

The property is expected to be very well received, as was Phase I. Phase I rented up within three months' time at rents that are identical to what is being charged for Phase II.

Phase II is expected to be as well received, and expected to be completely leased up to within a two- to three-month period.

There's a waiting list of qualified tenants, of over 600 qualified tenants that were garnered from Phase I, which we expect to go in -- some of these tenants will actually go into Phase II.

MS. WHITTALL-SCHERFEE: The project is owned by Murphy Ranch II, a limited partnership; and the general partner is First Community Housing Development, a California corporation. They are -- I'm sorry, a California nonprofit development corporation. They were the developers of Phase I.

They are using the same management company as was used on Phase I, and that is The John Stewart Company. The same contractor will also be building this project, and that is L & D Construction Company, Inc. They came in early, and they came in under budget.

And with that, we'd be happy to answer any questions; and we are requesting your approval for this project.

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CHAIR PARKER: Board Members, questions?

Mr. Bayuk?

MR. BAYUK: A question on the first mortgage. At the beginning of your -- I might have misunderstood. They're asking for a construction loan for 7,200,000 dollars for two years, but it says here 18 months.

MS. WHITTALL-SCHERFEE: Yes. I think I need to correct my statement. It's an 18-month construction loan.

CHAIR PARKER: Mr. Czuker?

MR. CZUKER: In general, I'm very supportive of the project. I have a few questions of staff.

Starting with, is this an unusually high-cost area? Because we're looking at total uses that, at its peak, is 316,000 dollars per unit, which seems like a very, very high cost, especially when the land cost in that particular project is not out of line, at roughly 24,000 dollars a unit. That is not an unreasonable or expensive piece of dirt. So the cost is primarily in the cost of improvements. And we're showing, in terms of new construction, the hard cost of, roughly, 176,000 dollars per unit, which appears to be on the high side on a per-unit construction cost.

And then as a follow-up question, the local fees seem to be a bit high, at over 10 percent; where the local municipality, on one hand, is contributing 3.4 million dollars; but on the other hand, they're basically taking back off the top, over 1.1 million dollars in fees. So I'm just curious if there's been any discussion or thoughts about that, and if you can comment on those few issues.

MS. VAKILI: In Santa Clara County we've done several projects, and found that to be exactly the case, where project costs per unit are higher than you would experience in other areas. It's relatively common.

These prices are substantially bid out by the contractor to finish Phase I, based on actual costs.

And although you are correct in noting that the costs are higher than you would see in other markets, in Santa Clara County that is generally the case. Having myself developed down in Santa Clara County for ten years, I can vouch for that.

And as for the impact fees, it's also the case that I've experienced municipalities will charge full fees, and turn around and create a soft loan in order to take care of the impact fees for the affordable housing projects. And it is generally the case that I see in Santa Clara County.

MR. WARREN: I think, Mr. Czuker, the cost issue which we are looking at on a regular basis -- and they are high, there's no question about it -- I'm not sure what the solution is to that. I think many localities, for various reasons, have imposed design criteria, which have driven up costs. I think as Ruth indicated, the building in the San Jose area is high from trades. But I think it's an ongoing problem that we all need to look at because they aren't going down and they're taking away from housing. So I don't have a good answer for you as to why they're high; but they do seem to keep trending up.

MR. CZUKER: Well, from your budget and pro forma of income and expenses, Year 1 debt coverage at 110 starting is obviously very healthy and acceptable. And your operating expenses, without taxes and assessments, at over 4,000 dollars per unit, also seems to be reasonable and healthy, so that the staff is being conservative in their underwriting, yet you're starting with a very high-cost basis, to begin with.

And the question, really, how do you -- you know, it's hard to deal with projects that come in, and how to encourage the applicants to really try to get competitive bids, and not allow too much fluff or padding in the construction budgets. And that's easier said than done; and so it's a tough task for staff to pursue. I recognize that.

MR. WARREN: Yes, I think it's the conflict that we have, that, on one hand, as a construction lender, we want to have strong budgets to make sure we're adequately covered. But, on the other hand, from a policy standpoint, you know, we're not being able to build as much housing accordingly.

So like I said, there's not a good answer; but it is something we have to look at.

I think on a go-forward basis, on all of our construction lending, we are looking at costs, I think for both issues. Is the project adequate for development, and is there too much fluff, so if we have to make changes, can we pare down the budget? It is a case-by-case situation.

MR. CZUKER: Have union labor requirements impacted the budget significantly?

MR. WARREN: In most cases, yes. I think that all of our projects always were prevailing wage; but now the prevailing wage is more pervasive after January 1. We are seeing, across-the-board increases. We're also seeing a shortage of skilled trades, as they compete for other projects typically in Southern California. Many have left the north and gone to the south. Consequently, labor bids have gone up accordingly.

Labor costs and construction costs today are

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very much in a state of flux. And it's not just that, it's timber and a lot of other areas. So I think it's going to take a while before it settles down.

MR. CZUKER: Have you figured out approximately how much of a load that labor cost is adding to what would otherwise be the hard cost of the project?

MR. WARREN: It really does depend on who you talk to. Conventional wisdom is between 15 and 30 percent, depending upon the project.

MR. CZUKER: Thanks.

CHAIR PARKER: Ms. Peterson?

MS. PETERSON: I'd like to just add our concerns as well with the total development costs of being over 300,000 dollars per unit and say that at CDLAC, CDLAC had about three or four deals during the course of 2003 where the total development costs were over 300,000 dollars per unit -- and is looking at what kind of cost containment might be possible within its structure to encourage, incentivize, or perhaps if the carrot approach doesn't work, find a stick with which to try to beat the prices down a little bit.

The prevailing-wage requirement, this is a deal that will be going to CDLAC next month, I assume.

MS. WHITTALL-SCHERFEE: This was approved.

MS. PETERSON: Oh, this already has been

approved?

MS. WHITTALL-SCHERFEE: This is the fourth round, and they have --

MS. PETERSON: Well, this would have been one of the ones that was already looked at by CDLAC during 2003. And where there were deals, and I think 300,000 dollars was sort of the cutoff, CDLAC asked for an explanation from all of those deals on why their costs were high -- and so there would be something on the record that would speak to this particular deal.

With respect to the prevailing-wage requirements, there have been a couple of studies that have been done that have attempted to look at tax credit deals and bond deals and to try to quantify what the increases will be. And the range is anywhere from 6 percent to 32 percent, depending on the locality and so on.

And so, obviously, the affordable housing community is looking for some relief with respect to AB 975 and AB 972, and hoping that there will be some kind of relief in that regard, whether it be the DIR actually establishing residential rates or adopting residential rates, so that would at least bring down the costs from the currently established commercial rates while people are seeking other avenues of relief.

While I have the floor, I actually want to ask one question, and that is, was I reading this wrong -- are there 124 parking spaces for 38 units? Or is it 124 parking spaces for both of the phases combined?

MS. VAKILI: This is for both of the phases combined. It's a shared parking arrangement. And there will be reciprocal easements for shared parking. But it is relative to overall Phase I and Phase II. It equates to about a 3.25 spaces per unit, which is ample, especially, if they --

MS. PETERSON: At least ample.

MS. VAKILI: You need to take into consideration that it is very close to Caltrain and public transit. So this is a shared parking arrangement.

MR. WARREN: We have excessive paving costs on this project, so it's a little bit high.

MS. PETERSON: Yes, I just wondered, the costs presumably won't be borne by the second phase, entirely.

MS. VAKILI: No. Everything is shared on a pro rata basis.

MS. PETERSON: And the fact that it's close to Caltrain is relevant because? Does that mean public people -- other people will be using it? Or I don't get the connection.

MS. VAKILI: The idea is that the residents will actually be using Caltrain. And my thought is -- it's not necessarily something that has come from the municipality -- but my thought is that normally you would see a lower parking rate than you see here. But for this project, that is not the case.

However, the --

MS. PETERSON: It's totally counterintuitive to me.

MS. VAKILI: It is. And yet the residents who leased these units will have a one-year free pass; it's called "Eco Pass" on Caltrain, and they will be able to utilize the Caltrain system fairly readily and for free.

CHAIR PARKER: Ruth, what is the normal number of spaces per unit that we see in a project? You are saying three and a half spaces for the shared units?

MS. VAKILI: Yes.

CHAIR PARKER: I guess that's the point. Doesn't that seem excessive, particularly if you're trying to encourage use of public transit?

MS. VAKILI: It seems excessive. But there is a high number of three-bedroom units. And so you will have families with at least two cars. And the bedroom count is what dictates the number of parking spaces. I can't speak for the City of Morgan Hill.

MR. WARREN: That's correct. What you want to avoid is a double-space situation, which is a bad situation. So I think it is large. The parking ratios are set by the locality. That is what they want to see. And if they're willing to support it, it's not something that we basically accept. But it is somewhat counterintuitive.

CHAIR PARKER: Actually, Mr. Bayuk, did you have a question earlier?

MR. BAYUK: No.

CHAIR PARKER: Mr. Shine and Mr. Czuker.

MR. SHINE: Just for clarification. It says in the proposal here that the subject phase has 124 parking places. Is that correct?

MS. VAKILI: Yes.

MR. SHINE: Are any of those spaces attributable to the prior phase of 60-some-odd units? Or is this just not 38 units?

MS. VAKILI: This is actually an overall three-spaces-to-one unit, is an overall ratio that's been --

MR. SHINE: Three spaces to one, which would be three times the 38-some-odd units?

MS. VAKILI: Yes.

MR. SHINE: Right. And is there additional parking over and above that, physically, for the units that are there now, prior to construction? The first phase? Do they have their own parking?

MS. VAKILI: Yes, they have their own parking; and it's the same ratio.

MR. SHINE: So that's part of the reason why 33,000 dollars per unit for site work, the cost is so high for on-site development of that kind of thing?

MS. VAKILI: That's part of the reason.

Another reason is, if you noticed on the previous pictures -- if we could go back, there's an emergency access route that was required by the City.

MR. SHINE: The cul-de-sac in the back?

MS. VAKILI: Yes, and they specifically asked us to --

MR. SHINE: And that cost was all written off on these 38 units?

MS. VAKILI: Pro rata, on all of the units in Phase I and Phase II, they share the cost. But it's an additional cost to the project that you don't always see in every --

MR. SHINE: So about 40 percent of that cul-de-sac belongs to this phase?

MS. VAKILI: Yes. And so there were other extraordinary types of costs on this project that you wouldn't always see in every project.

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MR. SHINE: The pool and common facilities are in and usable but not part of this cost or this unit because it's part of Phase I; is that correct?

MS. VAKILI: That's right.

MR. SHINE: So you'd have no little tot lot or those kinds of costs attributable to these units?

MS. VAKILI: That's right.

MR. SHINE: It's very interesting.

CHAIR PARKER: Mr. Czuker?

MR. CZUKER: How has the staff been able to deal with the processing of the construction loan by staff, since that's relatively a new product and service? And, obviously, here we're approving the loan with a construction loan. And how has staff been able to deal with the administration of a construction loan?

MR. WARREN: It's gone well. It's been well received. But I think like any new product, it's been a mixed bag, as we've worked through the procedures. But the industry is comfortable with it. We have procedures in place -- we have brought procedures in place, inspectors have been hired. So I think the short answer is, Mr. Czuker, it seems to be fine. And the requirements as set forth within our term sheets are being accepted by the borrower.

So it's a modest pipeline. You'll see later on, we have seven or eight construction loans in the pipeline, which is not a huge number. But it seems to be a product that people are interested in utilizing.

MR. CZUKER: Are you paying the vendor direct, or are you paying the general contractor direct?

MR. WARREN: We're paying the -- I believe in this case, we're paying the borrower directly; is that right?

MS. VAKILI: That's right.

MR. CZUKER: And so you're doing progress, percent of completion --

MR. WARREN: Yes.

MR. CZUKER: -- With some type of labor and material releases?

MR. WARREN: That's correct.

MR. CZUKER: Okay.

MR. BAYUK: Do you require performance bonds?

MR. WARREN: The performance bonds and completion bonds and payment guarantee bonds, yes.

MS. WHITTALL-SCHERFEE: And those are included on the front sheet --

MR. WARREN: The summary.

MS. WHITTALL-SCHERFEE: -- Of the financials.

MR. CZUKER: Guarantee or bond? That's actually a distinction.

MR. BAYUK: It's a big difference.

MR. WARREN: In some cases, we'll accept guarantees, depending upon underwriting of the borrowers. But in all cases, we're requiring bonds from the contractor. Guarantees from the owner, in certain cases.

CHAIR PARKER: Dora?

MS. GALLO: I had a question about the operating budget. In your narrative, you mentioned that the community building, the pools and such, is constructed in the first phase. But the ongoing maintenance is shared by two phases. Is that already -- are the assumptions incorporated in your operative maintenance expenses? It seems a little --

MS. VAKILI: Yes, they are, on a pro rata basis.

MS. GALLO: It seems a little on the low side, if it includes that.

MR. WARREN: I'm sorry?

CHAIR PARKER: I'm sorry, I couldn't hear what you said.

MS. GALLO: I'm sorry. It seems a little low, if it would include that, because you're looking at 26,000 dollars per year for operating and maintenance, if it includes the pool, cabana, playgrounds, community building.

CHAIR PARKER: Is that based on the experience that they had in Phase I, that they've used to develop their operating costs for Phase II with the appropriate pro rata share?

MS. VAKILI: Yes, it is. Phase I is under operation, and they have actual costs that they've used for these assumptions.

CHAIR PARKER: Are there any other questions?

Is there a motion?

MR. CZUKER: I'll move.

CHAIR PARKER: Mr. Czuker.

MR. SHINE: (Indicating).

CHAIR PARKER: Mr. Shine seconds.

Is there any more discussion?

(No audible response was heard.)

CHAIR PARKER: JoJo, would you call the roll, please?

MS. OJIMA: Who was the second?

CHAIR PARKER: Mr. Shine.

MS. OJIMA: Thank you.

Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Mr. Bayuk?

MR. BAYUK: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Mr. Franklin?

MR. FRANKLIN: Aye.

MS. OJIMA: Ms. Gallo?

MS. GALLO: Aye.

MS. OJIMA: Ms. Sandoval?

MS. SANDOVAL: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Resolution 04-01 has been approved.

CHAIR PARKER: Thank you.

Resolution 04-02 (Pacific Grove Senior Apartments Pacific Grove/Monterey)

CHAIR PARKER: Linn, the second project, Pacific Grove.

MR. WARREN: Pacific Grove, Laura.

MS. WHITTALL-SCHERFEE: Pacific Grove Senior Apartments is a senior project, 49 units, located in Pacific Grove, California, which is very proximate to Monterey. The borrower is requesting a loan to lender in the amount of 5,280,000 dollars for 24 months. They are also requesting a permanent loan in the amount of 1,360,000 dollars at five and a half percent for 30 years. The loan-to-lender will be Wells Fargo on this project.

The project will be constructed on a ground lease. The ground is owned by the City of Pacific Grove, and they are leasing it for 80 years.

Once the project is constructed, the payment will be a dollar per year.

In addition, the City has committed to a loan for the term of 57 years, at 110,000 dollars, with residual receipt payments; and they have also waived 99,240 dollars in plan check and building permit fees.

The project has also obtained approval for an AHP loan in the amount of 300,000 dollars, for a time term of 30 years. And they have an application for HOME funds in the amount of 3,500,000 dollars for 55 years. And that application, we expect an answer on that on February 13.

Ruth will now walk everybody through the slides.

MS. VAKILI: As you can see, the project is in close proximity to the ocean.

It's right along Lover's Point. It is the only open site in Pacific Grove. It is also located directly across the street from a very active and involved senior center. It's catty-corner from the 18-hole public golf course and right across the street from the Lover's Point beach area.

Down here is Asilomar Beach. It really doesn't get much better than this in terms of location.

(Laughter)

MS. PETERSON: Can we reserve spas?

(Laughter)

MS. VAKILI: We would like to make it a condition that one of the units is left open for members of CalHFA; but that wouldn't be right.

(Laughter)

MR. WARREN: But that would be wrong.

MS. VAKILI: We stopped short of that.

This is another view of the site. Here, you'll see a half-acre park, which is also a part of the ground lease and part of the project. It's called Chase Park. It serves as open space, not only for people in the area, but also as open space area for the residents of the project.

Chase Park is natural and unimproved, and will also have parking spaces along the front of it which can be utilized for not only guest parking for the residents, but also the Coastal Commission requires 30 spaces for the public for use along the Lover's Point area.

The project is a quarter of a mile from downtown Pacific Grove; and, again, it's across from the Sally Griffith Senior Center. There is also a bus stop across the street at the senior center.

The two parcels containing the public Chase Park and the residential space total 1.63 acres. There will be a single building of three and four stories built. And we will also have tuck-under parking, with nine spaces open at grade, and 19 covered parking spaces in the tuck-under area.

The project will have a security entrance at the main entrance of the project and also at the parking level.

Here, you see an elevation of the project. It will have cedar shake exterior siding, copper downspouts. It will be a very attractive project in keeping with the area.

The area around the site is primarily residential older homes, very well maintained, as you can imagine in Pacific Grove.

The project will consist of eight studios, thirty-four one's and seven two-bedroom units.

Here, you can see a layout, the site layout of the property, and also the rent structure.

The market for this project, the primary market area, is about an eight-mile radius. And it consists of Pacific Grove, Monterey, Carmel, Seaside and Marina. In this area, there are no apartments specifically for seniors. Therefore, there's a lot of the market-rate projects contained between 10 to 30 percent senior tenants, which is a little bit unusual for the area.

There is a larger percent -- 55 percent of the units in the market area are occupied by renters; and of these, 50 percent of the renter households are seniors. So there's a large senior population in Pacific Grove.

In the market-rate general occupancy projects they are fully leased up, and the occupancy rate is almost 97 percent, which translates to five vacant units out of a total of 328 units surveyed.

There are five senior tax credit finance projects in Monterey County. Only two of these are located within five to seven miles of the subject, and the rest are in inland areas, such as King City and Soledad.

The project is expected to be fully leased up in 1.8 months. Basically, the time that it takes in order to execute leases and move the happy tenants into this project. So the marketing time is very low.

The City of Pacific Grove is highly dedicated to this project, and they have shown their dedication by allowing a higher density in order to build this project. The city also has generated a list of over 300 seniors in Pacific Grove who are interested in leasing the project. It is expected to be a very, very easy lease-up.

As you can see, the rents are very favorable relative to market rents.

And I think that's about it.

MS. WHITTALL-SCHERFEE: The borrower on this project is Jewell Avenue Associates, Limited Partnership; South County Housing, Incorporated, is the general partner.

CalHFA is familiar with South County. We recently did a first loan to lender with South County, and that was Monticelli Apartments. And we also are under construction with Corralitos Apartments in Freedom, California. South County Housing has a history with CalHFA. An affiliate will be managing this project, which is South County Property Management.

And with that, we would like to entertain any questions, and we're recommending approval for this project.

CHAIR PARKER: Mr. Czuker?

MR. CZUKER: Thank you.

First, obviously, I want to commend staff for putting forth such a beautiful application and project. Obviously, it's a gorgeous location. And it's nice to see the dramatic differences between market-rate rents versus the restricted rents, and make it a very safe deal.

The project has tremendous local sponsorship and participation with other resources of capital beyond CalHFA, which is obviously something we always like to see.

And my question to staff relates to, specifically, the HOME funds. Because the loan to lender, which is approximately 3.35 million dollars, in order for it to be reduced to the permanent loan amount required upon funding the permanent loan, it looks like the proceeds are coming from two sources: first being the equity from the tax credits, and the second being the step-up in the basis on the funding of HOME funds.

Have those HOME funds been committed, and is there some type of written agreement that would show that there is a requirement or a condition that it will step up in funding to help retire the loan-to-lender portion of CHFA's commitment?

MR. SHINE: CalHFA.

MR. CZUKER: CalHFA, excuse me.

And a point of clarification -- thank you -- also, the construction cost here, which is another high-cost area, it's nice to see that the total cost here is, roughly, 200,000 dollars per unit, and the hard cost here is only 121,000 dollars per unit in a similarly high-cost area. So, again, I want to commend staff for bringing in a high-cost area product for 200,000 dollars a unit and construction of 120,000 dollars in hard costs, which, obviously, is a model for future projects. Thank you.

MS. WHITTALL-SCHERFEE: The decision on the HOME funds will occur on February 13. So they are not committed yet; but we are optimistic that they will be.

MR. FRANKLIN: And I might add to that, this is, for what's called the balance of the state, which are jurisdictions that are below, I believe, its 50,000 population, they come to the Department of Housing and Community Development for their HOME funds. And that is the case with this project. That is an application to HCD.

The borrower is very familiar with our program and our competition around that; and we will be putting those out in February. So not to prejudge the application, but we're not fully subscribed this round in applications. And this borrower has taken advantage of the opportunity to come and reach out to us prior to the application, to have us take a look at it and give him a feel for his competitiveness. So just to add that information.

CHAIR PARKER: Is there a second part to the question, Mr. Czuker, that was answered?

MR. CZUKER: Well, my second part was primarily,

this is a model project by cost also, for a high-cost area. You have a total project cost of 200,000 dollars per unit, and a hard cost of 121,000 dollrs per unit in both cases, as this could be a model for high-cost area, to deliver a new product. This is, you know, a stellar project from the standpoint that market rents are substantially higher, making this a safer deal. And the costs for bringing it in, in a high-cost area, are also much more in line with what we'd like to see at lower levels, so
I am obviously -- and the local support participation, which makes me obviously very happy and supportive of the project.

CHAIR PARKER: Other questions by Board members? Ms. Sandoval?

MS. SANDOVAL: Have all of the Coastal Commission approvals been received for this project?

MS. VAKILI: Yes, they have.

MS. SANDOVAL: And what did you say they required?

MS. VAKILI: One of the requirements was that as a part of the development, they provide 30 parking spaces for public use, which the developer has. And they were design-density requirements. So the density was originally requested at 64 units, and it was reduced down. So that was another concession. The Coastal Commission has fully approved the project.

MS. SANDOVAL: And is the parking factored into the costs?

MS. VAKILI: Yes, it is. The parking is actually fairly minimal; and it only consists of on-street paving and striping. So there's really nothing special to it.

MS. SANDOVAL: We don't anticipate any security issues related to the parking?

MS. VAKILI: Not that I'm aware of. It's in a very public location, being part of the Lover's Point area, and well lighted. So there were no security issues that were brought up.

CHAIR PARKER: I'm not sure if any of you had a chance to visit that part of the California coast. We had to fight to find staff members who would be willing to go down there and work on this project, as you can imagine. But it is a -- I've been there. The municipal golf course, that's right across the street, is a wonderful, beautiful place that deer freely roam; and the cost to play golf at that particular course, if you can imagine, a place where you're seeing premier fees for other internationally-known golf courses is relatively low. And it's a wonderful site. A real commitment to

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the community, for them, essentially gearing this to the senior population.

And many of us are trying to figure out how to -- some way how we can put ourselves on the 300-people waiting list for when we reach that blessed age.

Are there other questions of the Board? Ms. Gallo?

MS. GALLO: I'm new. So I don't know these numbers.

A couple of numbers didn't -- were not consistent on the pages. For instance, operating expense reserve is 33,000 dollars, which is essentially 10 percent of the gross income. But on your work sheets you have 36,000 dollars.

CHAIR PARKER: You're looking at page 67 and --

MS. GALLO: 167, 168, 170, and 171. In looking at that, so I just wondered how that --

MR. WARREN: Say that again.

MS. GALLO: If you look at 167, operating expense reserve is 33,000 dollars. If you look on page 168, it says 46,540 dollars.

MR. CZUKER: I believe one of them is a CalHFA reserve that they're taking as part of the application up front, not a project-based reserve.

MS. GALLO: Oh, so you lumped it into --

MR. WARREN: The reserve on page 167, as Mr. Czuker correctly indicated, is an operating expense reserved, which we hold for two years.

And, I'm sorry, the second number, Ms. Gallo, is where?

MS. GALLO: It's on page 168 under "Uses," you have "Reserves" listed as 46,000 dollars.

MR. CZUKER: That's construction-related reserves.

MS. GALLO: I'm sorry, it's construction?

MR. CZUKER: Well, it says "permanent."

MR. WARREN: It's not always our reserve.

It's not our reserve.

MS. WHITTALL-SCHERFEE: Frequently, we have a reserve that we require, which is less than a reserve either required by the investor or a locality. So we include in our development budget the total amount that is required from all sources.

And we hold the specific amount that was referenced on page 167 at CalHFA, and the other part of the reserve is held by whomever is requiring it.

MR. WARREN: The other way to look at it is that the letter of credit required by the Agency is not a capitalized reserve; it's outside of the capital budget; whereas an equity investor may require reserve for the long-term, that is often capitalized, so it shows within the budget. So we try to separate the two.

MS. GALLO: And the other --

MR. WARREN: So essentially there are two operating reserves on this project.

MS. GALLO: The other numbers question is on page 170, your permit processing fees and impact fees. In the previous project, you lumped them together with local impact. But if you look at local fees, on page 168, it only reflects the permit processing fee. And I just wondered if you rolled up the impact fees into another line item on page 168?

MS. WHITTALL-SCHERFEE: Yes, they're rolled up in the TCAC of their costs, which we've tried to avoid doing.

MS. GALLO: Okay. And then I have a philosophical question, and maybe it's something the Board understands, but again I don't, is the reserve for replacement set differently for different projects? It's not consistent across the board?

MR. WARREN: The Agency generally starts with the old HUD standard, which is six-tenths of 1 percent of the hard cost for replacement. And then we adjust that pursuant to the project. So, for example, if you had a project -- if you took that factor, and it had underground parking, then the replacement reserve number would be skewed extremely high, and often we would reserve it back down. So it becomes a little bit more art than science. But generally, we use the six-tenths of 1 percent as a starting point. We often adjust it by what our experience is with asset management. And, if necessary, we increase it or decrease it accordingly.

The other factor to consider is that we may front-load the reserves for the project in the first few years, and then step it down later a little bit in later years. So we try to mitigate that number. So normally, it's the six-tenths of 1 percent number that we use on a long-term basis.

CHAIR PARKER: Thank you. Mr. Shine, did you have a question before Mr. Czuker?

MR. SHINE: Well, I don't have a question but a comment.

I'd like to compliment staff and everybody who was involved in it on the larger breakdown of costs, which we have been discussing for some time, which may in the long run raise some more questions but certainly will enhance the clarity of what we're doing. Thank you.

MR. WARREN: We'd be more than happy to offer up the details, Mr. Shine.

MR. SHINE: Thank you.

MR. WARREN: You're welcome.

MR. CZUKER: Well, I just wanted, as a point of clarification for Dora, to say that reserves for replacement, once you're starting with a brand new project where they may have front-ended the reserves for capitol improvements, to begin with, and very often, you have warranties on building materials, at a minimum for the first year, in many cases, long term like on roofs and other products, components of construction, that the 400 dollars per unit for reserves on a senior project is fairly reasonable and even possibly on the high side of what capital reserves should be for a product of this type.

MS. GALLO: Yes. I bring it up because the previous project reserve fund was only 350 dollars, and this is 400 dollars. And then we knocked it down, and I wasn't clear why.

MR. CZUKER: That becomes an added cushion. If anything else, the more reserves that the staff put into the deal, the more safety nets and protections, if anything goes wrong, that the CalHFA staff has to deal with problems down the road.

CHAIR PARKER: Mr. Bayuk?

MR. BAYUK: I think it's a great project; and I like seeing these types of projects come before the

Board. But one of the things I don't like in this project is the one elevator, being that it's a senior citizen housing project. I don't know, I always feel that I'm always looking out for senior citizens, and I'm always careful when I drive into a parking lot, looking at the handicap spots and making sure the person is actually handicapped and using it.

Senior citizens normally have -- you know, they don't use stairs so easily, and they normally go for the elevator. I don't know if a project -- I feel that senior citizen projects should have at least two elevators.

MR. WARREN: Right

MR. BAYUK: I'm wondering why it was not incorporated during the --

MR. WARREN: The design?

MR. BAYUK: -- The design.

MR. WARREN: Our design manual calls for, generally, two elevators for a senior project, generally, if they're in excess of 50 units. And it is somewhat of an arbitrary issue.

It's a cost issue. Elevators are expensive. And some sponsors feel that their tenants are adequately served by one elevator. It is a judgment call. But I think when you get into the larger projects in excess of

50 projects and our design guidelines call for two, it would be nice to have two, and sometimes the project budget may not be over 40. But it is a requirement for larger projects.

MR. BAYUK: That maybe explains the low cost of the project.

CHAIR PARKER: Mr. Czuker?

MR. CZUKER: Also, as a clarification, very often in high-density, multifamily, the ratio is 1 to 60. So while staff is taking it down to 1 to 50, more typical industry standards is 1 to 60.

MR. BAYUK: Right.

MR. CZUKER: So granted that it's a senior project; granted they may have to wait a little bit longer for three stories.

MR. BAYUK: It's 1 to 60, but not on a senior-citizen housing project?

MR. CZUKER: Correct. So on a senior housing project, it's three stories. The time to go -- as a lift between three stories, it's a judgment call.

MR. BAYUK: What is the requirement of housing for a senior citizen project?

MR. WARREN: Well, I'm trying to recall with the modification for the Unruh Act calls for, and I don't have that with me, but I believe some legislation passed last year, which mandated increased accessibility for elevators for senior projects as a modification of the Unruh Act. So we'd have to comply with that or the architects would.

The Agency reserves the right to make it a judgment call, under our design. So we don't have hard and fast rules, but we certainly have guidelines that we try to follow.

CHAIR PARKER: When the project was designed with our design review staff, was there a discussion of what the additional cost of the second elevator would have been?

MS. VAKILI: I attended the concept meeting, and the elevator is located in a central area which is convenient for all the tenants. And being that it serves the 49 units, that was acceptable.

There wasn't a discussion of adding an additional elevator. Our architectural staff was satisfied with the location of the elevator serving the 49 units.

MR. SHINE: This is three floors?

MR. CZUKER: Yes.

MS. WHITTALL-SCHERFEE: Yes.

MR. SHINE: So a third of these people aren't elevator-involved, in any event?

MS. WHITTALL-SCHERFEE: Right, they're on the ground floor.

MR. SHINE: So you're servicing 30 some-odd units? Is that correct?

MR. WARREN: That's right.

MS. WHITTALL-SCHERFEE: Yes.

MR. WARREN: Fifteen a floor, roughly.

MR. BAYUK: My big thing is it's a senior citizen complex, and sometimes with a wheelchair, people are, like, on the second or third --

MR. CZUKER: There are only two handicapped units, I'd -- I'll bet they're all on the ground floor.

MR. WARREN: All accessible units are on the first floor of our senior projects.

MR. SHINE: There's got to be a number.

MR. BAYUK: Right. I just look at senior citizen and handicap housing more carefully. And we spent a lot of money on housing on the last project. As Ed pointed out, it was very expensive, this being a lot different. What's another elevator? But, okay.

MR. SHINE: Just so we don't get -- these two projects have almost the same cost per square foot for hard cost to build. The big differences of getting into high cost is 30 some-odd thousand dollars in impact fees in one area that you don't have in the other, and another

20 or 25 thousand dollars in site development costs; whereas Pacific Grove, there's nothing to do there.

MR. BAYUK: Right.

MR. SHINE: So that 50 or 60 thousand dollars has a real impact on the 900-foot unit.

MR. CZUKER: With one clarification. The hard cost itself was a difference of 176 dollars per unit versus 121 dollrs per unit.

MR. SHINE: But per square foot, it's within a couple of dollars, 119 to 116 dollars.

CHAIR PARKER: These are substantially smaller units, obviously because there were a number of three-bedrooms in the other one.

MR. SHINE: You would think that the smaller units would cost more, because they all have a kitchen and they all have a bathroom, and it didn't work out that way here.

MR. WARREN: Okay.

MR. SHINE: It's all expensive, as far as I'm concerned.

CHAIR PARKER: Mr. Czuker?

MR. SHINE: If anybody converts, let me know.

CHAIR PARKER: Was that a motion, Ms. Gallo?

MR. CZUKER: If the discussion is over, I'll move approval.

MS. GALLO: I'll second.

CHAIR PARKER: We have a motion by Mr. Czuker and a second by Ms. Gallo.

Is there any more discussion among the members?

MR. BAYUK: Yes. You know I am for the project; but I just would have liked to have seen two elevators, to make a comment for the record.

MR. WARREN: Okay.

CHAIR PARKER: Yes. From the standpoint, an addition noted for senior projects, going forward.

MR. WARREN: Right.

CHAIR PARKER: Call the roll.

MS. OJIMA: Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Mr. Bayuk?

MR. BAYUK: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Mr. Franklin?

MR. FRANKLIN: Aye.

MS. OJIMA: Ms. Gallo?

MS. GALLO: Aye.

MS. OJIMA: Ms. Sandoval?

MS. SANDOVAL: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.
MS. OJIMA: Resolution 04-02 has been approved.
CHAIR PARKER: Thank you.
Would the Board like to take a ten-minute break before we do our delegation resolution?
MR. CZUKER: I second that.
CHAIR PARKER: Why don't we come back at ten to eleven, then?
(A recess was taken from 10:40 a.m. to 10:54 a.m.)

Item 5. Resolution 04-03 (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)

CHAIR PARKER: Mr. Carlson, do you want to walk us through Resolution 04-03, page 181?
MR. CARLSON: Yes. Thank you, Terri.
If I may make a couple of introductory remarks, I have a slide up here showing I have three separate items. Items 5 and 6 will grant the staff authorization to sell and issue bonds throughout the year, and enter into all the different types of financial arrangements

that we do each year, as well as it would authorize us to borrow with both short-term and long-term credit facilities. Of any reauthorization, we discovered -- I went and looked through the Board's records, and I think it began in 1987. And I venture to say, it's worked well for everyone. And we would certainly like it to continue today.

Item 5 is the single-family bond authorization; and it's Resolution 04-03. There we go.

And what this would allow us to do, is sell and issue bonds up to certain amounts, including refunding bonds equal to an amount of bonds that are being retired; bonds -- new Private Activity Bonds that are equal to the amount of allocation of Private Activity Bond volume cap that we get from the California Debt Limit Allocation Committee, and up to 900 million dollars' worth of taxable bonds.

Let's see what the next slide is, yes. Okay, what we plan to do in 2004, is continue to use our AA-rated Home Mortgage Revenue Bond indenture, where about 75 percent of the Agency's debt is now under the terms of that program. And if you've been reading materials, we've started a major cooperation with local agency, mortgage revenue bond issuers; and we'll try to continue that throughout the year.

We'll have various issues of short-term notes, either taxable notes under Home Mortgage Revenue Bonds or draw-down bonds, which are tax-exempt private placement notes, to hold authorization to issue tax-exempt bonds, to hold it and keep it eligible to be used for long-term use later.

We will enter into a new long-term credit facility for down payment assistance; and we will continue to borrow from the state investment fund for warehousing.

If the Board has any questions, I'd be glad to entertain them now.

CHAIR PARKER: Mr. Czuker?

MR. CZUKER: Who would your credit facility be from?

MR. CARLSON: The long-term credit facility we're being offered from Fannie Mae.

MR. CZUKER: Okay.

MR. CARLSON: We haven't seen documents yet; but we've had fruitful discussions with them, and we're hoping to see something from them. But what they're talking about is like a ten-year facility. And it looks like a good alternative to the alternative that I proposed to the Board earlier this year of actually selling bonds to finance some of the things we do at the

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Housing Assistance Trust, like make down payment assistance loans, those kind of things.

MR. CZUKER: Is that like a warehouse facility?

MR. CARLSON: Well, except it's longer term. The warehouse facility, we think it holds loans a few months; versus here, we're talking about really an alternative to issuing longer-term debt.

MR. CZUKER: Would your contemplation, even though it's a long-term credit facility, be that you're going to park a loan there for a ten-year term?

MR. CARLSON: Probably, yes. And with down payment assistance loans --

MR. CZUKER: What kinds of rates --

MR. CARLSON: Well, I think it will be an indexed rate, keyed probably to LIBOR.

MR. CZUKER: So it's something you would hedge?

MR. CARLSON: It depends on how much we need -- what variable rate debt we need to hedge ourselves against other kinds of things that are going on. So to some extent, having low-rate debt is a hedge against other events, such as the yield curve environment like we have today.

MR. CZUKER: And are you creating any competition through Freddie Mac?

MR. CARLSON: Actually, we're working with

Freddie Mac now to try to get them to take one "baby step," which is to offer us standby bond purchase agreements for variable rate demand obligations. One step at a time, I think for them.

CHAIR PARKER: We've tried to work with Freddie Mac --

MR. CARLSON: More than a year and a half.

CHAIR PARKER: -- For, yes, almost two years. We went back and made a pitch to their folks in Virginia with our swap advisor, Mr. Shapiro. And we've been waiting and waiting. And we have been hoping, particularly with some of their most recent events, that they would step up.

MR. CARLSON: But they haven't.

CHAIR PARKER: Although every once in awhile we get a call from a new person that encourages us.

MR. CARLSON: Right. It's gone all around in a circle now. The first person who was assigned this has been -- deservedly, has it back, after trying to pawn it off on a couple of other units.

MS. PETERSON: I would move the resolution.

MR. CZUKER: (Indicating).

CHAIR PARKER: There's a motion by Ms. Peterson and a second by Mr. Czuker.

Are there any other questions of Board members?

(No audible response was heard.)

CHAIR PARKER: JoJo, would you call the roll, please?

MS. OJIMA: Thank you.

CHAIR PARKER: Per resolution 04-03.

MS. OJIMA: Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Mr. Bayuk?

MR. BAYUK: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Mr. Franklin?

MR. FRANKLIN: Aye.

MS. OJIMA: Ms. Gallo?

MS. GALLO: Aye.

MS. OJIMA: Ms. Sandoval?

MS. SANDOVAL: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Resolution 04-03 has been approved.

CHAIR PARKER: Thank you.

Item 6. Resolution 04-04 (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)

CHAIR PARKER: Mr. Carlson, the multifamily authorization?

MR. CARLSON: Thank you, Terri.

Yes, Resolution 04-04 would provide the same kind of authorization to allow us to issue debt and enter into related financial agreements throughout the year. And it has volume limits as well, like, with single-family, it's the dollar -- so we can sell refunding bonds that equal the amount of bonds being retired; in an amount equal to whatever the Debt Limit Committee authorizes us to issue.

Also, a combination of categories, up to 800 million for 501(c)(3) tax-exempt or taxable bonds or governmental-purpose bonds to be used for multifamily. Plus, we've carried -- vastly continued authorizing us to sell debt for loan acquisition. We did this with a large issue several years ago to purchase Section 236 loans from Fannie Mae.

And then additionally, here is the -- this is the same long-term credit facility, a single-family, that we've just shown you here, that it's a 300 million-dollar limit. That would be on the long-term credit facility.

bonds, short- and long-term credit facilities for multifamily purposes and related financial agreements and contracts of services) 063

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And then additionally, here is the -- this is the same long-term credit facility, a single-family, that we've just shown you here, that it's a 300 million-dollar limit. That would be on the long-term credit facility.

Again, well, both these regulations have a life that lasts a little bit of overlap each year, up to 30 days beyond the date of the first meeting of the new year in which there is a quorum. So these are basically overlapping thirteen-month authorizations.

There's our plans for multifamily in 2004. We're going to sell about 20 million dollars of draw-down bonds in February for the end-of-year volume cap we have in '03. We would like to continue using the multifamily housing revenue bonds '03 indenture, which is guaranteed by our General Obligation, now that we have over a billion dollars' worth of bonds in the multifamily program. And under this program, we hope to sell two pooled issues this year of insured auction bonds, one for each CDLAC round. And this year's CDLAC is planning -- their new plans are to give authorization for multifamily only twice a year -- for all uses, twice a year, with two scheduled meetings.

There may be a yet-to-be-scheduled meeting at the end of the year, but that's the plan.

And we'll use this long-term credit facility for loans to local agencies, for instance, the health loans, or we make loans to redevelopment agencies backed by tax increment, we might use this as well.

With that, I'd be glad to take any questions.

Again, well, both these resolutions have a life that lasts a little bit of overlap each year, up to 30 days beyond the date of the first meeting of the new year in which there is a quorum. So these are basically overlapping thirteen-month authorizations.

There's our plans for multifamily in 2004. We're going to sell about 20 million dollars of draw-down bonds in February for the end-of-year volume cap we have in '03. We would like to continue using the multifamily housing revenue bonds III indenture, which is guaranteed by our General Obligation, now that we have over a billion dollars' worth of bonds in the multifamily program. And under this program, we hope to sell two pooled issues this year of insured auction bonds, one for each CDLAC round. And this year CDLAC is planning -- their new plans are to give authorization for multifamily only twice a year -- for all uses, twice a year, with two scheduled meetings.

There may be a yet-to-be-scheduled meeting at the end of the year, but that's the plan.

And we'll use this long-term credit facility for loans to local agencies, for instance, the HELP loans, or we make loans to redevelopment agencies backed by tax increment, we might use this as well.

With that, I'd be glad to take any questions.

CHAIR PARKER: Questions for Mr. Carlson?
Mr. Czuker?

MR. CZUKER: I'm all in support of everything you're requesting. I would just hope that we can develop the demand, so that the numbers coming in for next time are significantly larger, hopefully double the numbers that are currently being requested. It seems that these are modest amounts for CalHFA to have for the type of opportunity and need that's out there. And so hopefully, it will create the marketing and the volume and demand that we can put more money and make more money available to do more of these types of programs for multifamily.

CHAIR PARKER: That will certainly be part of our conversation with our update, and then as we move on into the development of our Business Plan for the next five years to be presented to you in May.

One thing that I would pass out to, not only staff, but the Board, and, Ken, you were with me yesterday when we went to the CDLAC meeting, where it was mentioned by Laurie Weir, a concern that there would not be the demand of allocation for multifamily that they have seen in the past; and so that they are actually articulating that they may go to -- rather than having rounds -- an over-the-counter-type situation this year.

MR. CARLSON: That would be interesting.

CHAIR PARKER: So that may or may not change things. I'm correct in what I'm stating.

Ms. Peterson?

MS. PETERSON: That would not go into effect until sometime halfway through the year, because it would require a change in the CDLAC procedures. But it is something that is being contemplated by CDLAC, particularly with respect to multifamily housing.

CHAIR PARKER: So I thought I would pass that along for Board members to know what is under discussion.

MR. CZUKER: Do you think the demand is down because of the union labor?

MS. PETERSON: That would appear to be, although it's a little bit early to tell. I think that will play a large role in the demand being down. And, of course, it's anticipatory at this point.

The other item that may impact that, is that the volume cap has risen again this year. This is the first time that the inflation factor has come into play, both with respect to both the Private Activity Bond volume cap and the 9 percent tax credit. Not only has the population risen a little bit, about 1 percent, but also the federal law that provided for inflationary additions, the minimum addition on the Private Activity Bond cap is 5 dollars per state resident. And in a state with 35 million people, that equates to about 255 million dollars more than last year.

MR. CZUKER: That's nice.

MS. PETERSON: So the bond volume cap is about 2.8 billion dollars on an annual basis. So those two factors, probably the increase and the projection of difficulties with additional construction costs, make it -- again, like I say, it's anticipatory at this point -- but would lead one to think that there may be at least as much supply as there is demand.

That, of course, could change. You know, it's a little bit difficult to predict.

CHAIR PARKER: The committee met yesterday, and at least as far as designating the percentages of volume cap at 2.8 billion dollars, they're consistent with trying to keep the amount for housing somewhere around 82 percent. So in that sense, the amount for housing has grown; one, because of population, but also going from 75 dollars to 80 dollars on a per-capita basis.

And if you all remember how much this Board was involved in advocating at the federal level and the success of that in 2000 -- I mean, I remember, it wasn't that long ago that volume cap for the state was 1.8 billion dollars, and now it's a full billion dollars more.

MS. PETERSON: Yes, we were 50 dollars per person three years ago.

CHAIR PARKER: And now we're 80 dollars. It's really significant.

MR. CZUKER: Does that lead nicely into, perhaps, looking at mixed income as an alternative to creating more housing opportunity?

CHAIR PARKER: I think that's going to be an interesting discussion to see what CDLAC --

MS. PETERSON: The so-called mixed-income pool is a relatively insubstantial amount of the entire multifamily pool, on the theory that CDLAC has, as I think we have, here at CalHFA, to not only be involved in production for the economic rejuvenation of the state, but to try to get as many affordable units as we can. I think it remains to be seen.

And it may be the amount dedicated to that mixed-income pool would rise. The lion's share of the multifamily Private Activity Bond cap is currently devoted to deals that would be 100 percent -- or that would be in the so-called "general pool," which is more than 50 percent affordable, I believe.

MR. FRANKLIN: You know, I think it would be important for us to watch the demand side of the equation. I'm a little less clear that demand for the affordable piece is going to be down significantly this year, in a world where, you know, if you think two of the programs that certainly drive a high volume of activity that we see, for instance, on this Board are the MHP program and the HCD and the 9 percent credit and the 4 percent at Jeanne's shop; and our MHP program is oversubscribed. We have between two and two-and-a-half-to-one dollars applied for two dollars available. Jeanne's ratios are almost twice that.

So I think we may see those ratios fall, but there's quite a bit of room for them to come down and for us to continue to be fully subscribed and to have activity come through.

The points about the volumes being up and there being quite a bit more money at CDLAC are certainly valid. And CDLAC has not been traditionally as oversubscribed as some of our programs because they do have a mixed-income piece -- or, yes, a mixed-income piece and a variety of other uses.

So certainly it's true that the prevailing wage is going to have an impact; but I, for one, think we need to see what that looks like, once we've got a little time under our belt before we jump to assumptions.

CHAIR PARKER: Yes, I think what Laurie had said yesterday in the meeting, it's not so much that -- I think it's more a matter of, in the past, there has been such major competition, 3-to-1 or 4-to-1 for every dollar, that this may mean a situation where there is -- although there's less competition, there is going to be more than enough demand for the sources that are available. And in that sense, what CDLAC was thinking about doing for the ease of the developer, rather than rushing to compete for certain rounds, allow an over-the-counter process, so that if you really aren't ready until next month, you can ease your cost considerations accordingly, and certainly be flexible enough that if the demand of 2-to-1, 3-to-1 increases, they would go back.

But, again, in an environment where if there's at least some flexibility to offer that to developers from a timing and cost standpoint, which I think, given a bureaucracy looking from a business perspective, I applaud government to be doing that. But that would be part -- as Jeanne said, they have to have the Board vote on those changes to their regulation, and it will be part of discussions that we'll be having.

But I think that Mr. Czuker's point was, again, to continue to have CalHFA compete for as many of those deals as we possibly can. Which brings us back to completion of the authority for CalHFA staff, Resolution

04-04.

Is there any more --

MR. CZUKER: I move the approval.

CHAIR PARKER: Mr. Czuker approves.

Jeanne, did you have a question?

MS. PETERSON: I did, but I'll wait.

CHAIR PARKER: If you would second, then we can go to --

MR. SHINE: (Indicating.)

CHAIR PARKER: Mr. Shine seconds.

Discussion?

MS. PETERSON: My question, and it may be misplaced, and you can tell me that and we can talk about it during the Business Plan; but you raised the -- in talking about the various amounts that were authorized by this resolution, you reminded us of the 236 portfolio purchase. And I'm wondering two things: One, if anything really has come of that; and I can elaborate more, or I'm sure you know what I mean. I mean, we bought it; we bought it with a variety of good intentions in mind of what owning those mortgages would permit us to do. And secondly, if there are plans to any -- specific plans to try to accomplish like things in this next year.

If it's the wrong time to ask that question, I'd be happy to --

MR. WARREN: The 236 portfolio, the refinancing is not going as we would have liked. And I think the simple fact of the matter is -- there are two simple facts of the matter. Number one, cap rates are at an all-time low. The lowest I have ever seen in my time in the business. And sales prices that are being demanded by Section 8 owners, quite frankly, make the projects unfeasible, as we look at them today.

The second issue that's occurred is because of HUD's markup-to-market program in high-cost areas, many Section 8 owners, including those 236 owners that are borrowers, are now finding it profitable to retain a property and wait and see what happens. I think the combination of those two factors has made the refinancing of 236's tough. We continue to hold out nonprofit refinancings for 501(c)(3)'s. I think we're working on that. We have an initiative under way with CHPC to revisit our portfolio; but it is a tough time right now for not only acquiring Section 8 projects, but refinancing them because of the price factors.

But that said, the housing remains affordable; borrowers are signing up for longer term contracts, so tenants themselves are not being impacted by the fact we're not putting financing on the project, which is probably the main issue we have to worry about.

CHAIR PARKER: Other questions?

(No audible response was heard.)

CHAIR PARKER: I think that will certainly be something we'll touch on when we go through our Business Plan update.

Can I call for the question then?

And, JoJo, will you do roll call?

MS. OJIMA: The motion was --

CHAIR PARKER: Mr. Czuker, and seconded by Mr. Shine.

MS. OJIMA: Thank you.

Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Mr. Bayuk?

MR. BAYUK: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Mr. Franklin?

MR. FRANKLIN: Aye.

MS. OJIMA: Ms. Gallo?

MS. GALLO: Aye.

MS. OJIMA: Ms. Sandoval?

MS. SANDOVAL: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

MS. OJIMA: Resolution 04-04 has been approved.

CHAIR PARKER: Ken, then the final action item?

Item 7. Resolution 04-05 (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)

MR. CARLSON: Right. The final of these action items, the final one is Resolution 04-05, which would authorize staff to make application to the California Debt Limit Allocation Committee for Private Activity Bond volume cap in 2004. And we put dollar limits in here, which is fairly arbitrary. But single-family is 600 million dollars, although we were told yesterday about how much was our, quote, "fair share," which was, I think, about 295 million dollars, plus we indicated that we might be willing to take as much as another 100 million dollars for the Extra Credit Teacher Program. So we haven't talked yet about what dollar amount to apply for or when to make application. We could make application at either of the two scheduled meetings.

In multifamily, about 400 million dollars was a good outside number. Obviously, if we suddenly get a much larger market share than we've ever had, we'll come back and ask for additional authority. But this, you know, should be -- you know, it already has a healthy hedge factor built into it.

There's a table which I don't have on PowerPoint but which is in your material, which shows the five years that precede the Private Activity Bonds volume cap for different programs. And, actually, Ms. Peterson gave the rest of my staff report, that I was going to discuss at yesterday's meeting of the committee.

But any questions? I'd be glad to try to answer them.

CHAIR PARKER: As you recall, as a courtesy to the Treasurer's office, we've separated out the authorization to apply what used to be a part of the single-family authorization and a multifamily, for the courtesy of the Treasurer's office for that authorization, just to apply for the Debt Limit Allocation Committee.

Questions by the Board members?

(No audible response was heard.)

CHAIR PARKER: No questions? Is there a motion?

MR. CZUKER: (Indicating.)

CHAIR PARKER: Jeanne, do you have a statement?

MS. PETERSON: I'll wait for the motion.

CHAIR PARKER: Motion, Mr. Czuker?

MR. CZUKER: So moved.

MS. SANDOVAL: Second.

CHAIR PARKER: Second by Ms. Sandoval.

Ms. Peterson, did you --

MS. PETERSON: I'd just like to clarify for the record that by voting for this resolution, the Treasurer is supportive of the CalHFA making application to CDLAC for these amounts; but it's not an indication of the Treasurer's ultimate vote at CDLAC with respect to the application.

CHAIR PARKER: Thank you.

Any other discussion?

JoJo, would you call the roll, please?

MS. OJIMA: Thank you.

Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Mr. Bayuk?

MR. BAYUK: Aye.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Aye.

MS. OJIMA: Mr. Franklin?

MR. FRANKLIN: Aye.

MS. OJIMA: Ms. Gallo?

MS. GALLO: Aye.

MS. OJIMA: Ms. Sandoval?

MS. SANDOVAL: Aye.

MS. OJIMA: Mr. Shine?

MR. SHINE: Aye.

THE CLERK: Resolution 04-05 has been approved.

MR. CARLSON: Thank you very much.

CHAIR PARKER: Before we move on, just one thing I want to alert the Board. This is a little bit of Mr. Carlson's swan song. He has tendered his notice for retirement. He will be at our next Board meeting. So you all can share in sort of the withdrawal that we're beginning to feel of the loss of Mr. Carlson's talents. We'll be in the process of recruiting a new Director of Finance.

We are working on a celebration befitting his years of commitment to the organization and agency, and we'll make sure that you're all aware of it; and, obviously, invited to attend and celebrate his contributions to the State.

MS. BOEL: Are you going to one of those Pacific Grove places?

(Laughter)

MR. CARLSON: If only; right?

(Laughter)

MR. CARLSON: People complain, you know, that the PERS pensions are so generous; but they're probably not generous enough to live anywhere else in Pacific Grove. So I may have trouble getting ahead of the 300 people that are on that waiting list.

CHAIR PARKER: Thank you, Ken.

Item 9. Resolution 04-06 (Discussion, recommendation and possible action relative to the approval of a resolution authorizing certain contracting by the Agency)

CHAIR PARKER: Tom, would you walk us through Resolution 04-06? We're going to take item 9 out of order.

MR. SHINE: What page number is that?

CHAIR PARKER: 221.

MR. HUGHES: Resolution 04-06 is another delegation resolution that we presented to the Board in January. It's substantially identical to the one that was passed by the Board last year.

In the bond delegation and financing resolutions that the Board has just passed, the Board gives the staff authority to essentially execute any type of agreements necessary to implement the bond-funded programs.

This resolution before you is sort of a corollary to that, in that it authorizes entering into operational agreements that are other than bond-funded programs. So it essentially supplements those prior authorizations conceptually.

It attempts to list categories of contracts that the staff foresees that it may need to enter into the forthcoming year, and authorizes staff to enter into those contracts without coming back for additional authorization at additional Board meetings.

And that is essentially what we're seeking. So if you have any questions, we would be happy to answer them.

CHAIR PARKER: Questions of Tom, for the Board?

(No audible response was heard.)

CHAIR PARKER: Is there a motion?

MS. SANDOVAL: So moved.

CHAIR PARKER: Motion by Ms. Sandoval.

MR. SHINE: Second.

CHAIR PARKER: Second by Mr. Shine.

Discussion by members?

(No audible response was heard.)

CHAIR PARKER: Hearing none, seeing none, JoJo, would you call the roll, please?

MS. OJIMA: Thank you.

Ms. Peterson?

MS. PETERSON: Aye.

MS. OJIMA: Mr. Bayuk?

MR. BAYUK: Aye.
MS. OJIMA: Mr. Czuker?
MR. CZUKER: Aye.
MS. OJIMA: Mr. Franklin?
MR. FRANKLIN: Aye.
MS. OJIMA: Ms. Gallo?
MS. GALLO: Aye.
MS. OJIMA: Ms. Sandoval?
MS. SANDOVAL: Aye.
MS. OJIMA: Mr. Shine?
MR. SHINE: Aye.
MS. OJIMA: Resolution 04-06 has been approved.
CHAIR PARKER: Thank you. That completes the action items.

Item 8. Discussion of 2003-04 Business Plan Update

CHAIR PARKER: The remaining two pieces of business for us is to do an update for the Board that we always do midyear on where we are, an action plan. Obviously, again, the purpose is to let you know where we are in the plan approved by the Board last May. But also, this is the beginning of the staff work internally, with direction from the Board in preparation for the Business Plan of 2004 to 2009, that we will be bringing to our May meeting.
We will, between now and our March meeting, be

working internally on tactical production goals for next year. We'll be meeting with the focus groups that we meet with, builders, developers, self-help, lenders, multifamily, single-family, all of our stakeholder groups, to get feedback from them on how we can be helpful in the marketplace. So the first step of the plan is to essentially give you an idea of where we are year to date.

I'm going to ask Jerry and Ken, each of the program areas, to walk us through their areas of responsibility.

We were going to be introducing to the Board the newest member of the CalHFA staff, Wayne Bell, who many of you have met. He most recently was the General Counsel for the Secretary of Business, Transportation and Housing Agency. He joined the Agency in November as the Director of Homeownership. Unfortunately, he had a family emergency last night and needed to go back. He was looking forward to obviously meeting all of you, and will be doing so at our next meeting.

But, obviously, we have the capable hands of Jerry and Ken to walk us through homeownership.

MR. SMART: Good morning. Our presentation this morning will cover an update, the present status of homeownership programs as of December 31, 2003, a comparison of our production goals or purchase production against fiscal-year goals that were approved in the Business Plan last May, and a review of the accomplishments so far that occurred in homeownership programs, and our present plans and objectives for the balance of the fiscal year.

This chart illustrates or is a comparison of last year's goal, that's the column on the left, which was 1.125 billion dollars, versus our purchases for the First Mortgage Program, as our primary homeownership program. And, of course, we exceeded our goal last year, accomplishing 101 percent of that goal, for nearly -- well, for 6,900 loans.

The present goal that was approved in the Business Plan is 1.175 billion dollars. And we are well on our way to achieving that goal. And now it's 64 percent at the end of December, and we're very satisfied with the way production is going at the present time.

MR. WILLIAMS: I'm going to go through these down payment assistance programs, covering the goal for this fiscal year and then our progress against that goal as of December 31.

Let me take a moment to go across the bottom of the chart and give you the full names of these programs and the funding sources.

The first one is the CalHFA Housing Assistance Program, and that is funded from Housing Assistance Trust Fund.

The next one is what we call "CHDAP," the California Homebuyer's Down Payment Assistance Program, currently funded from Prop. 46 funds.

The next one is the Extra Credit Teacher Program, funded from Prop. 46 funds.

The next one is High-Cost Area Program, which is currently funded from old bond funds, "home purchase assistance funds" we call them, HPA funds.

Next is the School Facility Fee Down Payment Assistance Program. It's funded from Prop. 46.

And then the Housing in Revitalization Areas Program, a new program that came in under Prop. 46.

And finally, the long-time Self-Help Builder's Assistance Program.

Most of these are deferred payment loan programs; in other words, loans without any monthly payments to help with affordability. And later on, Jerry will show you the statistics for the income groups we're serving with our various programs. And I think these down payment assistance programs play a large role in our serving more low-income people.

Let's take the first one, the California Housing

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Assistance Program, or CHAP. You can see the goal there for this fiscal year of 28.2 million dollars. And then the number of loans we've done so far, which is 69 percent of the goal. So we're, obviously, running ahead of goal on this program.

The next one, CHDAP, the goal is 19.4 million dollars for this fiscal year. And we are at 62 percent of goal. Again, we're running ahead of goal. And I'll have to admit, we're not going to be running ahead of goal on all these programs, as you'll see pretty soon.

Extra Credit Teacher Program, the goal is 3.8 million. There, we've agreed with the CDLAC. CDLAC provides the first mortgage bond allocation for this program. And our goal would be 500 loans per year. And we're taking measures to try to reach that goal. We've been doing bill marketing through our marketing department. But as of December 31, we're at 26 percent of the goal for the fiscal year.

The next one, the High-Cost Area Program. As you can see, the goal is 11.4 million dollars, and we're at 102 percent of goal already, halfway through the year. That's in large part due to the fact that, in looking at the statistics, which include not only the cost -- the high costs of housing in counties in California, but also whether we've historically underserved the county, we were able to add San Diego and Ventura Counties. And we're doing a lot of loans in San Diego County.

The two leading counties right now are Santa Clara County and San Diego County, running about nose and nose. So, I mean, we're very pleased that we're able to serve these high-cost counties. It's really given us a much better distribution of our homeownership loan volume in California.

School Facilities Fee Program, our goal is 6.9 million dollars. We're at 30 percent of goal. We will be doing more marketing. Our Marketing Department is working on a mailer to builders in California. So we would expect to do a little better in the School Facilities Fee Program.

The HIRAP program, that new one authorized under Prop. 46, is obviously off to a slow start. We have no loans so far. The first step was we had to have nonprofit homeowners counseling agencies that had certain qualifications apply to us for approval. We've been able to approve five so far.

We held initial training sessions with them. We had sessions in Sacramento, Oakland, Los Angeles, San Diego. We've covered this program in every workshop and every trade show we've been in. So what we're going to do now -- there was legislation that increased the

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maximum loan amount for this deferred payment, junior mortgage, from 3 percent of sales price to 6 percent of sales price. So that program is a little more attractive from that standpoint -- or significantly more attractive.

We're going to do some more training sessions with the nonprofits. Generally, I would say they're a little more in the home counseling business, than they are the business of trying to get loans originated. There are a couple of exceptions to that. But we're working hard to try to get some loans under that program.

Self-Help Builders Assistance Program, it's a little different because here, the 2.5 million-dollar goal that the Agency and the Business Plan have been setting aside annually, kind of a pledge to the self-help nonprofits for development loans, of up to 500,000 dollars. And it's not a program where you can get more volume by marketing; it's a program where they have to take a long time to bring a project online and get it near the point of construction, and apply to us for a 500,000-dollar loan. So they come in as they come in. And we've had higher volume in the past, as you recall.

So, anyway, we've set aside the 2.5 million dollars, and eventually we'll get some more production in that program.

I think that pretty well covers those programs.

MR. SMART: The next two charts --

CHAIR PARKER: I'm sorry. Ms. Sandoval, did you have a question?

MS. SANDOVAL: Yes. I know that you have worked very hard with the Treasurer's office in looking at the Extra Credit Teachers Program, and you've made a number of changes and worked on marketing, but yet it still looks like we're trending way below.

What steps do we plan to take to make sure that people are aware of the opportunity?

MR. WILLIAMS: Well, there's more marketing going on. You know, we've had some press events, that Terri and the Treasurer, and others have been involved in. There continue to be press releases. But I think very importantly, there's recent legislation that for high-cost counties, the maximum loan amount was increased. It was 3 percent, or 7,500 dollars -- the greater of 3 percent or 7,500 dollars for the subordinate mortgage. It's now 3 percent, or 15,000 dollars. That will increase the volume, for sure.

CHAIR PARKER: That's just occurred, within the last week. The legislation was effective the first of the year.

MR. WILLIAMS: Right.

CHAIR PARKER: For high-cost areas, we've

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doubled from 7,500 dollars, as Ken said, to 15,000 dollars. In addition, it expanded the eligibility for the program, so it's not just teachers in lower performing schools, but it's also classified employees. And, so, Mr. Giebel is doing extensive marketing. He's having meetings with the CTA. We've been doing radio spots, essentially to get the word out that we've sort of doubled the advantages of this.

So I think what we need to do is essentially look at how this production is in the next six months, to see what kind of difference that makes.

MR. LaVERGNE: Dick LaVergne.

I might mention, too, that Mr. Giebel in the marketing program has just sent out 22,000 notices to schools -- high-priority schools and administrators.

CHAIR PARKER: So we're expecting -- we'll be talking more about that as we do the Business Plan development.

MR. WILLIAMS: There is no question, the volume is going to increase.

CHAIR PARKER: Jerry?

MR. SMART: The next two charts reflect how we're doing in our first mortgage program with respect to minority lending and low income. This chart will show you that we have continued to maintain a high level of minority lending. We're now at 71 percent of our total volume; primarily Hispanic home buyers are the primary purchasers of the homes that we fund.

And with respect to the income, this shows you the breakdown. Currently, I think it's 22 percent of our loans are made to very low income, based on the MRB income limits, and 49 percent is to low income. The balance is, of course, moderate. This compares against the CDLAC goal that was set, where it was at 50 percent. And I think we're well on our way to having a very successful year at exceeding that goal.

Present accomplishments, we have developed a partnership with the Southern California Home Financing Authority that Ken, I think, alluded to earlier to assist affordable housing in Los Angeles and Orange Counties. So that's a 100 million-dollar program. We've, of course, sustained minority lending for first-time home buyers. We've provided outreach efforts to over 30 conferences, home buyer fairs, Prop. 46 workshops, lender training, special events, including the State Fair. So our outreach and marketing efforts have been, we feel, significant.

And with respect to the Affordable Housing Partnership Program, the AHPP, that's a program in which we provide a lower rate first mortgage, where the localities are providing down payment assistance.

We now have 205 entities that are participating. That program, so far to date, we have purchased 32 million dollars on first mortgages, where the localities have provided over six million dollars in assistance. So it's moving right along.

Currently, we'll continue with our efforts to roll out the Prop. 46 programs, the CHDAP, Extra Credit Teacher, School Facilities Fees and so forth. We're continuing on our marketing efforts.

We've also embarked on a homeownership mapping process. That's a review of our current procedures and policies. The programs, the documentation and our IT systems, we'd like to see if we can improve and streamline those systems, so we better meet the market needs that we are currently in.

And we're also working on a new online training system, lender training. It's a web-based program that will be available to all of our lenders, so that they can access down to the branch level. They'll be able to go in and pick up specific modules on specific subjects, such as closing documents or down payment assistance or what have you, and get specific training that they can do at their own desk. And so we are hoping that this will help lenders deliver better products; loans with fewer suspended items.

And, of course, we'll continue, in cooperation with Finance, to work with local agencies, such as the SCHFA program. I believe there's some talk with the City of L.A. and San Bernardino County for similar programs.

And, of course, we'll always continue our outreach and training efforts, attending conferences that we feel are most beneficial that we provide presentations, and panels to promote our programs and, of course, our loan training program.

That pretty much concludes it.

CHAIR PARKER: Questions of Jerry and Ken?

Matt?

MR. FRANKLIN: Well, I'd like to first commend Jerry and Ken on the team. In a prior life, of course, I was with Wells Fargo home mortgage, and one of the groups that I headed up was our bond groups, and so I did a lot of business with them, and they really run a great operation.

I had a couple of specific questions, though. Are you tracking, particularly for your CHAP and CHDAP programs, your sort of main-line programs, have you looked at the geographic distribution of where your activity is coming from, and then also across lenders, the degree to which it is concentrated? These programs, of course, are originated by private lenders and subsequently purchased by CalHFA.

MR. WILLIAMS: Well, we're always -- not just homeownership, but all of the staff and Terri are always looking at distribution of our loans throughout the state.

So the CHDAP generally is going with our first mortgage. We track the location of the first mortgage by county. We look at the percentage of the population of the county versus the percentage of loans that we have in that county. And, in fact, that is I would say where the HiCAP program came from before, because we're underserving some high-cost counties. So we're always looking at that. It comes out monthly. We're all talking about it, and whether we need to do something to adjust the geographic distribution.

As to lenders, it pretty much goes with what volume of our first mortgages they'll be doing. They'll be doing about the same amount of volume of CHAP and CHDAP.

MR. FRANKLIN: On the first mortgage, what would you see? If you were to look at the top three, what kind of share do they have? I'm just curious, how concentrated it is within a few players or not.

MR. SMART: I would say our top ten lenders are probably about 70 percent of our market. The top three, I haven't looked at it recently; but I would say it's at least 30, 40 percent or more.

MR. FRANKLIN: Okay. The high-cost program, I think, is a wonderful program, as the demand indicates. Are you going to be able to continue that? That's a limited funding source, isn't it?

MR. WILLIAMS: We're talking with, of course, Ken Carlson. I have to talk to him before he retires. He's got some other sources of funds. So I would say yes.

Is there anything you would want to add, Ken?

MR. FRANKLIN: I'd encourage you to empty Ken's pockets out on the way out the door.

(Laughter)

CHAIR PARKER: Yes, that's something obviously we'll be talking about, as we do Business Plan development.

MR. WILLIAMS: Right. That will be, as Terri said, part of our business planning here. But we've talked to him already, and he assured us that we can continue the program.

MR. FRANKLIN: And my final comment is to applaud you on the mapping process. I think looking at automation of many of your interactions with the lender, continued automation, and then also looking at your delivery requirements and time frames is very important. I think it's only going to get harder for the single-family program, as trends in the home mortgage industry continue. So we're seeing more and more consolidation of the industry within a relatively few lenders. That means they're going to much more -- even more of a commodity approach to business. So the degree to which your program and other HFAs in the country have unique requirements or even just unique steps in a process, makes it that much harder for them to participate in the process. I know that, as well, we had very significant challenges with what seemed to be relatively minor steps in the process. But, you know, the operation center was one that was handling, you know, hundreds of thousands of loans, and the majority were of just a particular type, a delivery to Fannie or Freddie, that was pretty straightforward.

So I'd encourage you to just, you know, simplify, simplify, simplify that operation.

CHAIR PARKER: Mr. Franklin, one thing, just to add a little bit of a framework; and Nancy will be coming up next; as you are all aware, when Nancy joined us about two years ago, we started completely going through our mortgage insurance program, and essentially bringing it out of the dark ages. We created a partnership with GE to be our -- not only shared risk, but to be our back office, reinsurer, and bring that into the 21st century, bringing technology that never was available.

We essentially put that same challenge before our homeownership group, which is on the lending side, and also continuation with overlap on the insurance side. We think it's very timely to do this, not only because of the resources that we have; but it's certainly very indicative of what the new Governor is looking for across state agencies to -- we always consider ourselves to be very businesslike, to be as efficient and effective as we possibly can.

So this is in keeping with where the Agency's Secretary and the Governor want to go, and us looking at ways to continue to be as businesslike as possible. And we started our discussions on this actually before the election; but it's very timely because we are doing this -- we have already essentially challenged ourselves to do this, and have talked about this as to our looking at our production, our proficiencies within our organization. So we've done it in mortgage insurance, we're continuing to do it on homeownership, and obviously it's a continued ongoing challenge for Mr. Warren in Multifamily. But it is very much a very timely exercise for us to be doing, and the Agency takes it, obviously, very seriously.

MR. SHINE: Okay.

CHAIR PARKER: Nancy?

MS. ABREU: Good morning. And Ms. Parker has stolen some of my comments; but I'll pick up from there.

Back in May, we talked to you about the partnership we had created with GEMICO, GE Mortgage Insurance Company. And we are delighted to say that it transitioned to using GEMICO for both payment processing through the backroom function -- payment processing, loss mitigation, foreclosure, delinquency -- is basically complete.

We're working out some of the fine details of what the reports will look like, et cetera, that they remit back to us. But by and large, that process is complete.

Similarly, one of the reasons we selected GE was the use of their technology. And to the comment Mr. Franklin said, the use of their technology on the back end has made it much easier for us to strike some new partnerships with some lenders.

We will be announcing -- or I should say, they will be announcing, in early February, a partnership that we're involved in with Chase Mortgage. And the fact that GE Mortgage Insurance provided our back-room function made it almost turnkey that we were an approved mortgage insurance entity. They didn't have to reinvent a process to do business with us on the bill paying. It's all transparent. It's all electronic. They have all the interfaces with GE Systems, so it was a go, versus their having to start up their own manual process.

In reference to GE Mortgage Insurance, some of you on the Board may be aware that about 60 to 90 days ago, GE Corp. announced that both GE Mortgage Insurance entity and the life insurance entity will be spun off in an IPO, that the specifics will probably be announced in the next two weeks. The new entity will be known as "Genworth." GE initially will continue to own 60 percent of the company. But their plan is that over the next two or three years, GE Corp. will totally divest themselves of the mortgage insurance company.

At this point, both Ms. Parker, Mr. Hughes, Mr. Gilbertson and I have had numerous conversations with the staff at GE and with our financial consultant on the mortgage insurance side, Ken Bjurstrom. The insurance, as best they can, is that it will be business as usual; but we will have to see how it progresses.

Our transaction or our contract is structured in such a way that certain events would be an event or a trigger that we could get out of the contract, if the service slips, et cetera.

So I just wanted the Board, in case any of you have followed the GEMICO-to-Genworth transaction, were aware of it, and note that we are also following it very, very closely.

One of the significant events that occurred towards the end of last year, with the able help, persistence and great work of Di Richardson, is the passage of AB 304, which was legislation sponsored by Mullins, that will allow the Mortgage Insurance Fund to insure loans consistent with the GSEs, the Fannie Mae, Freddie Mac definition of affordable housing in California.

As you are aware, the government-sponsored enterprises have defined California and several other states as high-cost markets; and today, look at loans under their community programs at 140 percent of area median or below.

By not being in sync previously with the GSE limits, we were prevented from insuring loans that the GSEs were sponsoring, to help homeownership and to help minority communities, in particular.

So by being able -- because of the legislation to sync up with the GSEs on their affordability suite of products, it allows us to partner more closely with them.

And in that vein, there is a partnership that will be announced. It's small, a ten million-dollar partnership that the insurance fund is doing with Fannie Mae and Flagstar that was announced last week, to target the Hispanic community in Los Angeles, in particular.

I've touched a little bit on our outreach activities. A really key focus, I think you heard Ken and Jerry talk about the attendance at conferences, training sessions, et cetera. We have a staff of three focused totally on product development and outreach. I would say they're spending 60 to 70 percent of their time out of the office, meeting with lenders, trying to source what the unmet needs are, and to deliver new programs into the market.

As I mentioned, we got the partnership with Chase that will be announced in February. We've done a small pilot with Flagstar, where we announced yet -- and this directly ties to the utilization of the Prop. 46 funds -- a program with Union Bank of California. Previously, Union Bank of California had an economic mortgage opportunity product that was at 95 percent loan-to-value-or-less product. And the target market is 80 percent or below of area median. We were able to come to them and say, "We'll insure up to 100 percent loan to value on that product." Again, it's 80 percent or below of area median. So that product announced yesterday will be the first one that specifically utilizes the Prop. 46 funds.

Just a comment about the whole product development and outreach. Again, as Mr. Franklin said, the market is very tough right now. I don't want that to be excuses, but it has definitely turned from a refi market that we saw last year to a purchase market.

Every lender, if you pick up the paper, is focused on emerging markets, affordable housing, new home, first-time home buyer, minority. You're seeing the private mortgage insurers go -- the term I use -- more "down market." They're going down to a lower credit-score borrower, higher loan-to-value, and you're finding significant strategic partnerships that are beginning to exist between the private mortgage insurers and the lenders. And the lenders are deriving a significant amount of their revenue -- this year, in particular -- coming from the relationships they have with mortgage insurers.

So the more we try to get out there to be innovative, meet some unmet needs, we're being faced with; but GE will do the same thing -- not so much GE ahead, but UGI, PMI, the private mortgage insurers are already there. So it's tough as we go through and look at new product development.

The last two items on the slide are really cleanup for what Ms. Parker referred to as, you know, the top-to-bottom review of mortgage insurance; and that is, we issued a new master policy and endorsements. The prior ones are vintage 1988. So there was a significant amount of cleanup work to be done. I'm happy to say that all our approved lenders signed and accepted the new insurance policy, which basically just syncs us up with the industry. And we've completed the update on all our product descriptions.

Ken tried to give you a little preview about volume. I didn't put totals in here; I just put the bar charts, so I apologize. But all in all, our volume for the year -- and this is calendar year because the insurance fund, if you recall, is being measured on a calendar-year basis or reports on a calendar-year basis versus the fiscal year. It is running about 60 percent of prior-year volume, again being driven by what's going on in the private markets, both the lending side and the insurance side.

CalHFA has emerged as our largest volume, which we're delighted to see, where many of our staff are outreaching to the conventional borrower, in addition to the FHA borrower. We continue to do about 100 million dollars worth of loans with STRS. Significant drop-off in Cal-PERS. One of the specific reasons there, again, is their strategic alliances with two M.I. companies, in particular, that are giving them rates below what we could even offer.

And the community affordable, which many of you will recall, probably two years ago, when I joined the Agency, was the biggest driver of our volume, has been reduced significantly, as we disengaged from several programs and products that really didn't meet our mission.

So our focus for the remaining part of this year and into next year will be, as Ms. Parker said, continually refining our processes. We are engaging in really trying to map our product development and introduction process, to see if that can be streamlined to identify some unmet needs and try to get some additional volume coming through the door.

CHAIR PARKER: Questions of Nancy?

MR. FRANKLIN: I just have a quick question, Nancy.

The legislation you referenced in the beginning of your presentation allows you to match the GSE loan limit; is that right?

MS. ABREU: To go to the 140 percent of area median or below.

MR. FRANKLIN: 140?

MS. ABREU: Yes. Previously, we were at 120, unless we had approval from the Agency's Secretary based on need to go higher than the 120.

MR. FRANKLIN: 140 percent of area median?

MS. ABREU: Right.

MR. HUGHES: The difference between --

MR. FRANKLIN: That's not tied to the GSE limit?

MR. HUGHES: The difference between our prior statutes, and statutes as amended by AB 304, is that we can go to the GSEs' definition of "affordable housing" statewide, as opposed to specific areas of the state. And we found that we were limited to specific areas of the state, it was very difficult to form the kind of partnerships that Nancy is talking about.

MR. FRANKLIN: So what's the GSE conforming now? Is it 320-something?

MS. ABREU: 330,370 dollars.

MR. FRANKLIN: So what does your 140 translate into, in a high-cost area, relative to that? Do you have a feel?

CHAIR PARKER: We have that information. In fact, it was the information that we put together.

MS. ABREU: For the Secretary, I know.

CHAIR PARKER: For the Secretary and the advocacy groups when this legislation was going through. We'd be happy to give you that.

MR. FRANKLIN: Is it higher? Does the 140 put you over that?

MS. ABREU: In some counties, absolutely.

One of the things I did not mention is we did introduce what we call the Cal Jumbo Loan, which is really from the conforming loan limit of 330,370 dollars to 400,000 or 500,000 dollars, dependent on the county, and also dependent on if it was new construction or an existing home.

Part of the mission on that product, or the target, was to help spur new construction and economic growth. And when you look at the costs, the median costs of housing in some of these counties, they are mid-5's, mid-6's, mid-7's.

MR. FRANKLIN: I think that's great. And as you continue to look around for niches, I think that niche has a lot of potential. So homeowners just above the GSE limits, 325, 330 in this state -- you know, you're just out of a lot of markets.

MS. ABREU: Well, part of --

MR. FRANKLIN: And FHA is 75 or 80 percent of that 325; right? So there's a real need in California and severe affordability issues going quite a bit higher than that.

CHAIR PARKER: Well, our First Mortgage Program allows us under federal loan limits to go to 90 percent of the median sales price. So we have a lot of counties where the median sales price is above FHA and the GSE loan limits.

MR. FRANKLIN: A lot.

CHAIR PARKER: And in that sense, the inefficiency of the market is exactly where Nancy is trying to address.

MR. FRANKLIN: Great. Good.

CHAIR PARKER: Linn, if you want to come up and join us.

One other point I'd alert the Board members to, that our next Board meeting, many of you with the discussion of insurance, we're going to be looking to give you an update on the legal actions that we are involved in, in our litigation on the mortgage insurance program at our next Board meeting. So we'll be having a closed session to update you on where we are with that.

Linn?

MR. WARREN: Thank you.

For multifamily, let's go over a little bit of the historical background, where we're at today.

Currently at mid-year for loans in process, we have 108 loans in process equaling about 634 million dollars. As you can see, we've had an upward increase in our production for the last several years. The last couple of years have been largely attributable to our involvement with the MHP program.

By way of example, in this most recent round from MHP, the Agency represented -- from a current debt standpoint, 30 percent of the projects; in the prior round for the MHP was almost 40 percent. So it continues to be a good area for us to match our resources with those of HCD's in other localities. And we expect this trend hopefully to continue throughout the rest of the year.

Some accomplishments at midyear, just from a pure numbers standpoint, we've issued commitments for 16 projects, 143 million dollars, which is a little bit over half of where we want to be for our annual goal; and we think we're on track to accomplish that.

The HELP program, which has been in existence for five years and plus, recently completed its first round for this year, with 10 million dollars of awards. To date, the program, as you all know, has been very successful. We've extended commitments of 110 million dollars, and this represents 109 loans to localities, which estimates for the development and rehabilitation of 17,000 units. And we'll be continuing that program as we go forward.

As we make the loans, we do have to close them. So to date, for this fiscal year, we've closed 21 multifamily loans for approximately 121 million dollars. That's up from eight loans at this time last year. Probably the most intense level of multifamily loan closing we've had in quite some time.

The construction loan program, as we discussed earlier in the projects, has been implemented. We have eight loans for projects in process, a fairly modest amount. We think this loan program will grow over a period of time and will have greater applicability to special needs, which I'll discuss in a minute.

As I indicated this morning, the program has been well-received by the industry, and we're working out whatever kinks we have left. And we think it will be a very good, long-term loan program for the Agency.

Other accomplishments earlier this year -- or at the beginning of last year, we decided to increase our emphasis on special needs in supportive housing. This is represented in new numbers. Our current pipeline is now 30 million dollars of special needs-type projects. That's up from 8 million dollars at this time last year.

And the other initiative that is underway from a process improvement standpoint is the Earthquake Insurance Waiver Program. As the Board will recall, this is a program that allows us to waive our owner requirement for earthquake insurance, provided that the design and the safety standards in the Uniform Building Code meet our seismic requirements, which we call our Level 4 review. Seventeen of these projects are under process today. And all of them, from preliminary to a final standpoint, have met these heightened design requirements.

So the benefit for this is, it allows us to leverage more debt. And in many cases, we've been able to have localities reduce their financial contribution because of the higher current debt that we can provide. So we think this is a very good project, a very good program to help with affordability and cost.

Initiatives, we have three initiatives that we're spending a fair amount of time on at midyear, so I would like to discuss those for a few minutes.

Recently, in conducting focus groups and meeting with client base, we found that many of our nonprofit owners are looking to refinance their own portfolios. Many of these nonprofits have been in business for 15, 20, in some cases 30 years. And as these projects age, they would like to refinance. The refinancing window for multifamily today is a very good one, given where interest rates are today. So there are a number of types of projects that we've been asked to look at. The first are the expiring tax credit projects. These are the first ones that were done in the late eighties, and these are now coming up on their 15-year period.

Some of these would like to exit early. There are a number of problems with that. One of the more costly issues is the cost to secure a compliance bond for the benefit of the IRS, to ensure affordability compliance. We're looking at ways that we can help the industry in that area. And also providing tax-exempt, probably 501(c)(3) debt and taxable financing or refinancing, rehabilitation of these earlier tax credit projects.

Many of our borrowers -- and not just nonprofits, many of our for-profit borrowers -- do want to refinance, even with the comments I made earlier about our 236 portfolio, many nonprofits do wish to revisit their leases. And many of our preservation financing techniques have good applicability for these types of projects.

We've been asked by many of our borrowers to revisit variable-rate debt. Many borrowers that we do business with are trying to find ways to accelerate the debt loads on their portfolio projects. And one way to do that is to introduce variable rate or floating-rate debt, take extra proceeds and bring the debt down in an accelerated fashion; and then consequently, keep affordability down or even increase affordability as the debt loads decline.

So we've said that we think it's a good idea. It's not applicable to all projects; but we think in this current interest-rate environment, it's a good time to visit this type of loan product.

A second area of emphasis for us is supportive and special needs housing. As our production numbers indicate, this is an increased emphasis for us. We've found in the last two MHP rounds that we can do a better job of coordinating our program criteria and our financing guidelines for the MHP and supportive guidelines. So we'll be trying to sync those two programs up better.

Right now, it looks like we may want to broaden some of our special needs definitions, maybe contract others, be more focused, and introduce a sliding grade or scale type of interest rate, depending upon the affordability and the supportive housing that is underway.

One area we're looking at today is the supportive housing criteria, or the service packages. We were undertaking a review of these, to see how sustainable they are. Is there anything the Agency can do from a financial standpoint to help sustain the service package over a long period of time? Budgets for these dollars are still very scarce. But we do want to make certain that if we offer these interest rates for these types of projects, the service packages remain viable for as long of a period of time as we possibly can.

We have found, though, that because of the relatively low income that is generated by these types of projects, the Agency's most impacted program would be low-cost construction lending, which is underway, and project-based vouchers. And this is a program where HUD will allow a percentage of the units to have a dedicated project-based assistance for a period of up to ten years.

We embrace this particular program fairly aggressively. Last year, we have since had a couple of issues with HUD and local housing authorities regarding the demand for this program, and we'll be visiting that. We think it's viable; but given the somewhat uncertain nature of some of the Section 8 funding programs in Washington right now, we may have to revisit this and be a little more cautious in the amount of lending that we're offering for this type of assistance.

The last area that I think is interesting, that we're spending some time on, is a combination of our construction lending and homeownership initiatives. Many borrowers around the state and localities around the state are increasing their infill homeownership initiatives. And we think by linking our construction loan program with the Agency's homeownership program, we can achieve some very good affordability for homeownership projects in infill areas. What many localities like to see in this is basically a one-stop shop. They can come to us for the development financing, on the construction side, for condominiums or detached homes, and link in our mortgage insurance and homeownership programs at the same time.

We've also been being asked to look at mezzanine financing, which is just a way to put in a second loan which would act as gap financing, and would be repaid as the individual homeownership units are sold. So it's a higher-risk piece of debt, but clearly a risk that we think the Agency should take in the absence of other financing, to finance these infill projects.

So with that, I think that covers the multifamily midyear. And I'd be happy to answer any questions.

CHAIR PARKER: Just before Linn opens up to questions, I'd like Carol Goodman to stand up. I think we had mentioned to the Board before that Linn was recruiting a nationally recognized and certainly within the state leader in supportive housing programs. Carol joins us from the Department of Mental Health, where she has worked both inside state government as a consultant, and outside on special needs housing. And we are delighted to have Carol's expertise not only from the standpoint of working in health and welfare traditionally oriented housing areas from the service side, to come over now on the banking side to learn the bricks and mortars of how we can bring those two worlds together. So we're really pleased, particularly in this environment of scarce resources at the state level to have a resource at CalHFA that can work with both worlds to help in the promotion of special needs housing.

So I'll open those questions to Linn on multifamily.

Dora?

MS. GALLO: Linn, you mentioned there's an increased emphasis on construction lending for the special needs and supportive housing. And on your accomplishments, I wonder if these numbers are exclusive. You have eight loans in process for 76 million dollars under the construction loan program, but then your next bullet on the next page says, "Increased emphasis on special supportive needs housing," and you have a loan pipeline of 30 million dollars.

Are they exclusive numbers, or is there overlap?

MR. WARREN: Right now, they are. There's some -- perhaps some overlap. There might be one or two construction loans in the eight that's in process. Most of the 30 million dollars is probably permanent debt at this juncture. And that's why we want to increase the emphasis -- we want to do more construction lending on that side. So the 30 million dollars reflects probably a couple of construction loans but mainly permanent debt at this time.

CHAIR PARKER: Other questions?

Ms. Peterson?

MS. PETERSON: I guess I would just like to say that it's interesting that you're looking at expiring ruling tax credit projects; but I'm wondering a little bit about those who want to exit early. We're not really excited about that; and I'm not sure that, as an agency, that we in this room ought to be, unless we have a better understanding about what "early exiting" means.

Obviously, for those -- or maybe not obviously -- but for those deals that were awarded tax credit before 1990, there is an ability, quite frankly, beginning this year, to flip and become non-affordable projects. For those deals that were awarded a tax credit beginning in 1990 and thereafter, there is a long affordability period of up to 55 years.

MR. WARREN: That's right.

MS. PETERSON: And so notwithstanding the fact that limited partners, for example, or even general partnerships may want to exit the partnership for their own reasons, tax purposes, there will be that affordability that we'll be assured of through the restrictive covenants that are recorded against each property.

MR. WARREN: That's right.

MS. PETERSON: But I'd just like to -- I don't know if we need to explore here that; but I'm sure that we all will have the same public purpose in mind when we look at developing programs for those early tax credit projects.

And the second thing that I just wanted to ask, you know, maybe if you could give us a sentence or two more about it, is that third initiative about homeownership developed with lending. I was slightly confused about that. I mean, if what we're really talking about is a developer who wants to develop a subdivision or something like that, and so we're going to provide the construction financing for the development of the subdivision, and then it will shift over to the homeownership program. I'm just trying to get an idea if I have the right idea.

MR. WARREN: Let me answer the second question first.

That's correct. Right now, the projects that have been brought to the state have all been condominiums, and not detached. Basically, yes, we would be the development construction lender for detached homes in total or condominiums, either all or in the phases. And the objective, being from a policy standpoint, is the lower construction cost funds that we bring translate directly into more affordable units or deeper affordability units on the homeownership side, so --

MS. PETERSON: I mean, would it be a turnkey-type thing, where there would be a permanent lender --

MR. WARREN: To the extent --

MS. PETERSON: -- Before they're sold off individually?

MR. WARREN: As any good construction lender would want to do, you would want to have as much forward commitment under take-out for the homeownership that you possibly can get. And I'm sure that my colleagues in the homeownership side would be more than happy to offer up those commitments on a ready basis, to help with the construction loan.

MS. PETERSON: Well, I think you'd want some kind of fail-safe for the 100 percent, not just one by one by one.

MR. WARREN: That is something we have to work out. Clearly the problem, Ms. Peterson, is how far out you can commit for the ownership and the pricing and the rates, and that's to be determined. We don't know yet.

CHAIR PARKER: Yes, I think Linn always puts us out here to sort of tantalize the Board from the standpoint of what the industry is coming to us about. We would be coming back, obviously, working through these with more information for policy considerations on the Board.

And that's certainly clear because essentially these have been -- the first one is requests by the constituents or constituents or stakeholder groups.

The last one we have been approached by a developer, primarily in the Bay Area. And given the numbers that that person has done, by essentially working through us, may be able to -- would continue to have a reasonable profit for them, but lower the cost of the units available for sale. So we're looking at this from the standpoint of, "Can we play a role in that market that would help the creation of stock, affordable stock?," as being part of our mission. So it's something that we're working on. But we wanted to make the Board aware of it, for us to be coming back in the next two months, four months, of some possible opportunities.

Much as Linn -- I mean, you might touch on this -- in our Business Plan that was adopted by the Board, we had an initiative to work on student housing.

MR. WARREN: Right.

CHAIR PARKER: And I think, you know, Linn came to you a year ago in this very context. And, Linn, you might want to touch on where that's --

MR. WARREN: Yes, I should update the Board on the student housing. We did a fair amount of work on the student housing initiative with the office of the President of UC. And as they got down to the very end of the process -- let me back up a little bit.

One of the main reasons for the involvement of the Agency was that if we provide the debt and issue the bonds, then the University of California would not have to carry the credit on their balance sheets. In other words, they could make an off-balance sheet environment, which would allow them to go out and do other kinds of developments, since they are limited by that.

Their consultants and rating agencies, primarily Moody's, have indicated that even under the CalHFA structure, the debt would still be carried on their balance sheets; and, therefore, there would be no advantage.

And with that, the university decided to come up with a structure which is basically similar to how they would finance any building, which is the control of the bonds and such like that. So the advantage for the Agency essentially diminished, even though we think that it's a better program.

The problem, though, is -- and this all revolves around much of the Enron situation, is that auditors today and certainly rating agencies are very nervous about being liberal in their interpretations about matters like these. But interestingly enough, it's a severe enough problem, is that the project in Albany, which the Board may recall, has actually been postponed pending the resolution of this issue and others. And we may very well be asked to come back and revisit this issue with the university.

And if I can answer Ms. Peterson's first question about the early exit of the tax credit projects, the way it was presented to us is, "How can the Agency help these nonprofit owners in this situation?" And that is to be determined. Many of the projects do not need refinancing, do not need new debt. But I offer it up to the Board that a request has been made of us; and something that, in the interest of serving our customers, we're going to look at.

CHAIR PARKER: Mr. Czuker?

MR. CZUKER: Well, to follow-up on Mrs. Peterson's question, can you explain what either CalHFA's policy would be, or how it would interface with TCAC in a situation where the 9 percent credits had run for 15 years beyond the federal restriction period, where there still may be a state regulatory agreement that runs 30 years or 55 years, and yet the sponsor is coming back to you to say, okay, the project could use rehabilitation, could use some updating -- and what would be the policy of either CalHFA or TCAC, for that matter -- to ante up a new round of limits or bond debt limit allocation.

MR. WARREN: Right. They've got two ways to look at it. First are the early ones, which don't have the 55 years. And those we're trying to reserve affordability, both with nonprofit and for-profit. But putting that aside for the moment, you know, if the restrictions remain in place and it required recapitalization, then I think our goal is to use

501(c)(3) debt. And if there is more availability for bonds and credits, to go that route.

I think we don't want to use -- we don't want to employ scarce public subsidy to refinance these.

So our financial vehicle to reconfigure, to recapitalize 9 percent deals is probably going to be tax-exempt bonds under 501(c)(3) for nonprofits.

So we would come in, layer that on, retire the conventional debt. To the extent that's feasible, some of these things still carry prepayment penalties, that are somewhat severe and have to be dealt with. And it may not be feasible to retire those at this juncture. Maybe a 20-year window.

But it's a program, Mr. Czuker, that we've only looked at a couple. We need to work through these issues.

CHAIR PARKER: More to come.

MR. CZUKER: Well, I'm turning the question perhaps to Mrs. Peterson, slightly, and ask, similarly; if there is a state regulatory agreement for 30 to 55 years, but yet the project is in need of rehab, it's now 15 or 20 years out past the tax credit federal period, how would the State look to an application for anteing up either new tax-exempt bonds or 9 percent credits to further improve that type of project?

MS. PETERSON: We like Linn's answer, that they wouldn't be using either Private Activity Bond cap or additional tax credits -- or new tax credits, obviously, if they're 501(c)(3) bonds.

On a more serious note, this is somewhat of a conundrum that we, as well as all the other states are looking at. Because on the one hand, one could say if a deal is 15 years old, it shouldn't need major, huge systems replacements. And so we could say, "Well, gee, didn't they reserve the right to begin with, and didn't they have adequate replacement reserves?," and so on.

On the other hand, a lot of the early tax credit deals, interestingly enough, were acq. rehab -- were acquisition rehab deals and not new construction deals. And so we recognized -- and that did minimal amounts of rehab. The minimum required by the Internal Revenue Code, for example.

So we do recognize that there are going to be deals that legitimately need more rehab work, need recapitalization.

And so the system that we have right now, for example, would permit deals that fall into our definition of being at risk. That is, it would be tax credit deals or 236, Section 8, 515 deals to apply for additional credit and actually have a little set-aside for those kinds of deals.

And like I say, that would encompass the early tax credit deals, deals that are already affordable housing, that are at risk of being able to convert within a two-year, look-forward period.

So it is possible at this point in time for deals to come in. Those would not, of course, be 501(c)(3) bonds in the 9 percent program.

I think, again, depending on the competition and the 9 percent program -- and that's always, for obvious reasons, because it's so lucrative, and the most competitive program by far, that if there were a way that we could encourage those deals to become tax-exempt bond deals, if they're not able to be 501(c)(3) deals, that we would certainly do that.

CHAIR PARKER: I'm going to let Margaret come up and go briefly and quickly through Asset Management.

Obviously, if you have Ms. Peterson captive at lunch, you can continue to ask her questions.

MR. CZUKER: Thank you for that answer.

MS. PETERSON: Was that helpful? I hope it was helpful.

CHAIR PARKER: Margaret is here as our director of Asset Management to give you just an update on where the portfolio is.

Margaret?

MS. ALVAREZ: Good morning.

You see on our first slide here that much like everyone else in CalHFA, this year we're focusing on technology and an efficient way to do things. We've just recently decided on a software package, and are in the process of purchasing it to better interface with our borrowers, to trade information back and forth, and mostly to retrieve information from them in a more efficient way that would allow us then to more efficiently and effectively package and prepackage that information, as we might need to help provide information to the other departments within our agency and, really, to see how things are going. So we're very excited about that.

Another focus of our division this year has been the restructuring in Section 8 mismatches.

Oh, I'm sorry, Terri was shaking her head.

CHAIR PARKER: I'm not shaking my head at you, Margaret. Jeanne asked me a question.

MS. ALVAREZ: I happened to be looking at you, when you did that.

Anyway, we're looking at a restructuring of the Section 8 mismatches. And just as a reminder, the mismatches are, HUD gave housing assistance contracts for a 20-year period, and yet the Agency loans on those same buildings are 30 and 40 years long. So there's a mismatch in the subsidized portion of the rent that those buildings are receiving.

We have about 40 of those projects, and well over half of those have, to date, just elected to renew their housing assistance contracts with HUD at their current rates and terms, and life goes on.

There's another handful that are in the process of various HUD programs being restructured. And some of those, the outcome may be that the projects go elsewhere for financing and others will stay with us. So that's just in the pipeline. And the main focus of those will happen between now and 2005. And then we have a handful that will expire between 2004 and 2011.

Also along the lines of our Section 8 portfolio, because it is an aging portfolio and many of the projects do or don't have very sufficient reserves or replacements, we're kind of doing an in-house report card and risk analysis of our portfolio. And we're in our baby stages at this point, but it looks like we have anywhere from about 12 to 18 projects that have no reserves, have no extra cash, owners haven't taken any owner distribution over the years, and need some assistance to recapitalize and kind of put themselves in the market to be able to make it to the end of their loan period. And we'll be trying to be ingenious and come up with programs within the Agency to help those owners get to the end of their loan term.

We have 6 REO properties. Those are properties obtained by foreclosure that are now owned by the Agency. We've had those for many years. Most of those occurred between 1990 and 1995. And those, we have been operating as if their regulatory agreements are still on at 20 percent as the minimum, at the lower income rents.

And in actuality, we're actually operating them much higher than that. We have 30 -- and in some buildings, a little higher than that -- units set aside for lower income tenants. With the exception of one, they're in very good condition.

And annually, we look at the properties and try to do a hold-sell analysis, and decide if we should keep them or if it's time to dispose of them. And we're in the process of partnering with a group in Linn's shop. And our two departments are looking at that and coming back with a recommendation.

As always, our portfolio remains very active. By this year, we'll have over 400 properties in our portfolio. And during the last half year of the fiscal year, we had 14 transfers of physical assets, we had seven loan modifications from bond refundings. When our Agency's underlying bonds get refunded, if we have savings, we offer the borrowers an opportunity to help share in that savings. And in exchange for that, we get a higher count of set-aside units; or they extend the term of their loan.

And in most cases, they do extend the term of their loan, although this year, a couple elected to increase the number of units.

We have two active loan modifications, just for what I was saying earlier on our Section 8 portfolio for physical needs at the properties. And we have one work out at a small property owned by the County of Los Angeles in an L.A. suburb; and we had one property that we transferred as a deed in lieu of foreclosure in the Fresno area, due to some financial and physical problems there. So we were able to acquire the property as a deed in lieu of foreclosure; and we were lucky enough to have an owner willing to take those issues on and transfer it right away.

CHAIR PARKER: Thank you, Margaret.

Questions of Margaret?

(No audible response was heard.)

CHAIR PARKER: Again, I think it's important that the Board be comfortable that we are continuing to assess as our projects age, the status of our portfolio.

We're going to wind up the presentation with Jackie going quickly through our budget. And then we'll do a little ceremony and close our meeting.

MS. RILEY: Good morning. I have three areas that I wanted to talk about very, very briefly: Space, staffing and budget.

For the first time in over 18 years, our headquarters operation is now located in two different areas. We managed to stay put in the Senator Hotel building for those 18 years. But we did a lease with a building a couple blocks away. We were trying to keep things close, so we occupied that on October 18.

The Senator space that the folks over in the Meridian vacated is now being -- we're doing tenant improvements on that to get the units that are in the Senator, back, organized and reunited together. Both sites, both the Meridian and the Senator space will accommodate the overflow that we had, and also some anticipated growth. The leases that we have on both of those sites are coterminous at the end of August of 2009, which then starts the planning process in the spring here to begin planning to reconsolidate the Agency in one location.

Staffing, the first six months of the year we hired 18 new employees. We have been slowed since December in our hiring because of state hiring restrictions and conditions.

Our budget, taking a snapshot look at it, at the end of December, we are in good shape or right on target. There may, however, be some unforeseen factors that affect our budget that are beyond our control. Those would be perhaps some legal expenses. But we will continue, if that is a problem, we'll be back at the Board either in March or May, if we see that happening.

And I did want to reiterate that the state budget has no direct impact upon our budget.

CHAIR PARKER: One other thing that I wanted to just add to the Board is an update in Linn's area. When we did the Business Plan in May, we had brought an item to you about the possibility of looking at space in the Bay Area, to establish an office, depending on what business opportunities. We continue to look at that. We have not made any additional venture overture on that, but we'd certainly be keeping the Board apprised of that. But since it was an item that was in the Business Plan, that we had said we would come back to you if we were going to move forward, I just wanted to give you an update that we have had no additional activity in that sense at all.

That concludes, unless there's questions for Jackie, the Business Plan update.

I think, like I say, on behalf of the staff, we have gotten some very good comments and feedback from all of you that we will be using in our process to come back at our next meeting to further the Business Plan and development for 2004-2009; and then final adoption by the Board in May.

Item 11. Public Testimony

CHAIR PARKER: That concludes the items that we have, that I would essentially turn our direction to the last part of before the Board, unless there are any public comments.

(No audible response was heard.)

Item 10. Discussion of other Board matters/Reports

CHAIR PARKER: We have a special opportunity to celebrate the recognition of Clark Wallace, the former Chair of the California Housing Finance Agency Board; Carrie Hawkins, long-time Board member; and also Bob Klein, who served on the Board for the Speaker. Those three individuals never, in the Agency's history, have we had people who have really, in various ways, touched the success of almost 28 or 29 years of this Agency as these three people have done individually.

Clark, not only his leadership being on the

Board for almost two terms, but actually chairing it for a full term of six years.

Carrie, almost three terms, 17 years. You can look at -- there's barely been a time when Carrie hasn't been part of this organization.

And then, of course, Mr. Klein, not only his contribution of serving as a Board member, but at the conception and writing of the statute that created it, and, in a sense, being able to be a Board member and actually be part of the activities on a daily, monthly, yearly basis of seeing the fruition of what the Agency can accomplish, and our lending to create affordable housing throughout the state.

So I know we're going to have a lunch; but I wanted to have a little bit of time on the record, since we do take verbatim minutes, for us to recognize these three individuals and give your colleagues an opportunity to celebrate your accomplishments.

So we have some little gifts for you, which I will give to you; but I will essentially call the three of you up. And I would open the floor to your colleagues present, many of whom you have sat with for a number of years, to offer their comments and recognition.

I want to make sure I look at these because they all have your names on them, that I'm giving you the right ones.

MR. WALLACE: I'll take an envelope, a thin envelope.

(Laughter)

CHAIR PARKER: Clark, this is yours.

MR. WALLACE: Do you want us to open it here, so you can see how --

CHAIR PARKER: I want to make sure I'm giving you, so that you're not going home with Carrie's.

MR. WALLACE: So everybody on the Board can see how stakeholders' money is being spent.

(Laughter)

CHAIR PARKER: I have to tell you, we don't do this for just every one of our Board members, so don't necessarily expect this.

(Laughter)

CHAIR PARKER: But when you make good, significant contributions.

MS. PETERSON: This is Carrie's.

CHAIR PARKER: And, Carrie, this is yours.

We also have something else that we thought was extremely appropriate, given the time commitment, but also the depth of contributions that you've made to the California Housing Finance Agency.

And I've got Mr. Giebel walking up.

We've asked the Legislature -- Di went and essentially asked members of the Legislature for a joint resolution for each of you. And the response back was a wholehearted approval of this recognition, given your accomplishments. So it was not a tough sell, to have to go across the street and ask the Legislature to recognize the three of you and your contributions. So each one of you has a resolution, as I said. And nowadays, they're in color, that we hope will be also meaningful for each of you in recognition of your accomplishments.

So I will open the floor with that segue' to Mr. Czuker.

MR. CZUKER: Well, I just wanted to say to each and every one of you, that it's been my absolute pleasure over the last approximately eight years that I have served on this Board to work with each one of you, and the contributions you've made to this Board, as well as to me personally, has been one that I'll never forget and one where I will personally have great admiration for each of you and look forward to keeping in touch with you as you move on from this Board, and hope to keep in touch and I wish you well in your endeavors. Each of you are going in slightly different paths. But it's really been my personal pleasure, but it is the Board's great loss to have each of you leave the Board. You're certainly going

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Thank you very much.

(Applause)

CHAIR PARKER: Mr. Czuker is the senior member of the Board now, with your transition. And I would, again, like to open it to other Board members who have had a chance to get to know you a little bit.

But I think that there may be a few members of the staff, particularly, who you've recognized and worked with, that if they wanted to come up and be extroverts enough to make some comments about the contributions, I would also offer that as an opportunity, many of whom have worked with you substantially longer than I have.

MR. LaVERGNE: My name is Dick LaVergne. I'm chief deputy for the Agency. I have worked with all of these Board members and all of you. It's hard to believe that Carrie and I came in at about the same time. But it's been a very long, enjoyable and fruitful relationship.

I'd like to make a special comment to Mr. Klein, as Terri mentioned, Mr. Klein was intimately involved in the creation of the Agency, so much so that there was actually a book written on the creation of the Agency. And it lays out in very interesting detail the hard work and the various steps they had to go through to actually create the Agency.

And after reading that and sharing it with my colleagues over and over and over again, just to give them a sense of how the Agency was created and the hurdles that had to be overcome to do that, where we are today is largely due not only to Mr. Klein's effort but, of course, the three Board members with 29 years of experience, and, of course, the current Board members as well.

So thank you very much.

(Applause)

CHAIR PARKER: I think one of the things, saying this in recognition and having served in government and on boards for a good part of my career, I always tout the fact that this is a professional board. And we have been very fortunate to have had appointees of the Governor or the Legislature who are very much key people in their professions. Each person here standing is a recognized leader in their profession. And the cache that that has given CalHFA, formerly CHFA, when they first started, a significance not only within the state but at a national level, that is a great deal of pride, and certainly for the new Board members, the reflection and the carrying on of that tradition. We've been very, very fortunate and it really has made a difference in how Wall Street reacts to us, how our bond entities react to us. And so, you know, all of you have big shoes to fill and to continue this tradition that has really been a good part of these three individuals.

So I am very pleased to continue to have a very professional board. I'll look forward to the Governor's appointment of four new members that will continue on the tradition of what these three individuals have made, a tremendous legacy to the State of California in this Housing Finance Agency directly. And I couldn't be more proud to be able to be a part of going to these three different people at times to ask for their counsel, how can we accomplish something, and their willingness to pick up the phone, give of their very valuable time; because, obviously, the per diem that they receive for it doesn't even cover the FPPC cost of having their forms done every year.

It is a labor of love, on their parts, commitment to affordable housing, to what we do fundamentally, not just from their heads, but their hearts. And it's really a pleasure for all of the CalHFA staff to have been able to work with you.

MR. KLEIN: Could I make a comment?

CHAIR PARKER: I open it to each of you.

MR. WALLACE: It wouldn't be right if you didn't.

(Laughter)

MR. KLEIN: Thank you, Mr. Chairman. He will always be "Mr. Chairman."

I would just like to say that by coming from the origins of the efforts to create this Agency, where the Legislature had failed in the prior seven sessions to create a California Housing Finance Agency, this was viewed as a dream that was implausible but has now become not only a reality, but the leading agency in the United States, is an incredible journey. And that journey would have been totally impossible without the dedication of the staff that is represented with its leadership that is here today.

It is with real nostalgia and remorse that I know that Ken is going to leave, because for so many years, he led the financial side of the structure and planning and growth, maturity of this agency.

But every single member of the staff that's here has been critical, whether it's in mortgage insurance or single-family or multifamily, the charts that you saw today on that board and the growth of the multifamily program are remarkable. And when you look at California's program, as compared to the other states in the United States, it is an incredible difference in terms of the achievements that this staff has made for this state in this country.

So I am forever grateful for the tremendous effort of the staff and carrying out a dream that was deemed to be implausible and now has become remarkable.

(Applause)

MS. HAWKINS: I would reiterate the same comments, but I'll add a couple of my own. It just seems hard to believe that I've been here, coming to these meetings for 17 years. The only thing I won't miss is getting up at four-thirty or five o'clock in the morning to make that plane. But I splurged last night, and I actually spent the night here. So I was sure to be here, in case of fog or something.

But it's been a wonderful 17 years, beginning with Governor Deukmejian. I've served three governors and served with wonderful Board members from both sides of the aisle, and have just made lifetime friendships with members from both sides of the aisle. And it's been a totally non-partisan work here. We all have worked well together to serve the citizens of California, to bring homeownership and more affordable housing to tenants.

And so I'm going to miss you all. The staff has been wonderful. I've worked with several directors and other staff members here; but none better than the ones we have currently, and I know they'll face the challenge, especially as interest rates go up and affordability will be even a more serious, serious factor once interest rates are up because of the housing price increases. We really have a challenge to meet, to serve our citizens in California. So thank you. I won't name each of you, but you know who you are. I appreciate so much what you've done with the Agency and, as Board members, you've made our job easy.

But I do have to thank JoJo. I mean, she has taken such good care of us for so many years. Thank you, and thank you, Terri and all of the rest of you who have done such a good job. Thank you.

(Applause)

MR. WALLACE: You know, when I look back and see that I served eight years here, and then think of Carrie serving 17, I didn't even want to acknowledge -- it's scary to think that you were here that long. But then it's reassuring when Czuker is the senior member of the Board.

(Laughter)

MR. WALLACE: I can remember when he was in swaddling clothes.

(Laughter)

MR. WALLACE: He wasn't married. He is married now and has four children, in pretty rapid succession. So that's reassuring.

MR. CZUKER: A lot of life changes.

MR. WALLACE: But apropos of what my compatriots have said, it was a great ride. There are some things that you've indicated that I won't miss, the last-minute -- the commute, being just across the Bay was lousy, until JoJo convinced me that I should come the night before -- or it's easier to commute for me across the Bay to Burbank and to Sacramento than it is to drive here at early a.m. So JoJo convinced me to come and spend the night.

And I won't miss the form, FPPC form.

(Laughter)

MS. HAWKINS: Oh, yes.

MR. WALLACE: That not only is tedious -- and God bless us, we have to do it -- but it's expensive. I'm about down 20-to-1 in my per diem versus what I spend to have my accountants work on that.

(Laughter)

MR. WALLACE: So it isn't a high-paying

assignment. So I won't miss that, and I won't miss these (holding up binder), in the last few days before a Board meeting. That's a crush, when you're trying to do everything else.

What I will miss, as my compatriots have said, is all of you on the staff and all of you on the Board. It's been a great ride. Our predecessors were great people. You represent -- many of you state departments, which do the Lord's work, and so do we.

So I will miss you staff members -- Dom, we'll talk -- and I won't do this individually, but he taught me to be at least computer literate. And I'm still borderline illiterate. But, boy, you wouldn't believe how much progress I've made when Terri assigned Dom to go get that guy, and we'll loan him a Toshiba laptop. And, hell, I couldn't spell it. But there's been so many of you who have made an impact.

I remember LaVergne before, when I was running another state department, and we all looked from other states -- you may not, but we -- Cathy, you may not -- but we all looked at CalHFA as being something apart and special, and you are -- and Bob and others. So it's been a great ride. I will miss you guys. I won't particularly miss the meetings. Eight years is enough. I have a long-standing theory that after five to ten years, somewhere, depending on the assignment, you kind of burn out. And so the last year or so, Terri has said, "Do you want to ship over?"

And I say, "I can do it, if I have to, but I don't have to. I have other things in my life that I can do." And so -- and then all of a sudden that was taken away from us and the decision made elsewhere, in the closing moments of an interesting political year.

So, yes, I'm going to miss it, in some ways; but I feel freed up. I'm going fly-fishing for the next month in New Zealand. I probably would have done that, anyway.

(Laughter)

MR. WALLACE: But I haven't given up on affordable housing, really. I've got a whole program that I'm devising, and CalHFA is in the spectrum. I'm devising for the realtors of California and the nation, and I'm test-marketing it in Contra Costa now, working with the ten cities and the county -- people you would recognize with my continued stay in BRIDGE Housing. I'm putting together a program that I think you may be seeing us again because CalHFA is definitely in the spectrum.

So just a last point: You do these things because you think you can leave it a little better than you found it. And I believe sincerely all of us, right, can say we're leaving it a little better than we found it, and it's your turn to come back at some point in the future and be able to say the same thing. And I'm sure you will be.

Thanks, all of you.

(Applause)

CHAIR PARKER: I think what I'll do then is just close the meeting. I don't think we have any other items of business on it.

For those of you that are guests, JoJo reminded me, I have little parking things that you can use for guest parking.

I would like to do one last item, and that is to ask you to close the Board in memory of Angela Easton. She was a colleague of many of yours on the Board, as a young woman, died recently -- a very early death, unfortunately, a very surprise health issue. And we had essentially contacted Angela's family and let her know the support and recognition of her time on CalHFA. And so I would just like to ask you all to close this meeting in her memory.

Thank you.

Next Board meeting is going to be in March, and it will be in Sacramento.

MR. LaVERGNE: Motion to adjourn?

CHAIR PARKER: Motion to adjourn.

(A chorus of ayes was heard.)

CHAIR PARKER: All right, thank you very much.

(The meeting concluded at 12:49 p.m.)

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REPORTER'S CERTIFICATE

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

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

In witness whereof, I have hereunto set my hand this 26th day of January 2004.

Daniel P. Feldhaus

DANIEL P. FELDHAUS
CSR #6949, RDR, CRR

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CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment
Coliseum Gardens
Oakland, Alameda County
CalHFA Loan #02-048-C/N

SUMMARY:

This is a Final Commitment request for a construction loan in the amount of Twenty-two Million Nine Hundred Thousand Dollars ($22,900,000), a tax-exempt, first mortgage loan in the amount of Three Million Four Hundred Twenty Thousand Dollars ($3,420,000), and a FAF loan in the amount of Five Hundred Seventy-five Thousand Dollars ($575,000). Security for all three loans will be a newly constructed, 115 unit family apartment community owned by Oakland Coliseum Housing Partners, a limited partnership with affiliates of Related Companies of California and East Bay Association of Local Development Corporations as the general partners. The project will be located on 69th Avenue and Hawley Streets near the Oakland Coliseum in East Oakland, California.

LOAN TERMS:

Construction

First Mortgage	$22,900,000
Interest Rate:	variable
Term:	18 Months, interest only
Financing:	$19,000,000 Tax-exempt
	$ 3,900,000 Taxable

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

Permanent

First Mortgage	$3,420,000
Interest Rate:	5.50%
Term:	30 year fixed, fully amortized
Financing:	Tax-exempt
FAF Loan	$575,000
Interest Rate:	3.00% simple interest
Term:	30 years
Financing:	Taxable

LOCALITY INVOLVEMENT:

The Oakland Housing Authority, (OHA), will own fee title to the land and improvements. A Ground Lease will be executed between OHA and the partnership, such that the partnership will own a leasehold interest in the improvements. The Ground Lease is not yet finalized, but it is expected that the term will be approximately 67 years, (to be co-terminus with HOPE VI loan), there will be a prepaid lease amount of approximately $360,000, and there will not be any annual payments due from operations. CalHFA's Regulatory Agreement and construction and permanent Deeds of Trust will be placed on the leasehold interest, subject to satisfactory review of the final ground lease. OHA is providing separate financing for the relocation of the public housing tenants, the demolition of the existing public housing buildings, and the development of the infrastructure.

The property will have secondary financing from the City of Oakland's Redevelopment Agency in the amount of $1,500,000 with a loan term of 55 years and an interest rate of 1%. In addition, the City of Oakland's Community and Economic Development Agency, (City CEDA) will provide HOME funds to the project in the amount of $500,000 with a loan term of 55 years and an interest rate set to the Applicable Federal Rate. Lastly, the project will benefit from $1,000,000 in funds from the City CEDA, with a loan term of 55 years and an interest rate of 0%. The repayment of these loans will be from residual receipts.

OTHER INVOLVEMENT:

HUD, through OHA, is providing a HOPE VI loan to the project in the amount of $4,175,042 with a loan term of 67 years and an interest rate of 0%. In exchange for these funds, HUD will require the recordation of a Regulatory and Operating Agreement on the fee interest, which will restrict 35 units as Public Housing Assisted Units, (PHAs). The HUD Regulatory and Operating Agreement will be senior to CalHFA's Regulatory Agreement and construction and permanent Deeds of Trust.

The HUD Regulatory and Operating Agreement will specify that operating assistance will be available to subsidize the operation of the PHAs, subject to the terms of the Annual Contribution Contract between HUD and OHA. It is expected that income for the PHAs will be set at $418 per unit per month, as a combination of tenant rents and subsidy payments from OHA to the partnership. The average income of public housing tenants in Oakland is 17% of AMI.

Additionally, the project has received approval of funding from the State of California Department of Housing and Community Development's Multi-Family Housing Program (MHP), and the MHP Nonresidential Space for Supportive Services Program (NSSS) for two loans in the amounts of $7,465,000 and $500,000. The loan term for the MHP funds is 55 years with a 3% interest rate. There will be a required 0.42% payment on the $7,465,000 loan, which is shown in the project cashflow.

PROJECT DESCRIPTION:

A. Site Design

The proposed Coliseum Gardens is the first phase of a multi-phase, master planned apartment complex that has been designed to replace a public housing project (with the same name) built in the 1940's. The project is located in East Oakland within walking distance of the Coliseum

BART station and the Oakland Coliseum sports arena. The proposed project is part of the Coliseum Transit Village that will ultimately involve the construction of 350 affordable housing units, including 97 public housing units, 33 affordable for sale townhomes, an expanded and renovated 5.7 acre city park, a restored city creek and market rate housing over retail at the Coliseum BART station.

Phase I includes the replacement of 35 of the 178 public housing units currently on the site and the construction of an additional 80 units of rental housing. All former residents of the existing Coliseum Gardens public housing development have already been relocated by OHA, and former residents will have the first right to occupy the 35 new public housing units.

The Coliseum Gardens site is on 69th Avenue with a to-be-built Hawley Street extension separating Area A and Area B of the development. The west parcel (Area B) is triangular and bound by 69th Avenue, Hawley Street and the to-be-built Lion Way East. The east parcel (Area A), is rectangular and bound by 69th Avenue, Hawley Street, the for sale townhomes parcel, and the Acts Full Gospel Church.

B. Project Description

The subject will be a newly constructed 115 unit large family project on approximately 3.85 acres, with a total of six buildings. Fifty-five units will be located in one podium building with secure parking beneath and three stories of residential on top. Ten townhome units will be located over the social service and management space building and look out over a to-be-renovated public park. The podium and community buildings will be in Area B. The remaining fifty units will be contained in four slab on grade buildings, across Hawley Street in Area A, and will be configured as three story walk-up townhomes and flats with tuck under garages.

The site, buildings, and units have been designed to create safe, secure open space and to enhance the security of tenants. Controlled parking beneath the podium deck will provide direct secure access to the perimeter sidewalk townhomes as well as to the deck units above. To address security concerns, access into and throughout the podium complex will be controlled through two secured access points. The units in area A will be accessed by two auto parkways and one pedestrian courtyard between the four rows of buildings. These buildings will have tuck under garages and the entrances to the driveways will have security gates. In addition to the secure parking for residents, with 67 spaces in the podium building and 54 spaces in area A, additional resident and guest parking will be conveniently located along the street frontage surrounding the property. Residents accessing management and social service facilities will not need to go through the residential areas of the complex.

Construction will be wood-framed Type V construction atop one level of concrete Type I podium construction in area B, and wood framed Type V construction atop slab on grade in area A. The building exteriors will be stucco. The roof material will be asphalt shingle. The slab on grade buildings will have gas forced air heating and individual hot water heaters. The podium buildings will be equipped with a central boiler and the landlord will pay for hot water. The electric heat in the podium buildings will be provided by a hydronic system with individual thermostats. There is no air conditioning planned for this development.

Coliseum Gardens has been designed to market standards for large families. Unit amenities will include modern kitchens and ample storage. The kitchens will have formica counter tops, vinyl flooring, and will be equipped with dishwashers, garbage disposals, frost-free refrigerators, and both an oven and a range. There will be no microwaves provided. The bathrooms will also have formica counter tops with cabinet bases. There will be a combination of showers and bathtubs depending on the unit type. The project will be designed to meet the Local, State and Federal regulations governing persons with mobility, hearing and visual impairments.

Number of Units	Number of Bedrooms	Number of Baths	Weighted Average Square Feet
15	1	1	573
32	2	1 – 1.5	857
49	3	1.5 – 2.5	1,264
16	4	2	1,417
3	5	2	1,572

Whenever possible, units have been designed to provide individual private decks, patios or balconies for outdoor use by families. Five laundry rooms, trash pick-up and mailboxes have all been sited to be convenient, secure and functional for both residents and service companies. In addition to a tot lot, non-residential amenities will include: 1,350 square feet of management leasing space; 3,000 square feet of child care space; 2,500 square feet of social service office space and a small 450 square foot multi purpose room.

An extensive social service program is planned that will include a child care center and social services such as youth, recreational and workforce development, and family economic success services. The project has a budget of $225 per unit per year to pay for a social service coordinator who will be responsible for coordinating with the wide variety of service providers in the community. All services will be provided to residents free of charge through community service providers, with the exception of childcare.

C. Project Location

The project is located in East Oakland within walking distance of the Coliseum BART station and the Oakland-Alameda County Coliseum sports arena, currently named the Network Associates Coliseum. San Leandro Avenue, a major north south thoroughfare, is two blocks to the west, and Interstate 880 is less than one-half mile to the west. The site is three and a half miles from downtown Oakland and Jack London Square. The City of San Leandro is two miles south and the City of Alameda is less than two miles to the northwest. The City of Emeryville is five miles north and the City of San Francisco is six miles to the west. Redwood and Anthony Chabot Regional Parks are two and a half miles to the east.

Coliseum Gardens is located in a medium density residential neighborhood bordering commercial and industrial areas to the west and south and residential areas to the east. The Oakland Coliseum complex and the Oakland International Airport are located to the southwest. Commercial development is occurring along the I-880 corridor and at the Business Park located near the airport.

The current use of the site includes vacant distressed public housing to be demolished. Immediate surrounding uses include a city park to the north; Capital Recycling, the former Standard Iron and Metal Company, and another city park to the west; single family homes, R&J Ornamental Iron, and Silvia Roofing to the south; and the Acts Full Gospel Church and grounds to the east. The uses to the north and west will be renovated as part of future phases of the Coliseum Gardens development. The existing Coliseum Gardens project is one of the largest public housing developments in Oakland; two others are adjacent; the Lockwood Gardens family project has 366 units, and Palo Vista has 100 senior units.

Surrounding amenities include a public elementary school and a middle school within one-quarter mile of the site, as well as a medical clinic and several alternatives for grocery shopping within a half mile radius. Two public parks which include baseball and soccer fields, basketball courts, picnic and barbeque areas and walking trails are immediately adjacent to the site. These parks will be consolidated into one larger 5.7 acre park in the center of the Coliseum Gardens multi-phase redevelopment of the area.

MARKET:

A. Market Overview

The subject is in East Oakland, in the southwest portion of the City of Oakland, in Alameda County. The market area for the project has been defined as a polygon consisting of the southwestern portion of the City of Oakland in the market study completed by Laurin Associates dated December 2003. This market area is bordered by High Street to the northwest, MacArthur Boulevard to the north, Interstate 580 to the east, Ninety-Eighth Avenue to the south and Doolittle Drive to the west. The market area has a current estimated population of approximately 94,909. During the past decade, the market area showed modest population growth, increasing by 12.4% from 81,578 persons in 1990 to 91,703 in 2000. The City of Oakland's population increased by 7.6% during this same period.

Alameda County had an estimated 681,600 jobs in 2002. The largest employers in the County of Alameda are the University of California at Berkeley, the County of Alameda, the Oakland Unified School District, Lawrence Livermore National Lab, the U.S. Post Office, Kaiser Permanente, New United Motor Manufacturing, Inc. and the City of Oakland. The annual unemployment rate in Alameda County has fluctuated with a low rate of 2.9% in 2000, and an increase to 5.9% in 2003. The average unemployment rate in Oakland was 5.9% as of December 2002 and 5.1% in December 2003.

B. Market Demand

According to U.S. Census data there were 28,678 households in the market area and 153,197 households in the City of Oakland in 2003. The percentage of renter households by the number of persons per unit as of 2003 is as follows for the market area: one person households 21.5%, two person households 24.5%, three person households 17.7%, four person households 14.2%, and five plus person households at 22.1%. The market area's average household size increased from 2.9 persons to 3.2 persons between 1990 and 2003, while average household size increased from 2.5 persons to 2.6 persons in Oakland during the same time period.

U.S. Census data shows that 51.2% of the market area households were renter-occupied in 2003, compared to 58.3% of renter-occupied housing in the City of Oakland. Median household income estimates in the market area were $24,663 in 1990 and $38,045 in 2003, an increase of 54.2%. The average vacancy rate for all units in south and east Alameda County was 4.1% in 2002 and 5.2% in 2003 according to the appraisal.

According to the City of Oakland, the Oakland housing market is characterized by a shortage of affordable housing units in relation to need. As of early 2002 there was an assisted housing vacancy rate of less than 2%, with 72% of the low and moderate income renters spending more than 30% of their income on rent. In addition, overcrowding is a problem among 73% of the large renter families. The Oakland Housing Authority states that there are 15,000 families on the waiting list for Public Housing and 3,137 families on the Section 8 waiting list. A separate list of families interested in Section 8 includes approximately 10,000 names. The majority of the City of Oakland's assisted housing projects have closed waiting lists with 12 to 24 month long waits for units.

C. Housing Supply

According to the 2000 Census, 49.6% of the housing units in the City of Oakland were single family and 50.2% of the units were multi-family. In the market area 50.4% of the multi-family housing units were built in 1949 or earlier, and another 19.9% were built between 1950 and 1959. Only 7.5% of the housing units in the market area were built between 1980 and 2000. Approximately 71% of the single family homes within a one mile radius of the subject site are valued between $100,000 and $199,999, with an estimated median home value of $145,281.

The City of Oakland's assisted housing stock consists of 3,308 public housing units, 9,686 households assisted with Section 8 vouchers and certificates, 803 units assisted with Section 8 project based subsidies, and 6,845 other assisted units. Assisted housing units represent approximately 12.9% of Oakland's housing stock. There are three additional multi-family affordable housing projects under development in East Oakland which will contain a total of 84 assisted housing units and 40 market rate units. Lastly, there are three market rate projects under development in East Oakland which will contain a total of 294 units.

OCCUPANCY RESTRICTIONS:

The occupancy restrictions described below are expected to reflect those in the final Regulatory Agreements. The percentage of units below is based on a total of 114 units, which excludes the manager's unit from the calculation.

CalHFA:	20% of the units (23) will be restricted at 50% or less AMI
TCAC:	100% of the units (114) will be restricted at 60% or less AMI
OHA/HUD:	30% of the units (35) will be restricted at 30% or less AMI
	70% of the units (79) will be restricted at 60% or less AMI
City CEDA:	30% of the units (35) will be restricted at 35% or less AMI
	23% of the units (26) will be restricted at 40% or less AMI
	21% of the units (24) will be restricted at 50% or less AMI
	26% of the units (29) will be restricted at 60% or less AMI
MHP:	10% of the units (12) will be restricted at 20% or less AMI
	23% of the units (26) will be restricted at 30% or less AMI
	9% of the units (10) will be restricted at 40% or less AMI
	11% of the units (13) will be restricted at 50% or less AMI
	46% of the units (53) will be restricted at 60% or less AMI

PROJECT FEASIBILITY:

A. Estimated Lease-Up Period

The market study has estimated that the project would need to capture from 1% to 1.3% of the current demand from existing households depending on unit type and rent level. Laurin Associates estimates that these apartments would fully rent up within four months or less of opening.

B. Rent Differentials (Market vs. Restricted)

Rent Level	Subject Rents	Market Rents	Market Rents Difference	% of Market Rents
One Bedroom		**$962**		
40%	$559		$403	58%
50%	$709		$253	74%
60%	$709		$253	74%
ACC	$418		$544	43%
Two Bedroom		**$1,010**		
30%	$488		$552	48%
40%	$669		$341	66%
50%	$842		$168	83%
60%	$849		$161	84%
ACC	$418		$592	41%
Three Bedroom		**$1,438**		
30%	$558		$880	39%
40%	$767		$671	53%
50%	$967		$471	67%
60%	$975		$463	68%
ACC	$418		$1,020	29%
Four Bedroom		**$1,594**		
50%	$1,071		$523	67%
60%	$1,083		$511	68%
ACC	$418		$1,176	26%
Five Bedroom		**$1,750**		
ACC	$418		$1,332	24%

ENVIRONMENTAL:

CalHFA has reviewed the Phase I and Phase II Environmental Site Assessments for the project which were completed by Environ International Corporation in October 2003 and January 2004 respectively. The purpose of the Phase II investigation was to further evaluate soil and ground water issues raised during the Phase I assessment.

Historical uses of the property have included the following: Coast Manufacturing and Supply Company, a manufacturer of safety fuses used in blasting operations, was located on a portion of the property in the early 1900's; and the San Antonia Villa federal housing apartment complex was built on the property in the late 1940's, and renovated in the late 1960's. This complex is the existing Coliseum Gardens housing project that will be demolished.

Certain issues and areas of concern were identified in the Phase I and were further evaluated in the Phase II. These areas include the following: 1) potential impacts to ground water from possible perchlorate and volatile organic compounds (VOC) usage at the former Coast Manufacturing site, and 2) potential impacts to the ground water beneath the property from an upgradient site with a reported leaking fuel UST. In order to evaluate soil and ground water issues, a field investigation was conducted in November 2003. Twenty-five borings were drilled throughout the 27 acre property to be redeveloped, with nine of the borings on the subject site. Soil and ground water samples were collected and were analyzed for one or more of the following sets of compounds: 1) VOCs including benzene, toluene, ethylbenzene, xylenes (BTEX) and methyl tert butyl ether (MTBE), 2) total petroleum hydrocarbons (TPH), as gasoline, diesel and motor oil, 3) oil and grease, 4) percholate, 5) metals, and 6) pH. Ground water, which flows generally west and southwest towards the bay, was encountered in all borings at relatively shallow depths ranging from 6 to 12 feet.

The Pacific Electric Motor Company site, located upgradient from the property at 1009 66th Avenue is a leaking underground storage tank facility with identified fuel releases to the soil and groundwater. The most recent ground water monitoring data from the site indicates that the following constituents are present at the site: TPH as gasoline, BTEX and MTBE. Both the BTEX and MTBE reported on the Pacific Electric Motor Company site were above the federal and state Maximum Contaminant Levels (MCL). To evaluate the potential impact to groundwater beneath the property, several upgradient ground water samples were analyzed for TPH, VOCs including BTEX and MTBE, and pH. TPH as gasoline and diesel was found at low concentrations in four of the six samples, below levels that would initiate significant regulatory agency concern or require significant remedial action. Trichloroethene (TCE) was reported in four of the samples at levels above the EPA tap water Preliminary Remediation Goals (PRG) and above the federal and state MCL. However, the levels are below the San Francisco Bay Area Regional Water Quality Control Board's Environmental Screening Level. The Regional screening level was determined to be more appropriate by Environ; in addition the impacted ground water is not a drinking water supply. Environ concludes that there does not appear to be a significant health risk to future residents as a result of TCE in the groundwater.

Perchlorate salts are known to be associated with explosives and fireworks manufacturing. Nine ground water samples were collected at the Coast Manufacturing and Supply Company site for perchlorate analysis. Perchlorate was not detected and pH was within normal ranges for groundwater. VOCs were located as discussed above, and appear to be associated with an upgradient source. Metals were not detected at levels above the federal or state MCLs, or above the EPA tap water PRGs.

An Asbestos Containing Material Assessment was completed in October 2003 by The Ellington

Group. Asbestos was found in the sheet vinyl flooring, vinyl floor tiles, wall textures, drywall and joint compounds, fire door insulation, roofing mastic, and exterior stucco, and will require removal and disposal prior to demolition of the existing Coliseum Garden Apartments.

A Geotechnical Engineering Study completed in July 2003 by Treadwell & Rollo states that the development is feasible from a geotechnical standpoint, provided the recommendations presented in the report are incorporated into the project plans and specifications. Treadwell & Rollo make numerous recommendations regarding site preparation and grading, surface drainage, footings, foundations, slab-on-grade floors, retaining walls, road bridge foundations, asphalt concrete pavement, cement, concrete slabs and seismic design in their report. They conclude that the buildings may be constructed on shallow foundations, such as spread footings for the podium buildings and post-tensioned slabs for the Area A buildings.

CalHFA is requesting a review of the above environmental reports by URS, its environmental consultant, and is requesting recommendations concerning any additional testing or remediation that should be completed. A condition of the final commitment will be satisfactory review of all of these documents and any additional reports or tests required as a result of the URS review. If additional remedial action is recommended, the work will be required to be completed during the course of construction. Should any additional toxics be found on the project site prior to loan closing, the Master Development Agreement provides that the Oakland Housing Authority is responsible for any removal or remediation efforts.

The Borrower has requested an earthquake insurance waiver, and a seismic evaluation is underway. Any design modifications required as a condition of the earthquake insurance waiver shall be incorporated in the final plans and specifications approved by CalHFA. If the earthquake waiver is denied, the CalHFA permanent loan amount may decrease so that the earthquake insurance premium can be included in the approved operating budget.

ARTICLE 34:

An opinion letter has not yet been received and is subject to review and approval by CalHFA's legal department.

DEVELOPMENT TEAM:

A. Borrower's Profile - Oakland Coliseum Housing Partners

The development will be owned by Oakland Coliseum Housing Partners, a limited partnership with affiliates of Related Companies of California, LLC, (Related) and East Bay Association of Local Development Corporation (EBALDC) as the co-general partners.

Related was established in 1989 to focus on the acquisition and development of government assisted and market rate multi-family housing. In the last five years Related has developed over 4,400 multifamily units in eighteen projects throughout California, including eleven projects with over 3,400 units financed with tax exempt bonds. Related is an affiliate of the Related Companies LP, a privately held New York based development and financial services company that has developed over 30,000 units of multifamily housing and 3.5 million square feet of office and retail space, and has financed the development of over 110,000 apartments.

EBALDC, established in 1975, is the co-developer of Coliseum Gardens. EBALDC pursues its mission of bettering the low income populations of the East Bay community through four coordinated departments including real estate development, property management, neighborhood and economic development and asset management. The real estate department has acquired and rehabilitated several historic properties such as Swan's Marketplace, the Asian Resource Center, and Madison Park Apartments, all in Oakland. EBALDC also develops new construction affordable housing, mixed-used projects and community facilities. To date EBALDC has developed 687 units of rental housing in twelve developments, in addition to 97 for sale single family homes and co-housing condominiums, and over 133,000 square feet of retail and office space including two child-care centers.

B. Management Agent - Related Management Company

Related Management Company, (RMC), established in 1974, will be the property manager for the project. RMC currently manages 114 properties with over 18,500 units of rental housing throughout California, New York, New Jersey, Pennsylvania, Illinois, the east coast and the southern states. RMC's property management portfolio consists of mostly affordable housing projects in addition to several mixed-use properties. RMC currently manages nine projects that have been financed by CalHFA with over 2,700 units in seven cities.

C. Contractor - Cahill Contractors, Inc.

Cahill Contractors, Inc., (Cahill), was incorporated in 1923. Cahill has been building affordable housing projects for the past 14 years and is currently constructing seven affordable housing projects totaling over 1000 units. Cahill has the ability to bond up to two hundred million dollars and is posting a 100% performance and payment bond for this project.

D. Architects – Pyatok and Kodama Diseno

Pyatok is the principal architect for the new construction of the 50 slab on grade units in Area B. Pyatok was established in 1985 by Michael Pyatok, FAIA, who has 34 years of architectural experience. The firm focuses on community planning, affordable housing and higher density, mixed-use developments. It has won over 50 design awards in the past decade. Other CalHFA projects designed by Pyatok include Swan's Marketplace for EBALDC and International Boulevard Family Housing Apartments for Resources for Community Development, both in Oakland, and Oak Court Apartments, currently under construction in Palo Alto. In addition, Pyatok has designed Hismen Hi Nu Family Apartments in Oakland for EBALDC.

Kodama Diseno is the principal architect for the new construction of the 65 podium units in Area A. Steven Kodama, FAIA, Principal, has been in the practice of architecture and planning for over 40 years. Staffed with 38 architects and planners, the firm provides full architectural services including master planning, programming and conceptual design, and construction administration. It has won over 30 design awards starting in 1980, including six recent awards for achievement, innovation, and merit since 2001.

Kodama Diseno has designed several CalHFA projects including the following: Life Services Alternatives in Santa Clara, San Antonio Terrace in Oakland, The Winery Apartments in Fresno, Duchow Way Apartments in Folsom, and Highland Avenue Senior Housing, Casa Ramona Senior Housing, and Little Zion Manor Apartments all in San Bernardino. Kodama Diseno has designed two additional projects for EBALDC including: Hugh Taylor House and the Child Care Center at Frank G. Mar Housing Development, both in Oakland.

Project Summary

Date: 23-Feb-04

Project Profile:

Project :	Coliseum Gardens			
Location:	69th and Hawley	**Appraisal**		
	Oakland	Cap Rate:	7.50%	
County:	Alameda	Market Value:	9,200,000	
Borrower:	Oakland Coliseum Housing Partners	Construction:	25,600,000	
GP:	EBALDC & Related			
LP:	Not yet determined			
Program:	Tax-Exempt	***LTC/LTV:***	**Construction**	**Permanent**
CalHFA # :	02-048-C/N	*Loan/Cost*	71%	12%
		Loan/Value	89%	43%

Project Description:

Units	115
Handicap Units	6
Bldge Type	New Const.
Buildings	6
Stories	3 & 4
Gross Sq Ft	125,026
Land Sq Ft	112,385
Units/Acre	45
Total Parking	121
Covered Parking	67

Financing Summary:

	Amount	Per Unit	Rate	Term
CalHFA First Mortgage	$3,420,000	$29,739	5.50%	30
CalHFA FAF	$575,000	$5,000	3.00%	30
MHP	$7,465,000	$64,913	3.00%	55
MHP - NSSS	$500,000	$4,348	3.00%	55
HUD HOPE VI Loan	$4,175,042	$36,305	0.00%	67
Redevelopment Agency	$1,500,000	$13,043	1.00%	55
City of Oakland, CEDA	$1,000,000	$8,696	0.00%	55
City of Oakland, CEDA - HOME funds	$500,000	$4,348	AFR	55
Deferred Developer Fee/GP Equity	$1,500,000	$13,043	0.00%	
Tax Credit Equity	$13,156,510	$114,404	0.00%	
CalHFA Construction Loan	$22,900,000	$199,130	3.00%	1.5
Tax-Exempt Portion	$19,000,000			
Taxable Portion	$3,900,000			

Unit Mix:

Type	30% AMI		40% AMI		50% AMI		60% AMI *		ACC units		Total
	number	rent	number	rent	number	rent	number	rent	number	rent	
1 bedroom			4	559	5	709	4	709	2	418	15
2 bedroom	1	488	2	669	7	842	3	842	5	418	18
2 bd - podium					7	849	6	849			13
2 bedroom							1	manager			1
3 bedroom	2	558	4	767	9	967	2	967	21	418	38
3 bd - podium					8	975	3	975			11
4 bedroom					7	1071	3	1071	4	418	14
4 bd - podium							2	1083			2
5 bedroom									3	418	3
subtotal	3		10		43		24		35		
											115

* Please note: The 60% rents are set at 50% AMI levels, but units are targeted at 60% AMI levels

Fees, Escrows, and Reserves:

Permanent

Fees	**Basis of Requirements**	**Amount**	**Security**
CalHFA Permanent Loan Fee	0.50% Total Permanent Loans	$19,975	Cash
Escrows			
Construction Defect	2.50% of Hard Costs	$536,686	Letter of Credit
Reserves			
Operating Expense Reserve	10.00% of Gross Income	$100,382	Cash
Annual Replacement Reserve Deposit - Ne	$400 per unit	$46,000	Operations

Construction

Fees	**Basis of Requirements**	**Amount**	**Security**
CalHFA Construction Loan Fee	1.00% Construction Loan	$229,000	Cash
Inspection Fee	$1,500 x months of construction	$24,000	Cash
Guarantees			
Bond Origination Guarantee	1.00% of T/E Construction Loan	$190,000	Letter of Credit
Completion Guaranty- Borrower	100.00% of Construction Contract	$22,900,000	Corporate Guaranty
Performance Bond- Contractor	100.00%	$22,900,000	Bond
Payment Bond- Contractor	100.00%	$22,900,000	Bond
Reserves			
Rent Up Reserve	0.25 Year Operating Expense	102,083	Cash

SOURCES AND USES WORKSHEET Coliseum Gardens

SOURCES:

	Permanent Dollars	Construction	Percent of To Sources	Interest Rate
CalHFA First Mortgage	3,420,000	22,900,000	10.1%	5.50%
CalHFA FAF	575,000	-	1.7%	3.00%
MHP	7,465,000	-	22.1%	3.00%
MHP - NSSS	500,000	-	1.5%	3.00%
HUD HOPE VI Loan	4,175,042	4,175,042	12.4%	0.00%
Redevelopment Agency	1,500,000	1,500,000	4.4%	1.00%
City of Oakland, CEDA	1,000,000	1,000,000	3.0%	
City of Oakland, CEDA - HOME funds	500,000	500,000	1.5%	
Deferred Developer Fee/GP Equity	1,500,000	1,500,000	4.4%	
Tax Credit Equity	13,156,510	698,130	38.9%	
Total Sources	**33,791,552**	**32,273,172**	**100.0%**	
(Gap)/Surplus	0			

USES:

	Total Cost	per unit	pct of total
ACQUISITION			
Total Land Cost or Value	-	-	0%
Legal/Broker Fees	20,000	174	0%
Demolition	-	-	0%
Off-Site Improvements	-	-	0%
Existing Improvements Value	-	-	0%
Other	-	-	0%
Total Acquisition Cost	**20,000**	**174**	**0%**
NEW CONSTRUCTION			
Site Work	1,837,351	15,977	5%
Structures	17,352,434	150,891	51%
Recreation, Social Service, Head Start	1,147,500	9,978	3%
Photovoltaic Construction Costs	250,000	2,174	1%
General Requirements	1,358,756	11,815	4%
Contractor Overhead	679,378	5,908	2%
Contractor Profit	679,378	5,908	2%
Personal Property in Contract	180,000	1,565	1%
Total New Const. Costs	**23,484,797**	**204,216**	**69%**
ARCHITECTURAL FEES			
Design	1,753,200	15,245	5%
Supervision	175,300	1,524	1%
Total Architectural Costs	**1,928,500**	**16,770**	**6%**
	-	-	0%
SURVEY & ENGINEERING	**160,000**	**1,391**	**0%**
CONST. INTEREST & FEES			
Const. Loan Interest	800,000	6,957	2%
Construction Loan Fee	229,000	1,991	1%
Construction Inspections	24,000	209	0%
Legal	10,000	87	0%
Bond Premium	183,329	1,594	1%
Taxes	25,000	217	0%
Insurance	356,000	3,096	1%
Title and Recording	40,000	348	0%
Total Const. Interest & Fees	**1,667,329**	**14,499**	**5%**
PERMANENT FINANCING			0%
Finance Fee	19,975	174	0%
Application Fee	500	4	0%
Title and Recording	25,000	217	0%
Legal	25,000	217	0%
Total Perm. Financing Costs	**70,475**	**613**	**0%**

LEGAL FEES			
Borrower Legal Fee	80,000	696	0%
Lender Legal	5,000	43	0%
Legal Syndication	35,000	304	0%
Total Attorney Costs	**120,000**	**1,043**	**0%**
RESERVES			
Operating Expense Reserve	228,552	1,987	1%
ACC Operating Reserve	275,000	2,391	1%
ACC Start-up Reserve	131,758	1,146	0%
Letter of Credit Costs	11,215	98	0%
		-	0%
Total Reserve Costs	**646,525**	**5,622**	**2%**
CONTRACT COSTS			
Appraisal	20,000	174	0%
Market Study	11,926	104	0%
Seismic Study Expense	18,000	157	0%
Environmental Review	5,000	43	0%
Total Contract Costs	**54,926**	**478**	**0%**
CONTINGENCY			
Hard Cost Contingency	1,258,051	10,940	4%
Soft Cost Contingency	100,000	870	0%
Total Contingency Costs	**1,358,051**	**11,809**	**4%**
OTHER			
TCAC App/Alloc/Monitor Fees	64,887	564	0%
General Administrative/ Travel	13,350	116	
Prepaid Lease Rent	360,712	3,137	1%
Pre-development Loan and Fees	60,000	522	0%
City CEDA loan fees	15,000	130	
Furnishings	175,000	1,522	1%
Permit Processing Fees	567,432	4,934	2%
Impact & Utility Fees	344,568	2,996	1%
Audit	25,000	217	0%
Marketing	115,000	1,000	0%
Syndication Consultant	40,000	348	0%
Total Other Costs	**1,780,949**	**15,487**	**5%**
PROJECT COSTS	**31,291,552**	**272,100**	**93%**
DEVELOPER COSTS			
Developer Overhead/Profit	2,500,000	21,739	7%
Consultant/Processing Agent		-	0%
Project Administration	-	-	0%
Total Developer Costs	**2,500,000**	**21,739**	**7%**
TOTAL PROJECT COST	**33,791,552**	**293,840**	**100%**

Annual Operating Budget

Coliseum Gardens

		$ per unit
INCOME:		
Total Rental Income	995,542	8,657
Laundry	8,280	72
Other Income	0	-
Commercial/Retail	0	-
Gross Potential Income (GPI)	**1,003,822**	**8,729**
Less:		
Vacancy Loss	47,518	413
Total Net Revenue	**956,303**	**8,316**
EXPENSES:		
Payroll	197,855	1,720
Administrative	95,058	827
Utilities	81,804	711
Operating and Maintenance	121,614	1,058
Insurance and Business Taxes	45,000	391
Taxes and Assessments	5,000	43
Reserve for Replacement Deposits	46,000	400
Subtotal Operating Expenses	**592,331**	**5,151**
Financial Expenses		
Mortgage Payments (1st loan)	233,021	2,026
Total Financial	**233,021**	**2,026**
Total Project Expenses	**825,352**	**7,177**

Cash Flow — Coliseum Gardens — CalHFA Development Number: 02-048-C/N

ACC UNITS - RENTAL INCOME		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
ACC Units Rent Increase		*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
ACC Units Rents		175,678	180,948	186,376	191,968	197,727	203,658	209,768	216,061	222,543	229,219
TOTAL RENTAL INCOME		**175,678**	**180,948**	**186,376**	**191,968**	**197,727**	**203,658**	**209,768**	**216,061**	**222,543**	**229,219**
OTHER INCOME											
Other Income Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry		2,520	2,583	2,648	2,714	2,782	2,851	2,922	2,995	3,070	3,147
Other Income		0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME		**2,520**	**2,583**	**2,648**	**2,714**	**2,782**	**2,851**	**2,922**	**2,995**	**3,070**	**3,147**
GROSS INCOME		**178,198**	**183,531**	**189,024**	**194,681**	**200,508**	**206,510**	**212,691**	**219,057**	**225,614**	**232,367**
Vacancy Rate : ACC units		*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Less: Vacancy Loss		6,237	6,424	6,616	6,814	7,018	7,228	7,444	7,667	7,896	8,133
EFFECTIVE GROSS INCOME		**171,961**	**177,107**	**182,408**	**187,868**	**193,491**	**199,282**	**205,246**	**211,390**	**217,717**	**224,234**
OPERATING EXPENSES											
Annual Expense Increase		*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Expenses		164,753	169,696	174,786	180,030	185,431	190,994	196,724	202,625	208,704	214,965
Replacement Reserve		14,000	14,000	14,000	14,000	14,000	14,700	14,700	14,700	14,700	14,700
Annual Tax Increase		*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments		1,522	1,552	1,583	1,615	1,647	1,680	1,714	1,748	1,783	1,819
TOTAL EXPENSES		**180,275**	**185,248**	**190,370**	**195,645**	**201,078**	**207,374**	**213,137**	**219,073**	**225,187**	**231,484**
ACC - NET OPERATING INCOME		**(8,314)**	**(8,140)**	**(7,961)**	**(7,777)**	**(7,588)**	**(8,092)**	**(7,891)**	**(7,684)**	**(7,470)**	**(7,250)**
TC UNITS - RENTAL INCOME		**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Affordable Rent Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents		819,864	840,361	861,370	882,904	904,976	927,601	950,791	974,561	998,925	1,023,898
TOTAL RENTAL INCOME		**819,864**	**840,361**	**861,370**	**882,904**	**904,976**	**927,601**	**950,791**	**974,561**	**998,925**	**1,023,898**
OTHER INCOME											
Other Income Increase		*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Laundry		5,760	5,904	6,052	6,203	6,358	6,517	6,680	6,847	7,018	7,193
Other Income		0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME		**5,760**	**5,904**	**6,052**	**6,203**	**6,358**	**6,517**	**6,680**	**6,847**	**7,018**	**7,193**
GROSS INCOME		**825,624**	**846,265**	**867,421**	**889,107**	**911,334**	**934,118**	**957,471**	**981,407**	**1,005,943**	**1,031,091**
Vacancy Rate : Affordable		*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss		41,281	42,313	43,371	44,455	45,567	46,706	47,874	49,070	50,297	51,555
EFFECTIVE GROSS INCOME		**784,343**	**803,951**	**824,050**	**844,651**	**865,768**	**887,412**	**909,597**	**932,337**	**955,646**	**979,537**
OPERATING EXPENSES											
Annual Expense Increase		*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses		376,578	387,875	403,390	419,526	436,307	453,759	471,910	490,786	510,418	530,834
Replacement Reserve		32,000	32,000	32,000	32,000	32,000	33,600	33,600	33,600	33,600	33,600
Annual Tax Increase		*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments		3,478	3,548	3,619	3,691	3,765	3,840	3,917	3,995	4,075	4,157
TOTAL EXPENSES		**412,056**	**423,423**	**439,009**	**455,217**	**472,072**	**491,200**	**509,427**	**528,382**	**548,093**	**568,591**
TC - NET OPERATING INCOME		**372,286**	**380,528**	**385,041**	**389,434**	**393,696**	**396,212**	**400,170**	**403,956**	**407,553**	**410,946**
TOTAL - NET OPERATING INCOME		**363,972**	**372,388**	**377,079**	**381,657**	**386,108**	**388,120**	**392,280**	**396,272**	**400,083**	**403,695**
DEBT SERVICE											
CalHFA - 1st Mortgage		233,021	233,021	233,021	233,021	233,021	233,021	233,021	233,021	233,021	233,021
MHP	7,465,000	31,353	31,353	31,353	31,353	31,353	31,353	31,353	31,353	31,353	31,353
FAF Repayments	575,000	29,091	29,091	29,091	29,091	29,091	29,091	29,091	29,091	29,091	29,091
CASH FLOW after debt service		**70,508**	**78,923**	**83,615**	**88,192**	**92,643**	**94,656**	**98,815**	**102,807**	**106,618**	**110,231**
DEBT COVERAGE RATIO - 1st mortgage only		**1.56**	**1.60**	**1.62**	**1.64**	**1.66**	**1.67**	**1.68**	**1.70**	**1.72**	**1.73**
DEBT COVERAGE RATIO - 1st & MHP		**1.38**	**1.41**	**1.43**	**1.44**	**1.46**	**1.47**	**1.48**	**1.50**	**1.51**	**1.53**
DEBT COVERAGE RATIO - 1st & MHP & FAF		**1.24**	**1.27**	**1.28**	**1.30**	**1.32**	**1.32**	**1.34**	**1.35**	**1.36**	**1.38**

Cash Flow

ACC UNITS - RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
ACC Units Rent Increase	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
ACC Units Rents	236,096	243,179	250,474	257,988	265,728	273,700	281,911	290,368	299,079	308,052
TOTAL RENTAL INCOME	**236,096**	**243,179**	**250,474**	**257,988**	**265,728**	**273,700**	**281,911**	**290,368**	**299,079**	**308,052**
OTHER INCOME										
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	3,226	3,306	3,389	3,474	3,561	3,650	3,741	3,834	3,930	4,029
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**3,226**	**3,306**	**3,389**	**3,474**	**3,561**	**3,650**	**3,741**	**3,834**	**3,930**	**4,029**
GROSS INCOME	**239,322**	**246,485**	**253,863**	**261,462**	**269,289**	**277,350**	**285,652**	**294,203**	**303,010**	**312,080**
Vacancy Rate : ACC units	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Less: Vacancy Loss	8,376	8,627	8,885	9,151	9,425	9,707	9,998	10,297	10,605	10,923
EFFECTIVE GROSS INCOME	**230,946**	**237,858**	**244,978**	**252,311**	**259,864**	**267,642**	**275,654**	**283,906**	**292,404**	**301,158**
OPERATING EXPENSES										
Annual Expense Increase	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Expenses	221,414	228,057	234,898	241,945	249,204	256,680	264,380	272,311	280,481	288,895
Replacement Reserve	15,435	15,435	15,435	15,435	15,435	16,207	16,207	16,207	16,207	16,207
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	1,855	1,892	1,930	1,969	2,008	2,048	2,089	2,131	2,173	2,217
TOTAL EXPENSES	**238,704**	**245,384**	**252,263**	**259,349**	**266,646**	**274,934**	**282,676**	**290,649**	**298,861**	**307,319**
ACC - NET OPERATING INCOME	**(7,759)**	**(7,525)**	**(7,285)**	**(7,038)**	**(6,783)**	**(7,292)**	**(7,022)**	**(6,743)**	**(6,457)**	**(6,161)**

TC UNITS - RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	1,049,495	1,075,733	1,102,626	1,130,192	1,158,446	1,187,408	1,217,093	1,247,520	1,278,708	1,310,676
TOTAL RENTAL INCOME	**1,049,495**	**1,075,733**	**1,102,626**	**1,130,192**	**1,158,446**	**1,187,408**	**1,217,093**	**1,247,520**	**1,278,708**	**1,310,676**
OTHER INCOME										
Other Income Increase	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Laundry	7,373	7,558	7,747	7,940	8,139	8,342	8,551	8,765	8,984	9,208
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**7,373**	**7,558**	**7,747**	**7,940**	**8,139**	**8,342**	**8,551**	**8,765**	**8,984**	**9,208**
GROSS INCOME	**1,056,869**	**1,083,290**	**1,110,372**	**1,138,132**	**1,166,585**	**1,195,750**	**1,225,643**	**1,256,285**	**1,287,692**	**1,319,884**
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	52,843	54,165	55,519	56,907	58,329	59,787	61,282	62,814	64,385	65,994
EFFECTIVE GROSS INCOME	**1,004,025**	**1,029,126**	**1,054,854**	**1,081,225**	**1,108,256**	**1,135,962**	**1,164,361**	**1,193,470**	**1,223,307**	**1,253,890**
OPERATING EXPENSES										
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	552,068	574,150	597,116	621,001	645,841	671,675	698,542	726,483	755,543	785,764
Replacement Reserve	35,280	35,280	35,280	35,280	35,280	37,044	37,044	37,044	37,044	37,044
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	4,240	4,325	4,411	4,500	4,589	4,681	4,775	4,870	4,968	5,067
TOTAL EXPENSES	**591,588**	**613,755**	**636,808**	**660,781**	**685,711**	**713,400**	**740,361**	**768,398**	**797,555**	**827,876**
TC - NET OPERATING INCOME	**412,437**	**415,371**	**418,046**	**420,445**	**422,545**	**422,562**	**424,001**	**425,073**	**425,753**	**426,014**
TOTAL - NET OPERATING INCOME	**404,679**	**407,845**	**410,761**	**413,407**	**415,763**	**415,270**	**416,979**	**418,329**	**419,296**	**419,853**
DEBT SERVICE										
CalHFA - 1st Mortgage	233,021	233,021	233,021	233,021	233,021	233,021	233,021	233,021	233,021	233,021
MHP 7,465,000	31,353	31,353	31,353	31,353	31,353	31,353	31,353	31,353	31,353	31,353
FAF Repayments 575,000	29,091	29,091	29,091	29,091	29,091	29,091	29,091	29,091	29,091	29,091
CASH FLOW after debt service	**111,214**	**114,381**	**117,297**	**119,942**	**122,298**	**121,806**	**123,514**	**124,865**	**125,831**	**126,388**
DEBT COVERAGE RATIO - 1st mortgage only	**1.74**	**1.75**	**1.76**	**1.77**	**1.78**	**1.78**	**1.79**	**1.80**	**1.80**	**1.80**
DEBT COVERAGE RATIO - 1st & MHP	**1.53**	**1.54**	**1.55**	**1.56**	**1.57**	**1.57**	**1.58**	**1.58**	**1.59**	**1.59**
DEBT COVERAGE RATIO - 1st & MHP & FAF	**1.38**	**1.39**	**1.40**	**1.41**	**1.42**	**1.42**	**1.42**	**1.43**	**1.43**	**1.43**

	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
	3.00%	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
	317,293	326,812	336,616	346,715	357,116	367,830	378,865	390,231	401,938	413,996
	317,293	**326,812**	**336,616**	**346,715**	**357,116**	**367,830**	**378,865**	**390,231**	**401,938**	**413,996**
	2.50%	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
	4,129	4,233	4,338	4,447	4,558	4,672	4,789	4,908	5,031	5,157
	0	0	0	0	0	0	0	0	0	0
	4,129	**4,233**	**4,338**	**4,447**	**4,558**	**4,672**	**4,789**	**4,908**	**5,031**	**5,157**
	321,423	**331,045**	**340,955**	**351,162**	**361,674**	**372,502**	**383,654**	**395,139**	**406,969**	**419,153**
	3.50%	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
	11,250	11,587	11,933	12,291	12,659	13,038	13,428	13,830	14,244	14,670
	310,173	**319,458**	**329,021**	**338,871**	**349,016**	**359,464**	**370,226**	**381,309**	**392,725**	**404,482**
	3.00%	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
	297,562	306,489	315,684	325,154	334,909	344,956	355,305	365,964	376,943	388,251
	17,017	17,017	17,017	17,017	17,017	17,868	17,868	17,868	17,868	17,868
	2.00%	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
	2,261	2,306	2,353	2,400	2,448	2,497	2,547	2,597	2,649	2,702
	316,840	**325,812**	**335,053**	**344,571**	**354,373**	**365,321**	**375,719**	**386,429**	**397,460**	**408,821**
	(6,668)	**(6,354)**	**(6,032)**	**(5,700)**	**(5,358)**	**(5,856)**	**(5,493)**	**(5,120)**	**(4,735)**	**(4,339)**

	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
	2.50%	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
	1,343,443	1,377,029	1,411,454	1,446,741	1,482,909	1,519,982	1,557,982	1,596,931	1,636,854	1,677,776
	1,343,443	**1,377,029**	**1,411,454**	**1,446,741**	**1,482,909**	**1,519,982**	**1,557,982**	**1,596,931**	**1,636,854**	**1,677,776**
	0.00%	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
	9,438	9,674	9,916	10,164	10,418	10,679	10,946	11,219	11,500	11,787
	0	0	0	0	0	0	0	0	0	0
	9,438	**9,674**	**9,916**	**10,164**	**10,418**	**10,679**	**10,946**	**11,219**	**11,500**	**11,787**
	1,352,881	**1,386,703**	**1,421,371**	**1,456,905**	**1,493,328**	**1,530,661**	**1,568,927**	**1,608,150**	**1,648,354**	**1,689,563**
	5.00%	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
	67,644	69,335	71,069	72,845	74,666	76,533	78,446	80,408	82,418	84,478
	1,285,237	**1,317,368**	**1,350,302**	**1,384,060**	**1,418,661**	**1,454,128**	**1,490,481**	**1,527,743**	**1,565,936**	**1,605,085**
	4.00%	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
	817,195	849,883	883,878	919,233	956,003	994,243	1,034,012	1,075,373	1,118,388	1,163,123
	38,896	38,896	38,896	38,896	38,896	40,841	40,841	40,841	40,841	40,841
	2.00%	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
	5,169	5,272	5,377	5,485	5,595	5,706	5,821	5,937	6,056	6,177
	861,260	**894,051**	**928,152**	**963,614**	**1,000,493**	**1,040,790**	**1,080,674**	**1,122,151**	**1,165,285**	**1,210,141**
	423,977	**423,317**	**422,150**	**420,445**	**418,168**	**413,338**	**409,807**	**405,592**	**400,652**	**394,944**
	417,310	**416,963**	**416,119**	**414,746**	**412,810**	**407,481**	**404,313**	**400,472**	**395,917**	**390,605**
	233,021	233,021	233,021	233,021	233,021	233,021	233,021	233,021	233,021	233,021
000	31,353	31,353	31,353	31,353	31,353	31,353	31,353	31,353	31,353	31,353
000	29,091	29,091	29,091	29,091	29,091	29,091	29,091	29,091	29,091	29,091
	123,845	**123,498**	**122,654**	**121,281**	**119,346**	**114,017**	**110,849**	**107,007**	**102,452**	**97,140**
ly	**1.79**	**1.79**	**1.79**	**1.78**	**1.77**	**1.75**	**1.74**	**1.72**	**1.70**	**1.68**
	1.58	**1.58**	**1.57**	**1.57**	**1.56**	**1.54**	**1.53**	**1.51**	**1.50**	**1.48**
F	**1.42**	**1.42**	**1.42**	**1.41**	**1.41**	**1.39**	**1.38**	**1.36**	**1.35**	**1.33**

TN
MN (15.4°E)

Scale 1 : 1,066,667

1" = 16.8 mi

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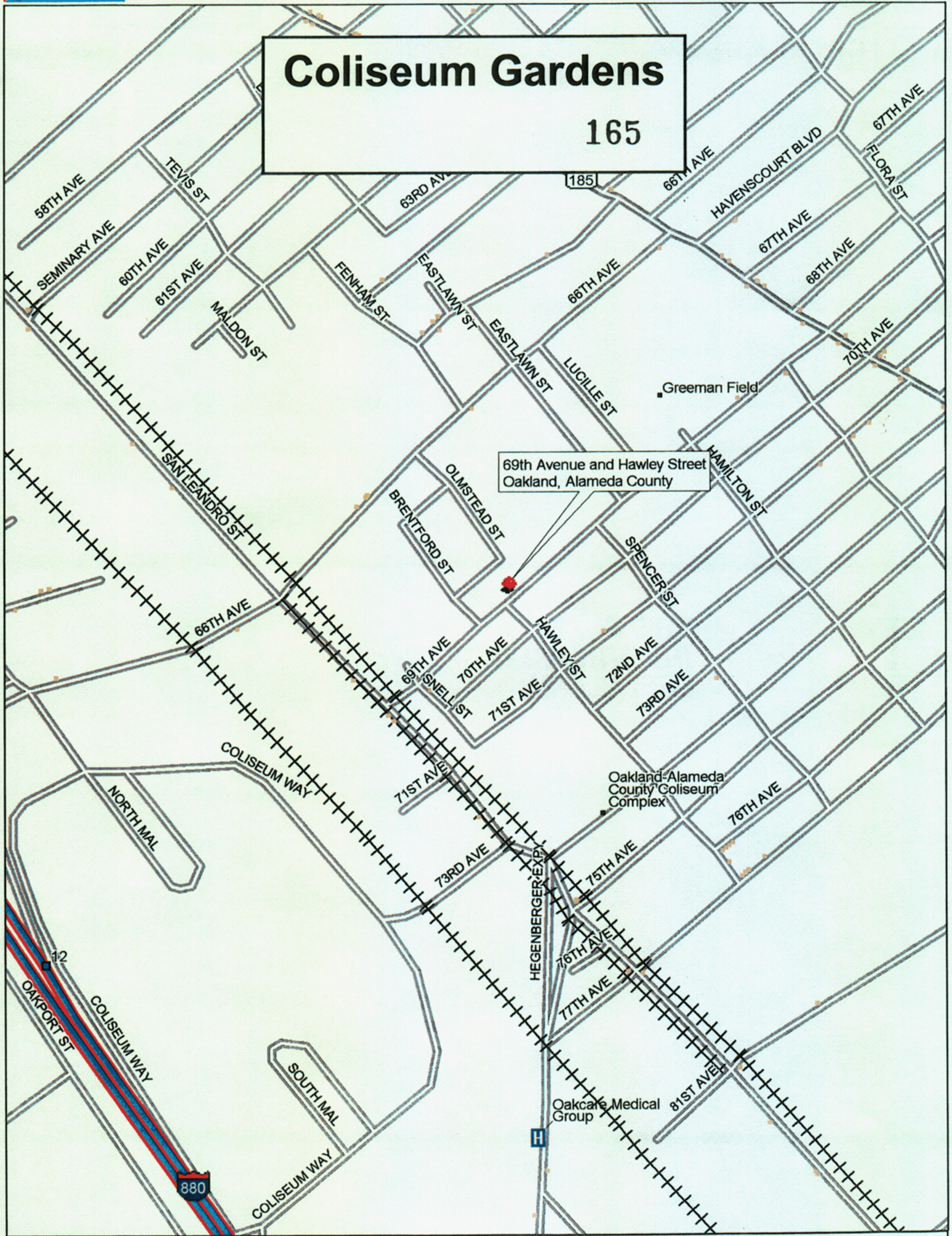

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0 60 120 180 240 300 m

1" = 711 ft

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RESOLUTION 04-07

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Oakland Coliseum Housing Partners, a 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 115-unit multifamily housing development located in the City of Oakland to be known as Coliseum Gardens (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated February 23, 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 February 6, 2004, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

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

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNT
02-048-C/N	Coliseum Gardens Oakland/Alameda	115	

Construction First Mortgage:	$22,900,000
Permanent First Mortgage:	$ 3,420,000
Permanent FAF Loan:	$ 575,000

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

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

I hereby certify that this is a true and correct copy of Resolution 04-07 adopted at a duly constituted meeting of the Board of the Agency held on March 11, 2004, at Sacramento, California.

ATTEST: ______________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Springs Village
Agua Caliente, Sonoma County, CA
CalHFA # 03-061-L/N

SUMMARY

This is a final commitment request for tax-exempt Loan to Lender financing in the amount of Eleven Million Nine Hundred Fifteen Thousand Dollars ($11,915,000) and permanent loan financing in the amount of One Million Nine Hundred Eighty-Five Thousand Dollars ($1,985,000). Washington Mutual is providing the construction financing under the loan to lender agreement. Security for the loans will be a newly constructed family apartment project consisting of 80 units. The property will be owned by Springs Village, a limited partnership, whose general partner is Burbank Housing Development Corporation.

Springs Village is an 80-unit, new construction family apartment project located at 17302 Vailetti Drive in Agua Caliente, Sonoma County.

LOAN TERMS

Loan to Lender

Loan Amount	$11,915,000
Interest Rate	3.00%, fixed
Term	24-Months, interest only
Financing	Tax-Exempt

Permanent

First Mortgage	$1,985,000
Interest Rate	5.50%
Term	30 year fixed, fully amortized
Financing	Tax-exempt

LOCALITY INVOLVEMENT

The Sonoma County Redevelopment is providing a thirty year, $500,000, residual receipt loan for development of the project. Sonoma County is also providing a thirty year, $350,000 CDBG residual receipt loan at three percent (3%) interest, and a thirty year, $135,400 HOME residual receipt loan at three percent interest (3%). An Affordable Housing and Loan Agreement between the Borrower and County restricts occupancy of all tenants to extremely-low, very-low and low-income households. All planning, zoning or County-mandated occupancy restrictions running with the land or tied to the Project will be subordinate to the CalHFA deed of trust and regulatory agreement.

STATE INVOLVEMENT

The Department of Housing and Community Development ("HCD") has committed $4,655,357 loan under the MHP program. HCD has also committed a $1,500,000 loan under the Joe Serna Jr. Farmworker Grant and Loan Program. A 40-year Regulatory Agreement will restrict occupancy on 25 of the units to eligible farmworker families. Both the HCD deed of trust and regulatory agreement will be subordinate to the CalHFA financing and regulatory provisions.

OTHER FINANCING

The Rural Community Assistance Corporation ("RCAC") has committed a $2,300,000 loan to Burbank Housing for the project. The loan term for the RCAC funds is 30 years, amortized over 27 years, with a 1% interest rate, and required payments over the loan term with a maturity date that is coterminous with the CalHFA loan.

Additionally, Burbank Housing received a loan in the amount of $513,000 from the Federal Home Loan Bank's Affordable Housing Program (AHP). These funds were awarded in November 2002. The loan term for the AHP funds is 30 years with a 0% interest rate. The borrower also received a $5,000 AHP Lender Grant.

PROJECT DESCRIPTION

Project Location

Springs Village is located at 17302 Vailetti Drive in Agua Caliente, Sonoma County. The parcel is located in the unincorporated Agua Caliente community of Sonoma Valley, just off the main arterial Highway 12 linking Sonoma to Santa Rosa. The site sits in an older residential neighborhood of single family, multi-family and mobile home dwellings, bordered by Sonoma Creek (southwest), Vailetti Drive (northwest), Rancho Vista Mobile Home Park (south and east) and the new Aquatic Center (northeast).

Site

In June 2001, Burbank Housing purchased the 6.49 acre irregularly shaped parcel. The site included the abandoned Agua Caliente Hot Springs pool facility located in the eastern side of the project, and 10 occupied, substandard rental units. Since then, Burbank Housing relocated the tenants, removed the substandard dwellings and debris, and recorded a lot line adjustment. In September 2001 they sold a 1.47 acre parcel to Bottom Line Aquatics to build the Agua Caliente Aquatics Center, which opened in October 2003. The site is presently vacant and ready for construction.

The subject land is zoned R-2 (medium density residential district) which allows 16 units per acre. The higher density is a result of a Type A density housing bonus issued to the development. There is a B-R overlay district (Biotic Resources combining district), which protects critical habitat and riparian corridors. The proposed development requires a 50 foot setback from Sonoma Creek as a remediation measure for biotic resources found along the creek.

Improvements

Springs Village is a two-story townhome-style multi-family development of 80-units plus a 3,700 square foot community room. There are 31 buildings, 30 townhome-style buildings containing two units each (2, 3 or 4 bedroom), and one 2-story building composed of studio, one and two bedroom flats. The flats have a shared central courtyard/open roof line. On-site amenities include landscaped common area, tot lot, basketball court, a one-acre passive recreation area adjoining creek with accessible paths, bench seating and natural landscaping to blend in with riparian habitat along creek.

Kitchens will have oak cabinets and laminate counter tops, double bowl stainless steel sinks, and a garbage disposal, Energy Star refrigerators and dishwashers, a gas range and hood, and washer and dryer hookups. Townhouses will have small covered porches.

Unit Mix:

No. of Units	No. of Bedrooms	No. of Bathrooms	Unit Square Footage
8	Studio	1	494
8	1	1	658
21	2	1.5	922-1,052
35	3	1.75	1,284
8	4	2.5	1,536

There are $100,000 of off-site improvements which include a water/sewer line extension, street improvements, and an intersection signal light.

Relocation

Relocation has been completed in accordance with Uniform Relocation Act guidelines.

MARKET

Market Overview

The market area for Springs Village is a seven-mile radius of the site, which constitutes the Sonoma Valley. The majority of demand for units is expected to come from within this area, which includes the City of Sonoma and unincorporated towns along Highway 12 (Agua Caliente, Fetters Hot Springs, Boyes Hot Springs, Eldridge, El Verano, Glen Ellen and Temelec).

An estimated 40,349 persons currently live in the market area, and this number is projected to increase approximately 1.5 percent between 2003 and 2004, to 40,940.

Sonoma County has a diverse economic base, with a growing number of jobs in services, retail, and manufacturing. About 34 percent of county jobs are in services, 20 percent in manufacturing and wholesale, and 19 percent in retail. Despite the recent economic recession, Sonoma County firms have not laid off their employees in large numbers, resulting in relatively low unemployment compared to other parts of the country.

Housing Demand and Supply

The area's supply of affordable units compared to the subject consists of the following projects

	Development	# Units	Vacancy
1	Firehouse Village, 548 2nd St., W. Sonoma	30	0
2	Sonoma Village, 61 W. Agua Caliente Rd.	30	0
3	Sonoma Valley, 30 West Agua Caliente Rd.	16	0
Total		76	0

There were approximately 76 affordable apartment units occupied in Sonoma at the beginning of 2004, with a zero vacancy. Units in Sonoma are highly desirable due to their location and lower rents. According to the City of Santa Rosa Housing Department, the waiting list for affordable housing was 4,121 units in 2003, and would be significantly higher if the unincorporated areas near Sonoma and southeast of Santa Rosa were included. Overall, demand for apartments in Sonoma County exceeds supply.

PROJECT FEASIBILITY

Market rate rents for comparable properties average $825 for a studio, $1,000 for a one-bedroom unit; $1,200 for a two-bedroom flat and $1,400 for a two-bedroom townhouse; $1,700 for a three-bedroom unit, and $1,800 for a four-bedroom unit.

Rent Differentials (Market versus Restricted)

Unit Type	Subject	Market Rate Average	$ Difference	% Market
Studio		**$ 825**		
30%	$345		$480	42%
One Bedroom		**$ 1,000**		
30%	$365		$635	37%
Two Bedroom		**$ 1,200**		
30%	$435		$765	36%
50%	$757		$443	63%
60%	$918		$282	77%
Three Bedroom		**$ 1,700**		
50%	$875		$825	52%
60%	$1018		$682	60%
Four Bedroom		**$ 1,800**		
50%	$975		$825	54%
60%	$1097		$703	61%

The estimated absorption period is three months or less for stabilized occupancy based on low rents and large family units.

OCCUPANCY RESTRICTIONS

CalHFA	20% of the units (16) will be restricted at 50% or less of AMI
TCAC	100% of the units (79) will be restricted to 60% or less of median income.
HCD	100% of the units (79) will be restricted to 60% or less of median income
HCD Joe Serna	30% of the units (25) will be restricted to 50% or less of median income
HOME	14% of the units (11) will be restricted to 50% or less of median income.
AHP & County Loans	100% of the units (79) will be restricted to 60% or less of median income 30% of the units (25) will also be restricted to Section 8
RCAC	100% of the units (79) will be restricted to 60% or less of median income

ENVIRONMENTAL

A Phase I Environmental Assessment report was completed on February 3, 2004. The report concludes that there are no adverse environmental conditions that warrant further investigation or remedial action.

A seismic evaluation has been ordered, but has not yet been received. The project is requesting a waiver of the earthquake insurance requirement. Any design modifications required as a condition of the earthquake insurance waiver shall be incorporated in the final plans and specifications approved by CalHFA. If the earthquake waiver is denied, the CalHFA permanent loan amount may decrease due to the impact of the earthquake insurance premium on the operating budget.

ARTICLE XXXIV

An opinion letter dated October 7, 2003 has been submitted by the Sonoma County Community Development Commission indicating allocation of 80 units of Article 34 authority from the County of Sonoma has been authorized on the project. The letter is subject to review and approval by CalHFA.

DEVELOPMENT TEAM

Borrower

Burbank Housing Development Corporation

Burbank Housing Development Corporation is a non-profit public benefit corporation that was established in 1980. The organization provides for the development and management of housing primarily for low and moderate–income persons and families. Over the past 5 years, Burbank Housing Development Corporation has developed 775 units. During the course of the organization's existence, 1,629 units in 39 projects have been developed.

Management Agent

Burbank Housing Management Corporation

Burbank Housing Management Corporation (BHMC) has been providing property management, physical maintenance, financial management, budgeting, cash flow management, social services coordination, marketing and communication for all of BHMC projects since its formation over 10 years ago. It currently manages 1,629 rental units in 39 developments.

Architect

Kellogg & Associates

Kevin Kellogg established his own company in 2002. Mr. Kellogg has been a licensed architect since 1991 and has worked for several architectural firms. Mr. Kellogg has extensive experience in designing and planning affordable housing.

Contractor

Midstate Construction

Midstate Construction, headquartered in Petaluma, is a sixty-eight year old company with a forty million dollar bonding capacity. The company has an extensive background in the construction of multi-family residential and affordable projects, including knowledge of HUD requirements.

Project Summary

Date: 26-Feb-04

Project Profile:

Project:	Springs Village		
Location:	17302 Vailetti Dr.		
	Agua Caliente 95476	*Cap Rate:*	7.00%
County:	Sonoma	*Market:*	$11,600,000
Borrower:	Springs Village, LP	*Income:*	$11,790,000
GP:	Burbank Housing Dev. Corp.	*Final Value:*	$11,700,000
GP:	N/A		
LP:	TBD	*LTC/LTV:*	
Program:	Tax-Exempt	*Loan/Cost*	10.5%
CalHFA #:	03-061-N	*Loan/Value*	17.0%

Project Description:

Units	80
Handicap Units	6
Bldge Type	New Const.
Buildings	31
Stories	1 & TH
Gross Sq Ft	87,364
Land Sq Ft	218,671
Units/Acre	16
Total Parking	138
Covered Parking	0

Financing Summary:

	Amount	Per Unit	Rate	Term
CalHFA First Mortgage	$1,985,000	$24,813	5.50%	30
MHP	$4,655,357	$58,192	3.00%	55
HCD-Serna Jr. Farmworker	$1,500,000	$18,750	3.00%	40
Sonoma County Redevelopment	$500,000	$6,250	3.00%	30
RCAC Ag. Health & Housing	$2,300,000	$28,750	1.00%	30
Sonoma County CDBG	$350,000	$4,375	3.00%	30
Sonoma County HOME	$135,400	$1,693	3.00%	30
AHP	$513,000	$6,413	0.00%	30
AHP Lender Grant	$5,000	$63	0.00%	30
Other	$0	$0	3.00%	30
Borrower Contribution	$0	$0		-
Deferred Developer Equity	$225,000	$2,813		-
Tax Credit Equity	$6,688,072	$83,601		
CalHFA Bridge	$0	$0	0.00%	-
CalHFA Loan to Lender	$11,915,000	$148,938	3.00%	2

Unit Mix:

Type	Manager		30% AMI		50% AMI		50% AMI		60% AMI		Total
	number	rent	number	rent*	number	rent*	number	rent*	number	rent*	
Studio			8	345							8
1 bedroom			8	365	0	0	0	0	0	0	8
2 bedroom			12	435	5	757	0	0	4	918	21
3 bedroom	1	0	0	0	0	0	13	875	21	1018	35
4 bedroom			0	0	0	0	2	975	6	1097	8
subtotal	1		28		5		15		31		
				* net rent							80

Fees, Escrows, and Reserves:

Fees	Basis of Requirements	Amount	Security
Loan fees	1.00% of L to L amount	$119,150	Cash
	0.50% of First Mortgage	$9,925	Cash
Escrows			
Bond Origination Guarantee	1.00% of T/E Loans; or L to L if applicabl	$119,150	Letter of Credit
Inspection fee	$1,500 x months of construction	$36,000	Cash
Construction Defect	2.50% of Hard Costs	$192,344	Letter of Credit
Reserves			
Operating Expense Reserve	10.00% of Gross Income	$73,337	Letter of Credit
Initial Deposit to Replacement Reserve	0.00% of Gross Income	$0	Cash
Annual Replacement Reserve Deposit	$350 per unit	$28,000	Operations

SOURCES AND USES WORKSHEET

SOURCES:

	Permanent Dollars		Loan to Lender
CalHFA First Mortgage	1,985,000		
CalHFA Bridge	-	-	
CalHFA Loan to Lender	-		11,915,000
MHP	4,655,357		
HCD-Serna Jr. Farmworker	1,500,000		
Sonoma County Redevelopment	500,000		
RCAC Ag. Health & Housing	2,300,000		
Sonoma County CDBG	350,000		
Sonoma County HOME	135,400		
AHP	513,000		
AHP Lender Grant	5,000		
Other	-		
Borrower Contribution	-		
Deferred Developer Equity	225,000		
Tax Credit Equity	6,688,072		
Total Sources	18,856,829		
(Gap)/Surplus	0		

USES:

	Total Cost	per unit	pct of total
ACQUISITION			
Total Land Cost or Value	1,755,250	21,941	9%
Legal/Broker Fees	-	-	0%
Demolition	104,627	1,308	1%
Off-Site Improvements	100,000	1,250	1%
Existing Improvements Value	-	-	0%
Title & Recording	22,566	282	0%
Total Acquisition Cost	1,982,443	24,781	11%
REHABILITATION			
Site Work	-	-	0%
Structures	-	-	0%
General Requirements	-	-	0%
Contractor Overhead	-	-	0%
Contractor Profit	-	-	0%
Furnishings	-	-	0%
Other	-	-	0%
Total Rehab. Costs	-	-	0%
NEW CONSTRUCTION			
Site Work	2,159,602	26,995	11%
Structures	7,693,769	96,172	41%
General Requirements	456,768	5,710	2%
Contractor Overhead	228,384	2,855	1%
Contractor Profit	228,384	2,855	1%
Furnishings	419,936	5,249	2%
Other	-	-	0%
Total New Const. Costs	11,186,843	139,836	59%
ARCHITECTURAL FEES			
Design	361,661	4,521	2%
Supervision	60,000	750	0%
Total Architectural Costs	421,661	5,271	2%
	-	-	0%
SURVEY & ENGINEERING	245,036	3,063	1%
CONST. INTEREST & FEES			
Const. Loan Interest	561,792	7,022	3%
Construction Loan Fee	178,650	2,233	1%
Legal	-	-	0%
Bond Premium		-	0%
Taxes	93,500	1,169	0%
Insurance	92,452	1,156	0%

Title and Recording	42,456	531	0%
Predevelopment Interest	5,750	72	0%
	-	-	0%
Total Const. Interest & Fees	974,600	12,183	5%
PERMANENT FINANCING			
Commitment Fee	119,150	1,489	1%
Finance Fee	9,925	124	0%
Application Fee	500	6	0%
Title and Recording	12,650	158	0%
Bridge Loan Interest	-	-	0%
HAT Bridge Loan	-	-	0%
HUD Environ. Review	-	-	0%
Other	-	-	0%
Total Perm. Financing Costs	142,225	1,778	1%
LEGAL FEES			
Borrower Legal Fee	29,843	373	0%
Organization	13,187	165	0%
Other	-	-	0%
Total Attorney Costs	43,030	538	0%
RESERVES			
Other	-	-	0%
Operating Expense Reserve	73,337	917	0%
Bond Origination Guarantee	-	-	0%
Letter of Credit Costs	1,192	15	0%
Other	-	-	0%
Total Reserve Costs	74,529	932	0%
CONTRACT COSTS			
Appraisal	23,800	298	0%
Market Study	11,300	141	0%
PNA	-	-	0%
Total Contract Costs	35,100	439	0%
CONTINGENCY			
Hard Cost Contingency	497,667	6,221	3%
Soft Cost Contingency	59,331	742	0%
Total Contingency Costs	556,998	6,962	3%
OTHER			
TCAC App/Alloc/Monitor Fees	45,000	563	0%
Environmental Audit	31,505	394	0%
Soils Report Expense	23,211	290	0%
Asbestos/Lead-based Paint Report	-	-	0%
Seismic Study Expense	10,000	125	0%
Permit Processing Fees	120,079	1,501	1%
Local Impact Fees	1,389,213	17,365	7%
Relocation Expenses	267,356	3,342	1%
Marketing Budget	80,000	1,000	0%
CalHFA Construction Inspection Fee	18,000	225	0%
Audit	10,000	125	0%
Total Other Costs	1,994,364	24,930	11%
PROJECT COSTS	17,656,829	220,710	94%
DEVELOPER COSTS			
Developer Overhead/Profit	841,286	10,516	4%
Consultant/Processing Agent	36,740	459	0%
Project Administration	237,974	2,975	1%
Construction Mgmt Oversight	84,000	1,050	0%
Total Developer Costs	1,200,000	15,000	6%
TOTAL PROJECT COST	18,856,829	235,710	100%

Annual Operating Budget

Springs Village

		$ per unit
INCOME:		
Total Rental Income	728,568	9,107
Laundry	4,800	60
Other Income	0	-
Commercial/Retail	0	-
Gross Potential Income (GPI)	**733,368**	**9,167**
Less:		
Vacancy Loss	36,668	458
Total Net Revenue	**696,700**	**8,709**
EXPENSES:		
Payroll	107,041	1,338
Administrative	93,336	1,167
Utilities	68,500	856
Operating and Maintenance	89,100	1,114
Insurance and Business Taxes	21,229	265
Taxes and Assessments	4,800	60
Reserve for Replacement Deposits	28,000	350
Subtotal Operating Expenses	**412,006**	**5,150**
Financial Expenses		
Mortgage Payments (1st loan)	135,247	1,691
Total Financial	**135,247**	**1,691**
Total Project Expenses	**547,253**	**6,841**

Cash Flow — Springs Village — CalHFA #:

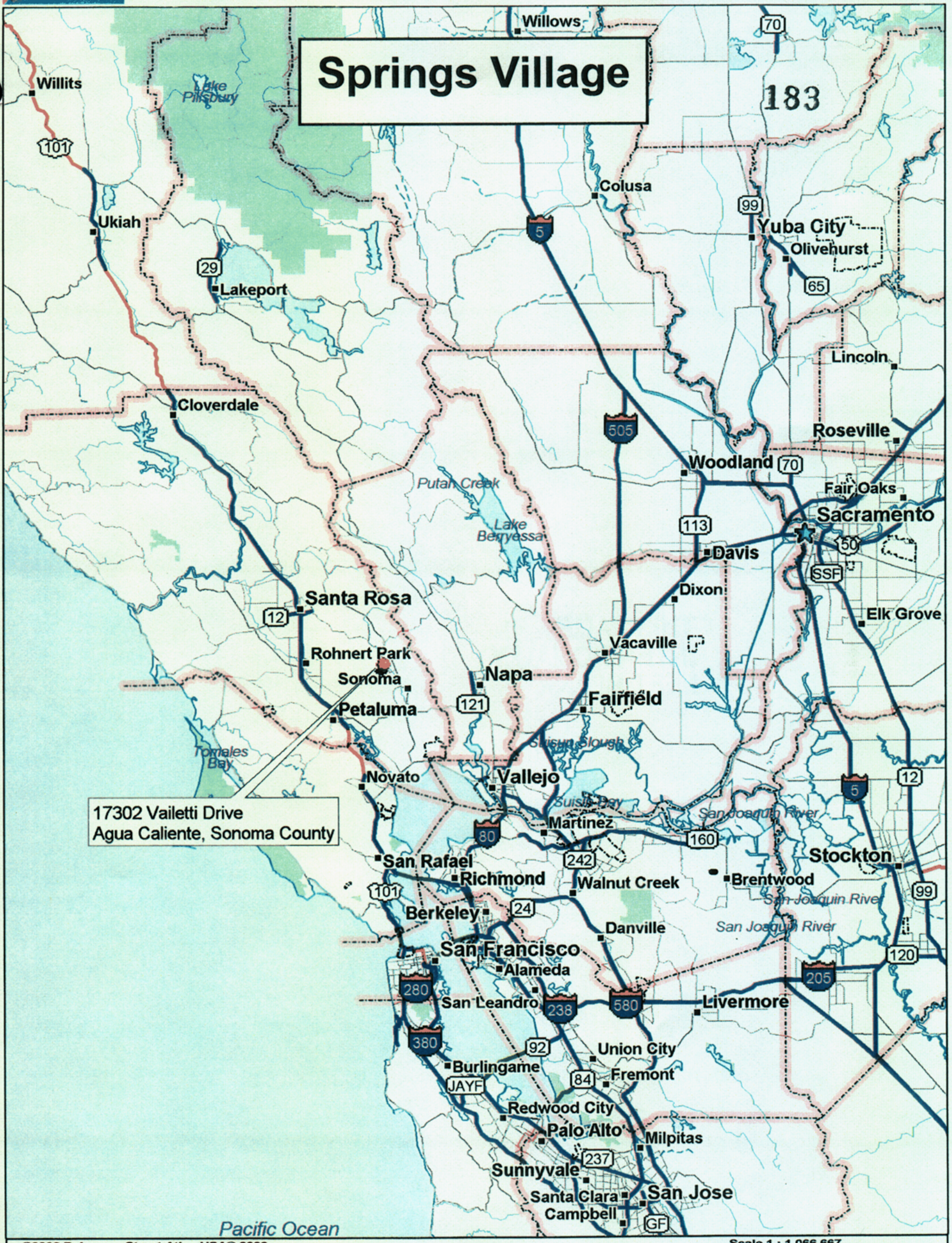
RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Market Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Market Rents	0	0	0	0	0	0	0
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	728,568	746,782	765,452	784,588	804,203	824,308	844,916
TOTAL RENTAL INCOME	**728,568**	**746,782**	**765,452**	**784,588**	**804,203**	**824,308**	**844,916**
OTHER INCOME							
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	4,800	4,920	5,043	5,169	5,298	5,431	5,567
Other Income	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**4,800**	**4,920**	**5,043**	**5,169**	**5,298**	**5,431**	**5,567**
GROSS INCOME	**733,368**	**751,702**	**770,495**	**789,757**	**809,501**	**829,739**	**850,482**
Vacancy Rate : Market	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	36,668	37,585	38,525	39,488	40,475	41,487	42,524
EFFECTIVE GROSS INCOME	**696,700**	**714,117**	**731,970**	**750,269**	**769,026**	**788,252**	**807,958**
OPERATING EXPENSES							
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	379,206	394,374	410,149	426,555	443,617	461,362	479,817
Replacement Reserve	28,000	28,000	28,000	28,000	28,000	29,400	29,400
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	4,800	4,896	4,994	5,094	5,196	5,300	5,406
TOTAL EXPENSES	**412,006**	**427,270**	**443,143**	**459,649**	**476,813**	**496,062**	**514,622**
NET OPERATING INCOME	**284,694**	**286,847**	**288,827**	**290,620**	**292,213**	**292,190**	**293,336**
DEBT SERVICE							
CalHFA - 1st Mortgage	135,247	135,247	135,247	135,247	135,247	135,247	135,247
CalHFA - Bridge Loan	0	0	0	0	0		
RCAC	104,017	104,017	104,017	104,017	104,017	104,017	104,017
MHP	19,552	19,552	19,552	19,552	19,552	19,552	19,552
CASH FLOW after debt service	**25,877**	**28,031**	**30,011**	**31,804**	**33,397**	**33,374**	**34,519**
DEBT COVERAGE RATIO	**1.10**	**1.11**	**1.12**	**1.12**	**1.13**	**1.13**	**1.13**

Cash Flow

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Ye
Market Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2*
Market Rents	0	0	0	0	0	0	0	
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2*
Affordable Rents	932,629	955,944	979,843	1,004,339	1,029,448	1,055,184	1,081,563	1,108
TOTAL RENTAL INCOME	**932,629**	**955,944**	**979,843**	**1,004,339**	**1,029,448**	**1,055,184**	**1,081,563**	**1,108**
OTHER INCOME								
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2*
Laundry	6,144	6,298	6,455	6,617	6,782	6,952	7,126	7
Other Income	0	0	0	0	0	0	0	
TOTAL OTHER INCOME	**6,144**	**6,298**	**6,455**	**6,617**	**6,782**	**6,952**	**7,126**	**7**
GROSS INCOME	**938,773**	**962,242**	**986,298**	**1,010,956**	**1,036,230**	**1,062,136**	**1,088,689**	**1,115**
Vacancy Rate : Market	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5*
Less: Vacancy Loss	46,939	48,112	49,315	50,548	51,811	53,107	54,434	55
EFFECTIVE GROSS INCOME	**891,834**	**914,130**	**936,984**	**960,408**	**984,418**	**1,009,029**	**1,034,254**	**1,060**
OPERATING EXPENSES								
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4*
Expenses	561,318	583,770	607,121	631,406	656,662	682,929	710,246	738
Replacement Reserve	30,870	30,870	30,870	30,870	30,870	32,414	32,414	32
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2*
Taxes and Assessments	5,851	5,968	6,088	6,209	6,333	6,460	6,589	6
TOTAL EXPENSES	**598,039**	**620,608**	**644,079**	**668,485**	**693,866**	**721,802**	**749,249**	**777**
NET OPERATING INCOME	**293,796**	**293,522**	**292,905**	**291,923**	**290,553**	**287,227**	**285,006**	**282**
DEBT SERVICE								
CalHFA - 1st Mortgage	135,247	135,247	135,247	135,247	135,247	135,247	135,247	135
CalHFA - Bridge Loan								
RCAC	104,017	104,017	104,017	104,017	104,017	104,017	104,017	104
MHP	19,552	19,552	19,552	19,552	19,552	19,552	19,552	19
CASH FLOW after debt service	**34,979**	**34,705**	**34,089**	**33,107**	**31,736**	**28,410**	**26,190**	**23**
DEBT COVERAGE RATIO	**1.14**	**1.13**	**1.13**	**1.13**	**1.12**	**1.11**	**1.10**	

Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27
Market Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Market Rents	0	0	0	0	0	0	0
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	1,193,844	1,223,690	1,254,282	1,285,639	1,317,780	1,350,724	1,384,492
TOTAL RENTAL INCOME	**1,193,844**	**1,223,690**	**1,254,282**	**1,285,639**	**1,317,780**	**1,350,724**	**1,384,492**
OTHER INCOME							
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	7,865	8,062	8,264	8,470	8,682	8,899	9,121
Other Income	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**7,865**	**8,062**	**8,264**	**8,470**	**8,682**	**8,899**	**9,121**
GROSS INCOME	**1,201,709**	**1,231,752**	**1,262,545**	**1,294,109**	**1,326,462**	**1,359,623**	**1,393,614**
Vacancy Rate : Market	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	60,085	61,588	63,127	64,705	66,323	67,981	69,681
EFFECTIVE GROSS INCOME	**1,141,623**	**1,170,164**	**1,199,418**	**1,229,404**	**1,260,139**	**1,291,642**	**1,323,933**
OPERATING EXPENSES							
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	830,887	864,123	898,687	934,635	972,020	1,010,901	1,051,337
Replacement Reserve	34,034	34,034	34,034	34,034	34,034	35,736	35,736
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	7,133	7,275	7,421	7,569	7,720	7,875	8,032
TOTAL EXPENSES	**872,054**	**905,432**	**940,142**	**976,238**	**1,013,775**	**1,054,512**	**1,095,105**
NET OPERATING INCOME	**269,570**	**264,732**	**259,276**	**253,165**	**246,364**	**237,130**	**228,828**
DEBT SERVICE							
CHFA - 1st Mortgage	135,247	135,247	135,247	135,247	135,247	135,247	135,247
CHFA - Bridge Loan							
RCAC	104,017	104,017	104,017	104,017	104,017	104,017	104,017
MHP	19,552	19,552	19,552	19,552	19,552	19,552	19,552
CASH FLOW after debt service	**10,753**	**5,916**	**459**	**(5,651)**	**(12,453)**	**(21,686)**	**(29,989)**
DEBT COVERAGE RATIO	**1.04**	**1.02**	**1.00**	**0.98**	**0.95**	**0.92**	**0.88**



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Scale 1 : 1,066,667

1" = 16.8 mi

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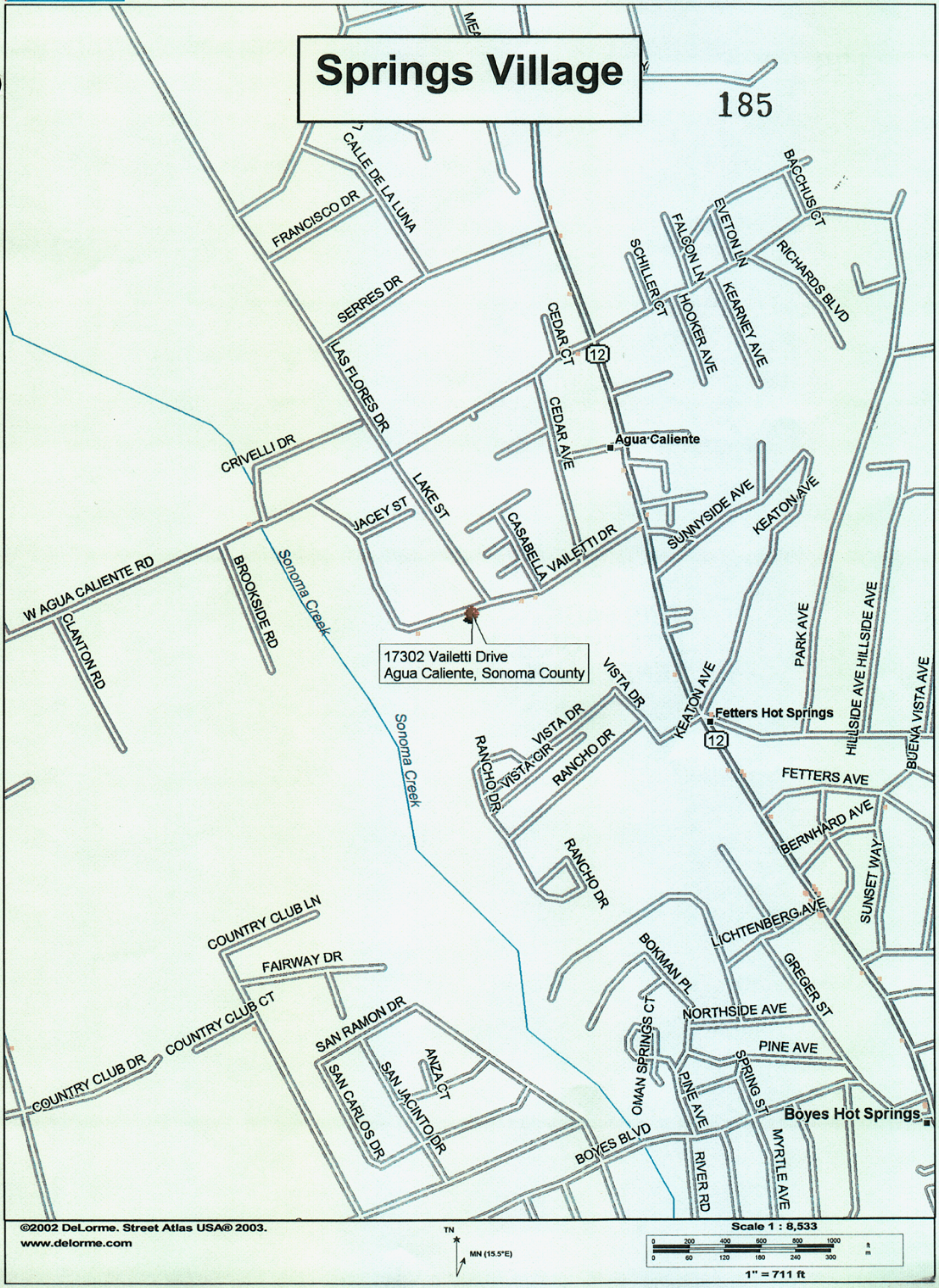
Springs Village
185
17302 Vailetti Drive
Agua Caliente, Sonoma County
Agua Caliente
Fetters Hot Springs
Boyes Hot Springs
Sonoma Creek
Sonoma Creek
W AGUA CALIENTE RD
CLANTON RD
BROOKSIDE RD
CRIVELLI DR
JACEY ST
LAKE ST
LAS FLORES DR
SERRES DR
FRANCISCO DR
CALLE DE LA LUNA
CEDAR CT
CEDAR AVE
CASABELLA
VAILETTI DR
SCHILLER CT
FALCON LN
EVETON LN
HOOKER AVE
KEARNEY AVE
RICHARDS BLVD
BACCHUS CT
SUNNYSIDE AVE
KEATON AVE
KEATON AVE
PARK AVE
HILLSIDE AVE
HILLSIDE AVE
BUENA VISTA AVE
VISTA DR
VISTA DR
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RANCHO DR
RANCHO DR
RANCHO DR
FETTERS AVE
BERNHARD AVE
SUNSET WAY
LICHTENBERG AVE
GREGER ST
BOKMAN PL
NORTHSIDE AVE
PINE AVE
PINE AVE
SPRING ST
OMAN SPRINGS CT
RIVER RD
MYRTLE AVE
BOYES BLVD
COUNTRY CLUB LN
FAIRWAY DR
COUNTRY CLUB CT
COUNTRY CLUB DR
SAN RAMON DR
SAN CARLOS DR
SAN JACINTO DR
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12
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TN
MN (15.5°E)
Scale 1 : 8,533
0 200 400 600 800 1000 ft
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1" = 711 ft

TN
MN (15.5°E)

Scale 1 : 8,533

1" = 711 ft

RESOLUTION 04-08

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Burbank Housing Development Corporation, a nonprofit corporation (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 80-unit multifamily housing development located in the City of Agua Caliente to be known as Springs Village (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated February 26, 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 February 6, 2004, 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:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS		MORTGAGE AMOUNT
03-061-L/N	Springs Village Agua Caliente/Sonoma	80		
			Loan-to-Lender:	$ 11,915,000
			Permanent First Mortgage:	$ 1,985,000

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

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

I hereby certify that this is a true and correct copy of Resolution 04-08 adopted at a duly constituted meeting of the Board of the Agency held on March 11, 2004, at Sacramento, California.

ATTEST:______________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
St. Vincent's Gardens
Santa Barbara, Santa Barbara County, CA
CalHFA # 04-003-C/S

SUMMARY

This is a final commitment request for a construction loan in the amount of Seventeen Million Five Hundred Thirty-Five Dollars ($17,535,000); with a tax-exempt portion of Seventeen Million Dollars ($17,000,000) and a taxable loan in the amount of Five Hundred Thirty-Five Thousand Dollars ($535,000). Permanent loan financing in the amount of Three Million Two Hundred Twenty-Five Thousand Dollars ($3,225,000), and a Section 8 loan (second mortgage) in the amount of Two Million Two Hundred Ninety Thousand Dollars ($2,290,000) are also part of this request. Security for the loans will be a new 75 unit family apartment project located at 4200 Calle Real in Santa Barbara, Santa Barbara County. The property will be leased to Mercy Housing California XXIII, a California Limited Partnership, whose general partner is Mercy Housing West. St. Vincent's, lessor, will provide a leasehold interest to the partnership as lessee.

LOAN TERMS

Construction

Loan Amount	$17,535,000
Interest Rate	3.00%, variable
Term	18-Months, interest only
Financing	$17,000,000 tax-exempt
	$535,000 taxable

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

Permanent

First Mortgage	$3,225,000
Interest Rate	5.50%
Term	30 year fixed, fully amortized
Financing	Tax-exempt

Section 8 Mortgage

Section 8	$2,290,000
Interest Rate	5.50 %
Term	10 year fixed, fully amortized
	Tax-exempt

SECOND MORTGAGE

The Santa Barbara Housing Authority will provide project based Section 8 rents to 25 units in the project based on a 10 year agreement. Section 8 annual renewals are contingent upon Federal funding. The second mortgage reflects the difference in Section 8 rent versus the affordable rent at the 50% and 60% levels amortized over a 10 year period.

LOCALITY INVOLVEMENT

Santa Barbara County is providing a $3,460,000 residual receipt loan at three percent interest for 55 years. The City of Santa Barbara is providing an $8,200,000 residual receipt loan at three percent interest also for 55 years. The outstanding shortfall of approximately $2.7 Million Dollars will be covered by the City and County of Santa Barbara once cost bids have been received after March 16, 2004 and a contactor has been selected. A condition of the CalHFA loan commitment will require a firm commitment satisfactory to the Agency for the local governments to fund this shortfall.

OTHER FINANCING

Mercy Housing California will re-submit a loan request in the amount of $304,000 to the Federal Home Loan Bank's Affordable Housing Program (AHP). Mercy Housing California received an AHP award several years ago, but returned it last year due to project delays. Mercy Housing California will re-apply in the first round of this year (April 2004). In the event the AHP is not successful, the Agency may consider supplying a subordinate loan in an equivalent amount with terms to be established.

GROUND LEASE

St. Vincent's, lessor, will provide a 75 year ground lease that requires a lump sum payment of Eight Hundred Fifty Thousand Dollars ($850,000) to be paid on the Commencement date of the lease. The CalHFA Regulatory Agreement will be recorded against the fee interest, and the Deed of Trust will be recorded against the leasehold interest. At the end of the ground lease term, the project will revert to the ground lessor, St. Vincent.

PROJECT DESCRIPTION

Project Location

St. Vincent's Gardens is located at 4200 Calle Real in Santa Barbara, Santa Barbara County. The City of Santa Barbara is located on the Pacific Coast of California 92 miles north of Los Angeles. The project will be built on the existing St. Vincent Campus. A senior project will also be developed on an adjacent parcel to the subject on the St. Vincent Campus. Surrounding land uses include: Multi-family apartments and mobilehome park to the north, single and multi-family residential to the east, Highway 154 and mixed residential commercial to the south, and Highway 101 to the west.

Site

The portion of the campus upon which the site will be built is approximately 7.07 acres of a gently rolling grassy knoll area, which slopes down to the Cieneguitas Creek. The portion of the creek which runs through the project area, a sensitive riparian habitat that will be protected from human entry by a 50 foot buffer maintained by management and fencing along both sides of the creek. The site is presently vacant and ready for construction.

The St. Vincent's Institution is operated by the Daughters of Charity, who have been serving the Santa Barbara community since the 1850's. Existing uses that will continue on the St. Vincent's campus include transitional housing programs for low-income single mothers and their children, a food bank, and senior citizen activities such as weekly bingo. In addition to the St. Vincent's Gardens development, a campus-wide redevelopment is being undertaken based on a pedestrian-friendly design that places all parking and roadways on the perimeter of the family housing area. All of the units, the community center, and nearly all of the campus amenities- including playfields, a swimming pool and subsidized childcare center operated by the St. Vincent's Institution are working cooperatively with MHC to create this unique community-oriented campus.

A new bus stop will be built near the entrance to the campus, and a variety of public pedestrian, drainage, lighting, and signaling improvements will enhance the neighborhood feel of what is currently an isolated campus. Residents of St. Vincent's Gardens will receive a variety of supportive services, including access to numerous programs operated by the St. Vincent's Institution, such as subsidized childcare program and a welfare-to-work program, as well as MHC's resident-focused community and Residential Initiatives (CRI) program.

The subject land is zoned R-3 (limited multiple density residential district) which allows 12 units per acre. The project currently complies with all applicable local land use and zoning ordinances. The project sponsor has obtained all local approvals other than building permits to begin construction.

Improvements

St. Vincent's Gardens will consist of 2, 3, and 4 –bedroom apartments, housed in two-story 3-, 4-, 5-, and 6-plex buildings, as well as accessory buildings including maintenance sheds, a community building, and outdoor recreation areas.

Individual units are spacious and well designed with fully equipped kitchens and stackable washers and dryers. The units are energy efficient and provide high-speed internet access.

Unit Mix:

No. of Units	No. of Bedrooms	No. of Bathrooms	Unit Square Footage
29	2	1	800
35	3	1.5	1000
11	4	2	1,200

There are $784,585 of off-site improvements and $4,912,961 on-site improvements which contribute to the high cost of this project. These two sums equate to $79,967 per unit. The following is a breakdown of the costs:

Off-site improvements include chain link fences and gates ($1,458/unit), Calle Real roadway repair ($1,053/unit), Calle Real sidewalk, curb and gutter ($1,485/unit), and Calle Real street lights ($4,733/unit), etc., for a total of $10,461/unit.

On-site improvements include developing private roads ($15,149/unit), landscape and irrigation ($11,464/unit), new site utilities ($8,315/unit) and retaining walls ($5,315/unit), etc., for a total of $75,967/unit.

MARKET

Market Overview

The market area for St. Vincent's Gardens comprises the entire City of Santa Barbara. The majority of demand for units is expected to come from within this area.

Approximately 94,825 persons currently live in the market area, and this number is projected to increase approximately 4.35 percent between 2003 and 2008, to 98,949.

Government, trade, transportation and utilities, and leisure and hospitality are significant industries in Santa Barbara's economy. Government is the largest industry employer providing 35,600 jobs, almost 20% of all employment. Employment in education, both state and local, numbers 21,500, or 60% of government employment. Within public education, the University of California at Santa Barbara accounts for a majority of the jobs. A federal prison and Vandenberg Air Force Base provide additional government employment.

Housing Demand and Supply

There are several two-bedroom multi-family existing units in the City of Santa Barbara, a limited number of three-bedroom apartments and no four-bedroom market-rate apartments.

The best rent comparable for this project is La Colina Gardens, a 116-unit apartment complex built in 1960 and consisting of two- and three-bedroom apartments. La Colina is located in the same general area of Santa Barbara. Rents for the two-bedroom/two bath flats start at $1,620 and for three-bedroom units $2,100. Amenities include laundry rooms, tot lot, pool, and access to public transportation. Kitchens are fully equipped, including microwaves.

Buena Vista Apartments is an older, motel-style apartment complex within walking distance of the beach. Rents for the two-bedroom/two-bath units are $1,695 and for three-bedroom units $2,000. Three-bedroom units are rarely available. There are no common area amenities in this property, except laundry rooms. It has ocean views which enhance the value of the property.

There were several four-bedroom home rentals listed in the newspaper and the range of rents is $2,250 to $2,600.

There is one 20-unit family project currently under construction in the City of Santa Barbara. No information was available on rent structure. There is also a 235-unit multi-family apartment project in Goleta which has 62 units of housing affordable to those earning up to 120% of the AMI. Eight of these units are still for rent. There is a preliminary reservation for 16 units of family housing in Goleta.

The development of St. Vincent's Gardens will have a positive effect on affordable housing in Santa Barbara. The existing and proposed family projects are all fully leased with lengthy waiting lists. According to the City Housing staff who recently completed a workforce housing needs in the downtown area, there are over 5,000 people on the Housing Authority waiting list. Most, if not all, of these households would qualify for the proposed project.

There is also a 117-unit Tax Credit project in the neighboring City of Goleta, the Positano Apartments. It is fully leased with a lengthy waiting list. It will not be adversely affected by the development of St. Vincent's Gardens.

Using a conservative 10-to-15-units-per-month absorption rate, and assuming 20% of the units are pre-leased, the project should lease up in 4 to 6 months.

PROJECT FEASIBILITY

Market rate rents for comparable properties average $1,500 for a two-bedroom, $2,000 for a three-bedroom, and $2,400 for a four-bedroom unit.

Rent Differentials (Market versus Restricted)

Unit Type	Subject	Sec 8	Market Rate Average	$ Difference	% Market
Two Bedroom		**$749**	**$ 1,500**		
50%	$607			$893	40%
60%	$743			$757	50%
Three Bedroom		**$1204**	**$ 2,000**		
50%	$688			$1,312	34%
60%	$846			$1,154	42%
Four Bedroom		**$1370**	**$ 2,400**		
50%	$766			$1,634	32%

OCCUPANCY RESTRICTIONS

CalHFA 20% of the units (15) will be restricted at 50% or less of AMI

TCAC 100% of the units (74) will be restricted to 60% or less of AMI

County of Santa Barbara
38% of the units (28) will be restricted at 50% or less of AMI
62% of the units (46) will be restricted to 60% or less of AMI

City of Santa Barbara
38% of the units (28) will be restricted at 50% or less of AMI
62% of the units (46) will be restricted to 60% or less of AMI

City of Santa Barbara
34% of the units (25) will have project based Section 8 for 10 years

AHP 100% of the units (74) will be restricted at 50% or less of AMI

ENVIRONMENTAL

A Phase I Environmental Assessment report was completed by Russell Consulting in June 3, 2002. The report was for the entire St. Vincent's campus. The Phase I recommends that additional soils testing be conducted when the maintenance building is demolished to ensure no soils contamination. An updated Phase I has been ordered, and the owners are aware that further cost could be involved for soils remediation.

A seismic evaluation has been ordered, but has not yet been received. The project is requesting a waiver of the earthquake insurance requirement. Any design modifications required as a condition of the earthquake insurance waiver shall be incorporated in the final plans and specifications approved by CalHFA. If the earthquake waiver is denied, the CalHFA permanent loan amount may decrease due to the impact of the earthquake insurance premium on the operating budget.

ARTICLE XXXIV

A satisfactory opinion letter acceptable to the Agency will be required prior to construction loan closing.

DEVELOPMENT TEAM

Borrower

Mercy Housing California XXIII, a California Limited Partnership

The project will be owned by Mercy Housing California XXIII, a California Limited Partnership with Mercy Housing West, a California nonprofit corporation as the General Partner. Mercy Housing West is the newly created general partner for all Mercy Housing new construction tax credit projects. The sponsor, Mercy Housing California has developed and rehabilitated 77 projects in California with over 4,000 units during the past 34 years. All 77 projects are under the ownership of Mercy Housing California. Five of these projects with a total of 364 units, were financed by CalHFA.

Management Agent

Mercy Services Corporation

Mercy Services Corporation, a nonprofit affiliate of Mercy Housing California founded in 1992 will manage the project. It is the property manager of all multifamily projects developed and owned by Mercy Housing California and its affiliates. They currently manage 139 properties with 7,955 units nationwide, including 79 sites with over 4,000 units in California.

Architect

Lauterbach & Associates

Lauterbach & Associates Architectural/Planning is the architect for the project. The firm was formed in 1970 and they have designed 12 affordable projects with a total of 1,165 units.

Lauterbach & Associates has been the architect on several projects developed by Mercy Housing California.

Contractor

Peck/Jones and Benchmark Contractors, Inc.

Preliminary Cost estimates have been received from Peck/Jones and Benchmark Contractors, Inc. The Agency contracted with an independent third party to review the costs for reasonableness. The review was completed February 9, 2004. The review concluded that the cost was reasonable even though there were major variances between the two contractors based on the assumptions each of the contractors used in their cost estimating: for example, dates and sets of plans used in cost estimating, commercial versus residential labor costs, and material prices for reinforcing steel, structural steel, miscellaneous metals, lumber, and steel stud framing which are volatile. Price commitments are not available by supplier for more than a three week period which necessitated cost forecasting to start of construction.

A cost study, commissioned by the Agency and completed by Professional Associates, evaluated the high project cost. The sponsors have elected to use commercial Davis Bacon wage and cost guidelines given the uncertainty of obtaining wage determinations and the general uncertainty of material costs.

In addition, the City of Santa Barbara has requested that the borrower bid the contract out to local contractors. Bids are due back to the borrower and city by March 16, 2004. These bids will be compared against the bids received Peck/Jones and Benchmark Contractors, Inc. who are located in the Los Angeles area.

Project Summary

Date: 26-Feb-04

Project Profile:

Project :	St. Vincent's Gardens			
Location:	4200 Calle Real			
	Santa Barbara 93110	*Cap Rate:*	0.00%	
County:	Santa Barbara	*Market:*	N/A	
Borrower:	Mercy Housing CA	*Income:*	$15,550,000	(est.)
GP:	Mercy Housing CA	*Final Value:*	N/A	
GP:	N/A			
LP:	TBD	***LTC/LTV:***		
Program:	Tax-Exempt	*Loan/Cost*	10.4%	
CalHFA #:	04-003-C/S	*Loan/Value*	20.7%	

Project Description:

Units	75
Handicap Units	3
Bldge Type	New Const.
Buildings	14
Stories	2
Gross Sq Ft	118,536
Land Sq Ft	380,035
Units/Acre	9
Total Parking	83
Covered Parking	0

Financing Summary:

	Amount	Per Unit	Rate	Term
CalHFA First Mortgage	$3,225,000	$43,000	5.50%	30
CalHFA Sec. 8	$2,290,000	$30,533	5.50%	10
City of Santa Barbara	$8,200,000	$109,333	3.00%	55
County of Santa Barbara	$3,460,000	$46,133	0.00%	55
AHP-Citibank	$304,000	$4,053	0.00%	-
Grants	$0	$0	0.00%	-
Pending City/County Funds	$2,755,786	$36,744		-
Borrower Contribution	$1,150,000	$15,333		-
Deferred Developer Equity	$0	$0		-
Tax Credit Equity	$9,533,114	$127,108		
CalHFA Construction Loan *	$17,535,000	$233,800	3.00%	18 mos.
CalHFA Bridge	$0	$0	0.00%	-

$17,000,000 Tax-exempt
$535,000 Taxable

Unit Mix:

Type	Manager		35% AMI		50% AMI		60% AMI		Sec. 8		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	12	607	17	743	4	749	29
3 bedroom	1	0	0	0	13	688	22	846	11	1204	36
4 bedroom			0	0	10	766	0	0	10	1370	10
subtotal	1		0		35		39		25		
											75

* net rent

Fees, Escrows, and Reserves:

Fees	Basis of Requirements	Amount	Security
CalHFA Permanent Loan fees	0.50% of Total Permanent Loans	$27,575	Cash
CalHFA Construction Loan fee	1.00% of Construction Loan	$175,350	Cash
Inspection fee	$1,500 x months of construction	$27,000	Cash
Escrows			
Construction Defect	2.50% of Hard Costs	$318,276	Letter of Credit
Reserves			
Operating Expense Reserve	23.50% of Gross Income	$241,592	Cash
Annual Replacement Reserve Deposit - Ne	$300 per unit	$22,500	Operations
Guarantees			
Bond Origination Guarantee	1.00% of T/E construction Loan	$170,000	LOC/Guarantee
Completion Guaranty-Borrower	100.00% of Loan Amount	$17,535,000	Corporate Guarantee
Performance Bond-Contractor	100.00% of Consruction Contract	$21,466,326	Bond
Payment Bond-Contractor	100.00% of Consruction Contract	$21,466,326	Bond

SOURCES:

	Permanent Dollars	Perm. Bridge	Construction	Percent of Total Sources	Interest Rate
CalHFA First Mortgage	3,225,000			10.4%	5.50%
CalHFA Bridge	-	-		0.0%	0.00%
CalHFA Sec. 8	2,290,000			7.4%	5.50%
CalHFA Construction Loan *			17,535,000	0.0%	3.00%
City of Santa Barbara	8,200,000		8,200,000	26.5%	3.00%
County of Santa Barbara	3,460,000		3,460,000	11.2%	0.00%
AHP-Citibank	304,000		304,000	1.0%	0.00%
Grants	-			0.0%	0.00%
Pending City/County Funds	2,755,786			8.9%	
Borrower Contribution	1,150,000		467,308	3.7%	
Deferred Developer Equity	-			0.0%	
Tax Credit Equity	9,533,114		100,000	30.8%	
Total Sources	**30,917,900**		**30,066,308**	100.0%	
(Gap)/Surplus	(0)		0		

USES:

	Total Cost	**per unit**	**pct of total**
ACQUISITION			
Total Land Cost or Value	850,000	11,333	3%
Legal/Broker Fees	10,000	133	0%
Demolition/Other	161,000	2,147	1%
Off-Site Improvements	784,585	10,461	3%
Existing Improvements Value	-	-	0%
Other	-	-	0%
Total Acquisition Cost	**1,805,585**	**24,074**	**6%**
NEW CONSTRUCTION			
Site Work	4,912,961	65,506	16%
Structures	12,731,041	169,747	41%
General Requirements	1,550,923	20,679	5%
Contractor Overhead	1,034,869	13,798	3%
Contractor Profit	290,947	3,879	1%
FF&E	-	-	0%
Other	-	-	0%
Total New Const. Costs	**20,520,741**	**273,610**	**66%**
ARCHITECTURAL FEES			
Design	912,865	12,172	3%
Supervision	140,000	1,867	0%
Total Architectural Costs	1,052,865	14,038	3%
	-	-	0%
SURVEY & ENGINEERING	**1,052,865**	**14,038**	**3%**
CONST. INTEREST & FEES			
Const. Loan Interest	760,748	10,143	2%
Construction Loan Fee	175,326	2,338	1%
Legal	17,500	233	0%
Bond Premium	203,093	2,708	1%
Taxes	-	-	0%
Insurance	120,844	1,611	0%
Title and Recording	25,000	333	0%
Predevelopment Interest & Expense	50,000	667	0%
	-	-	0%
Total Const. Interest & Fees	**1,352,511**	**18,033**	**4%**

	Total Cost	per unit	pct of total
PERMANENT FINANCING			
Commitment Fee	-	-	0%
Finance Fee	27,575	368	0%
Application Fee	500	7	0%
Title and Recording	10,000	133	0%
Bridge Loan Interest	-	-	0%
HAT Bridge Loan	-	-	0%
HUD Environ. Review	-	-	0%
CalHFA Legal Fee	10,000	133	0%
Total Perm. Financing Costs	**48,075**	**641**	**0%**
LEGAL FEES			
Borrower Legal Fee	5,000	67	0%
Organization	5,500	73	0%
Syndication	30,000	400	0%
Total Attorney Costs	**40,500**	**540**	**0%**
RESERVES			
Operating Expense Reserve	241,592	3,221	1%
Bond Origination Guarantee	-	-	0%
Letter of Credit Costs	-	-	0%
Other	-	-	0%
Total Reserve Costs	**241,592**	**3,221**	**1%**
CONTRACT COSTS			
Appraisal	7,200	96	0%
Market Study	3,800	51	0%
PNA	-	-	0%
Total Contract Costs	**11,000**	**147**	**0%**
CONTINGENCY			
Hard Cost Contingency	1,851,450	24,686	6%
Soft Cost Contingency	237,561	3,167	1%
Total Contingency Costs	**2,089,011**	**27,853**	**7%**
OTHER			
TCAC App/Alloc/Monitor Fees	74,658	995	0%
Environmental Audit	-	-	0%
Soils Report Expense	198,024	2,640	1%
Asbestos/Lead-based Paint Report	-	-	0%
Seismic Study Expense	10,000	133	0%
Permit Processing Fees	500,000	6,667	2%
Municipal Fees	587,223	7,830	2%
Relocation Expenses	-	-	0%
Marketing Budget	54,250	723	0%
CalHFA Construction Inspection Fee	27,000	360	0%
Audit	12,000	160	0%
Total Other Costs	**1,463,155**	**19,509**	**5%**
PROJECT COSTS	**29,677,900**	**395,705**	**96%**
DEVELOPER COSTS			
Developer Overhead/Profit	1,200,000	16,000	4%
Consultant/Processing Agent	40,000	533	0%
Project Administration	-	-	0%
Consultant/Processing Agent	-	-	0%
Total Developer Costs	**1,240,000**	**16,533**	**4%**
TOTAL PROJECT COST	**30,917,900**	**412,239**	**100%**

Annual Operating Budget — St. Vincent's Gardens

		$ per unit
INCOME:		
Total Rental Income	1,020,852	13,611
Laundry	7,200	96
Other Income	0	-
Commercial/Retail	0	-
Gross Potential Income (GPI)	**1,028,052**	**13,707**
Less:		
Vacancy Loss	40,624	542
Total Net Revenue	**987,428**	**13,166**
EXPENSES:		
Payroll	152,049	2,027
Administrative	69,714	930
Utilities	51,599	688
Operating and Maintenance	80,335	1,071
Insurance and Business Taxes	5,053	67
Taxes and Assessments	5,000	67
Reserve for Replacement Deposits	30,000	400
Subtotal Operating Expenses	**393,750**	**5,250**
Financial Expenses		
Mortgage Payments (1st loan)	219,734	2,930
Total Financial	**219,734**	**2,930**
Total Project Expenses	**613,484**	**8,180**

Cash Flow St. Vincent's Gardens CalHFA #:

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Sec. 8 Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Sec. 8 Rents	359,280	368,262	377,469	386,905	396,578	406,492	416,655
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	661,572	678,111	695,064	712,441	730,252	748,508	767,221
TOTAL RENTAL INCOME	**1,020,852**	**1,046,373**	**1,072,533**	**1,099,346**	**1,126,830**	**1,155,000**	**1,183,875**
OTHER INCOME							
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	7,200	7,380	7,565	7,754	7,947	8,146	8,350
Other	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**7,200**	**7,380**	**7,565**	**7,754**	**7,947**	**8,146**	**8,350**
GROSS INCOME	**1,028,052**	**1,053,753**	**1,080,097**	**1,107,100**	**1,134,777**	**1,163,146**	**1,192,225**
Vacancy Rate : Sec. 8	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	40,624	41,640	42,681	43,748	44,842	45,963	47,112
EFFECTIVE GROSS INCOME	**987,428**	**1,012,113**	**1,037,416**	**1,063,352**	**1,089,936**	**1,117,184**	**1,145,114**
OPERATING EXPENSES							
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	358,750	373,100	388,024	403,545	419,687	436,474	453,933
Replacement Reserve	30,000	30,000	30,000	30,000	30,000	31,500	31,500
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	5,000	5,100	5,202	5,306	5,412	5,520	5,631
TOTAL EXPENSES	**393,750**	**408,200**	**423,226**	**438,851**	**455,099**	**473,495**	**491,064**
NET OPERATING INCOME	**593,678**	**603,913**	**614,190**	**624,501**	**634,837**	**643,689**	**654,050**
DEBT SERVICE							
CalHFA - 1st Mortgage	219,734	219,734	219,734	219,734	219,734	219,734	219,734
CalHFA - Bridge Loan	0	0	0	0	0		
CalHFA - Sec. 8 Loan (amortizing)	298,230	298,230	298,230	298,230	298,230	298,230	298,230
CASH FLOW after debt service	**75,713**	**85,949**	**96,226**	**106,536**	**116,872**	**125,725**	**136,085**
DCR	**1.15**	**1.17**	**1.19**	**1.21**	**1.23**	**1.24**	**1.26**

Cash Flow

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17
Sec. 8 Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Sec. 8 Rents	0	0	0	0	0	0	0
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	846,868	868,040	889,741	911,984	934,784	958,154	982,107
TOTAL RENTAL INCOME	**846,868**	**868,040**	**889,741**	**911,984**	**934,784**	**958,154**	**982,107**
OTHER INCOME							
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	9,217	9,447	9,683	9,925	10,173	10,428	10,688
Other	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**9,217**	**9,447**	**9,683**	**9,925**	**10,173**	**10,428**	**10,688**
GROSS INCOME	**856,085**	**877,487**	**899,424**	**921,910**	**944,957**	**968,581**	**992,796**
Vacancy Rate : Sec. 8	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	42,804	43,874	44,971	46,095	47,248	48,429	49,640
EFFECTIVE GROSS INCOME	**813,280**	**833,612**	**854,453**	**875,814**	**897,709**	**920,152**	**943,156**
OPERATING EXPENSES							
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	527,038	544,119	561,884	580,359	599,574	619,557	640,339
Replacement Reserve	33,075	33,075	33,075	33,075	33,075	34,729	34,729
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	6,095	6,217	6,341	6,468	6,597	6,729	6,864
TOTAL EXPENSES	**566,208**	**583,411**	**601,300**	**619,902**	**639,246**	**661,015**	**681,932**
NET OPERATING INCOME	**247,073**	**250,201**	**253,153**	**255,912**	**258,463**	**259,138**	**261,224**
DEBT SERVICE							
CalHFA - 1st Mortgage	219,734	219,734	219,734	219,734	219,734	219,734	219,734
CalHFA - Bridge Loan							
CalHFA - Sec. 8 Loan (amortizing)							
CASH FLOW after debt service	**27,339**	**30,467**	**33,418**	**36,177**	**38,729**	**39,403**	**41,490**
DCR	**1.12**	**1.14**	**1.15**	**1.16**	**1.18**	**1.18**	**1.19**

Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27
Sec. 8 Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Sec. 8 Rents	0	0	0	0	0	0	0
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	1,084,063	1,111,164	1,138,943	1,167,417	1,196,602	1,226,518	1,257,180
TOTAL RENTAL INCOME	**1,084,063**	**1,111,164**	**1,138,943**	**1,167,417**	**1,196,602**	**1,226,518**	**1,257,180**
OTHER INCOME							
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	11,798	12,093	12,395	12,705	13,023	13,348	13,682
Other	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**11,798**	**12,093**	**12,395**	**12,705**	**13,023**	**13,348**	**13,682**
GROSS INCOME	**1,095,861**	**1,123,257**	**1,151,339**	**1,180,122**	**1,209,625**	**1,239,866**	**1,270,863**
Vacancy Rate : Sec. 8	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	54,793	56,163	57,567	59,006	60,481	61,993	63,543
EFFECTIVE GROSS INCOME	**1,041,068**	**1,067,094**	**1,093,772**	**1,121,116**	**1,149,144**	**1,177,873**	**1,207,319**
OPERATING EXPENSES							
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	736,120	765,565	796,187	828,035	861,156	895,603	931,427
Replacement Reserve	36,465	36,465	36,465	36,465	36,465	38,288	38,288
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	7,430	7,578	7,730	7,884	8,042	8,203	8,367
TOTAL EXPENSES	**780,015**	**809,608**	**840,383**	**872,385**	**905,664**	**942,094**	**978,082**
NET OPERATING INCOME	**261,053**	**257,486**	**253,389**	**248,732**	**243,480**	**235,779**	**229,237**
DEBT SERVICE							
CalHFA - 1st Mortgage	219,734	219,734	219,734	219,734	219,734	219,734	219,734
CalHFA - Bridge Loan							
CalHFA - Sec. 8 Loan (amortizing)							
CASH FLOW after debt service	**41,318**	**37,752**	**33,655**	**28,997**	**23,746**	**16,044**	**9,503**
DCR	**1.19**	**1.17**	**1.15**	**1.13**	**1.11**	**1.07**	**1.04**


St. Vincent's Gardens
203
Tulare
Porterville
5
Delano
Wasco
Atascadero
Oildale
Bakersfield
99
San Luis Obispo
101
Grover Beach
Santa Maria
399
OE
138
Lompoc
Solvang
101
Santa Barbara
217
Fillmore
VF
OF
Santa Paula
4200 Calle Real
Santa Barbara, Santa Barbara County
Ventura
Simi Valley
Oxnard
MF
Thousand Oaks
Port Hueneme
1
TN
MN (14.1°E)
Scale 1 : 1,066,667
0 6 12 18 24 30 mi
0 8 16 24 32 40 km
1" = 16.8 mi

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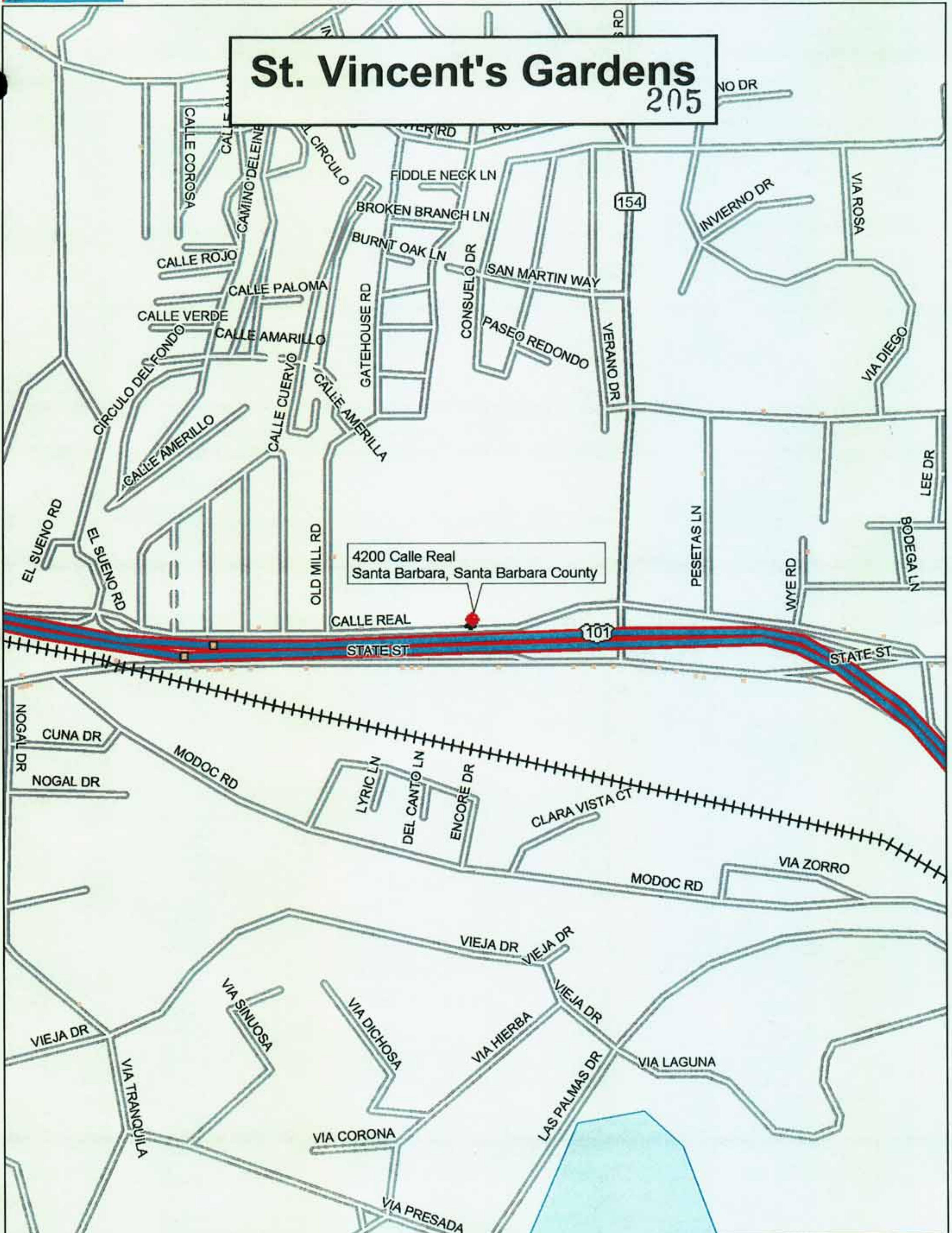
St. Vincent's Gardens
205



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RESOLUTION 04-09

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Mercy Housing California XXIII, 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 75-unit multifamily housing development located in the City of Santa Barbara to be known as St. Vincent's Gardens (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated February 26, 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 February 6, 2004, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

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

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNT
04-003-C/S	St. Vincent's Gardens Santa Barbara/Santa Barbara	75	
		Construction First Mortgage:	$17,535,000
		Permanent First Mortgage:	$ 3,225,000
		Permanent Section 8 Mortgage:	$ 2,290,000

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

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

I hereby certify that this is a true and correct copy of Resolution 04-09 adopted at a duly constituted meeting of the Board of the Agency held on March 11, 2004, at Sacramento, California.

ATTEST: ______________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Via Del Mar Family Apartments
Watsonville, Santa Cruz County, CA
CalHFA # 03-060C/N

SUMMARY

This is a final commitment request for construction financing in the amount of $6,725,000 and a permanent loan in the amount of $860,000. Via Del Mar is a 40-unit family apartment project with a 2,732 square foot childcare center located in Watsonville. The property is owned by MP Transit Center Associates, a California Limited Partnership whose limited partner is Mid-Peninsula Housing Coalition.

LOAN TERMS

Construction

First Mortgage	$6,725,000
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	$860,000
Interest Rate	5.5%
Term	25 year fixed, fully amortized
Financing	Tax-Exempt

LOCALITY INVOLVEMENT

The City of Watsonville has committed a loan of $1,215,000 for 55 years at 0% interest, with residual receipts repayment. In addition, the City has committed a grant of $457,404 to pay for a portion of the cost of constructing the child care center.

The City of Watsonville has leased the .65 acre property from the owner, Santa Cruz Metropolitan Transit District. The lease payment is $1 per year for a term of 99 years, commencing in June 2002. The purpose of the land lease is for the development of this transit-oriented low income residential development and child care center. The City of Watsonville selected Mid-Peninsula to develop the property and has executed an option to sub lease the property for a term of 80 years at an annual lease payment of $1 per year.

Negotiations are underway with the City of Watsonville and Santa Cruz Metropolitan Transit District relative to security for CalHFA's regulatory agreement and deed of trust.

Relocation

There will be no relocation involved in this project.

MARKET

Market Overview

- The market study defines Watsonville Primary Market Area (PMA) as the cities of Watsonville and portions of Freedom, Corralitos and Pajaro.
- The target tenant population for this project will be local residents who work in the PMA and Santa Cruz County. Eight of the units will be reserved for farm workers through the Joe Serna Jr. Farm Worker Housing Grant program. However, due to the fact that a large percentage of the employment base in the area is agricultural, it is likely that a large number of the tenants will be farm workers. In 2002, there were an estimated 5,007 farm workers in the market area.
- Eighty percent of the units are targeted to households in the very low-income category and 40% of the units will be targeted at 30% and 35% of the area median income.
- The population in the PMA is 69,633. The population in Watsonville is 45,605.
- The population in the PMA is expected to increase annually by 1.6% over the next two years. The growth rate in the PMA is higher than that of the county's which is 1.3%.
- The population in the PMA is relatively young, with 38% of the residents under the age of 39.
- The majority of the households in the PMA have more than 3 people and the average person per household is 3.8.
- General occupancy renters constitute 47% of the housing market in the PMA, and 44% of those renters pay more than 30% of their income towards rent.
- Thirty-two percent of the households in the PMA make less than 50% of median income and twenty-three percent of households make between 50 to 80% of median income.
- Ninety-three percent of the farm worker population is income-eligible for this project for rents at 30% to 50%.
- In Santa Cruz County in 2002, the largest employment sectors were services (36%), government (20%), trade (18%) and agriculture (8%).
- The unemployment rate was 7.6% for both the PMA and the county.

Housing Demand and Supply

- 64% of the housing units in the PMA are single family, which indicates a significant number of renters are in single-family housing.
- The majority of the housing in the PMA (55%) was built between 1970 and 2000 and is a relatively young housing stock.
- The majority of the rental apartment units are one and two bedrooms, although there are larger households in the PMA. There were no three bedroom market rate rentals in the PMA. Therefore the market study utilized single family residences to estimate comparable rents.
- The market study surveyed 14 apartment projects totaling 1,125 units. Of those units surveyed, half of the units (567 units in 9 projects) were rent restricted and 558 are market rate (8 projects).

OTHER FINANCING

- MHP has approved a loan of $2,716,528 at 3% interest and a second loan of $376,211 at 0% interest. Both loans are for a term of 55 years.
- AHP has approved a loan of $239,000 at 0% interest for 55 years.
- HCD has approved a loan of $600,000 for the Joe Serna Jr. Farmworker Housing Grant Program.
- HCD has approved a loan of $1,000,000 for the HOME Program at 3% interest for a term of 55 years.

PROJECT DESCRIPTION

Project Location

- Via Del Mar is located at 124 West Beach Street in Watsonville, Santa Cruz County. It is immediately adjacent to the Watsonville Transit Center in the core commercial area of downtown Watsonville.
- The property is bounded by West Beach Street and Rodriguez Street and Walker Street and is located within ¼ mile from highways 152 and 129.
- The neighborhood is a mix of single family and multifamily homes and commercial/retail uses to the South and West, the transit center and commercial buildings to the North and commercial and residential buildings to the East.
- A small, full-service grocery store is located 1 block from the subject, and a large chain grocery store is less than one mile away. A major drug store/pharmacy is 1 block away and convenience stores, department stores and a full range of retail services are located less than ½ mile from the site along Main Street.
- An Elementary School is located .2 miles from the site; a Middle School is 1.1 miles away; Watsonville High School is .3 miles away and Cabrillo College is .3 miles away.
- A public library is .3 miles from the subject; the Main Street Plaza Park is 2 blocks away, two parks and two youth recreation centers are all within .3 miles of the subject and the Police and Fire Stations are within 3 blocks. County offices containing employment training, childcare subsidies, food stamp and a full range of general assistance programs are across the street from the subject.
- The subject's location, directly across from the transit station, provides easy access for those using Santa Cruz Metropolitan Transit, Greyhound and Amtrak. There are over 175 stops per day at this location, including pickup for busses servicing Monterey County. The project's location is very convenient for families with one car.

Site

- The site consists of two parcels totaling .65 acres zoned Commercial Core Area with a special use permit allowing development of 40 multifamily units and a child care facility.
- The project is classified as a transit oriented development. A reduction in the number of parking spaces was approved as a part of the special use permit.
- Access to the site is from West Beach Street.

Improvements

- The project consists of 40 residential units in 5 buildings of three stories each, built on an on-grade parking podium. The parking structure and the child care center are built on street level.
- There is an elevator and two stairways which provide access from the garage and street to the podium level. Both will provide secured access
- The parking garage has 62 assigned parking spaces, including 5 guest parking spaces. Access to the garage is restricted via a security gate. There is short-term on-street parking available in front of the site for drop-off at the childcare center. Child care center staff will have on-site parking available during business hours.
- The exterior is designed to blend in with the downtown urban environment, with the buildings being placed at the property line, significant roof and building articulation, decorative metal gates, large trees along the street and exteriors combining stucco and hardie plank.
- There will be 15 apartment flats on the podium level (seven 1 bedroom units, two 2 bedroom units and six 3 bedroom units) and 25 two-story townhouse units on top of the flats (twelve 2 bedroom units and thirteen 3 bedroom units). Each unit will contain energy-efficient appliances, including a refrigerator, stove, dishwasher and disposal. The units will have hydronic heating, carpet in living and bedroom areas and linoleum or VCT in kitchens and bath. Unit amenities include a coat closet, linen closet and pantry.
- The common area amenities will consist of a fully equipped play lot, a laundry room, and community room with an office, kitchen, bathroom, computer lab and meeting areas.
- The landscaping throughout the project will consist of extensive use of planters and pots with trellises and trailing vines on top of the parking podium in order to reduce the amount of hardscape areas.
- The childcare center is 2,723 square feet, with over 2,000 square feet of outside play area. The center will serve 32 children and first priority for space will go to tenants of the residential project. It will be open from 6 A.M. to 6 P.M. during the week.
- The center will be leased for $1 per year for 10 years to Go Kids. The childcare space will be separately metered and the tenant will pay all utilities. The childcare play area will be available after hours and on weekends to residents of the building.
- One half of the childcare spaces will be offered to low income families at a subsidized rate via a contract with the State Department of Education. Under the contract with the State Department of Education, families with incomes at or below 50% of median income will not pay childcare costs. Families with incomes of 50% to 75% of median income pay childcare costs based on income, but no more than $50 per week. The unsubsidized, full-time child care cost is $160 per week.

<u>Unit Mix</u>:

Number of Units	Number of Bedrooms	Number of Bathrooms	Unit Square Footage
7	1	1	508 to 533
20	2	1	790 to 965
13	3	2	1,038 to 1,149

- The vacancy rate for market units is .6%. No vacancies were found in rent restricted units and many had extensive waiting lists, with a turn over rate of 1 to 2 units per year.
- There are two tax credit projects under construction totaling 172 units. The units are expected to be completed and fully leased by the time the subject is ready for occupancy.
- Of the projects surveyed, the majority were less than 20 years old. Many did not have amenities that the subject has such as covered parking, dishwashers and secured entrance. The subject is considered very competitive in the market.

PROJECT FEASIBILITY

Market rate rents for comparable properties average $844 for a one-bedroom unit: $1,103 for a two-bedroom unit; and $1,250 for a three-bedroom unit.

Rent Differentials (Market versus Restricted)

Unit Type	Subject	Market Rate Average	$ Difference	% Market
One Bedroom		**$844**		
30%	$366		$478	43%
35%	$437		$407	52%
50%	$650		$194	77%
60%	$767		$77	90%
Two Bedroom		**$1,103**		
30%	$431		$672	39%
35%	$595		$508	53%
50%	$772		$331	70%
60%	$942		$161	85%
Three Bedroom		**$1,250**		
30%	$494		$756	40%
35%	$593		$657	47%
50%	$888		$362	71%
60%	$1,085		$165	87%

Estimated Lease-up Period

- Due to the high demand for affordable housing in the PMA, rent restricted projects have achieved100% occupancy and have extensive waiting lists.
- The market study anticipated that the project will achieve 100% occupancy within 3 months, although the developer has reported full occupancy within 30 days on other projects recently completed in the area.
- During the marketing period, a budget of $40,000 has been set aside to pay for costs during the marketing and lease-up period.

- The general occupancy units will need to capture 1.7% of income-eligible households in the PMA in order to rent the 31 general occupancy units. The farm worker units will need to capture just .4% of the market in order to rent the 8 units specifically restricted for farm worker housing. As indicated previously, it is anticipated that a large percentage of farm worker households will qualify for general occupancy rents restricted to 35% and 50% of median.

OCCUPANCY RESTRICTIONS

CalHFA	20% of the units (8) will be restricted to 50% or less of AMI.
City	31% of the units (12) will be restricted to 40% or less of AMI 69% of the units (27) will be restricted to 60% or less of AMI.
MHP	26% of the units (10) will be restricted to 30% or less of median income. 15% of the units (15) will be restricted to 35% or less of median income. 41% of the units (16) will be restricted to 50% or less of median income. 18% of the units (7) will be restricted to 60% or less of median income.
AHP	10% of the units (4) will be restricted to 30% or less of AMI. 20% of the units (8) will be restricted to 35% or less of AMI. 41% of the units (16) will be restricted to 50% or less of AMI. 29% of the units (11) will be restricted to 60% or less of AMI.
HCD/HOME	28% of the units (11) will be restricted to 50% or less of AMI.
HCD/ FARMWORKER	5% of the units (2) will be restricted to 30% or less of AMI. 5% of the units (2) will be restricted to 35% or less of AMI. 10% of the units (4) will be restricted to 50% or less of AMI.
TCAC	100% of the units (39) will be restricted to 60% or less of AMI.

ENVIRONMENTAL

A Phase I Environmental Assessment report was completed on September 11, 2000. The report concludes that there are no adverse environmental conditions that warrant further investigation or remedial action. An updated Environmental Assessment will be completed prior to closing the construction loan.

A geotechnical evaluation was completed in October 2002 and subsequently updated in January 2003. The reports state there is low potential for liquefaction and has given recommendations for construction of the footings and foundations that appear to meet minimum standards.

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.

ARTICLE XXXIV

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

DEVELOPMENT TEAM

Borrower

MP Transit Center Associates

The property will be owned by MP Transit Center Associates, a limited partnership, whose general partner is Mid-Peninsula The Farm Inc., a wholly-owned, non-profit affiliate of Mid-Peninsula Housing Coalition ("MPHC"). MPHC was founded in 1970 as a private non-profit developer of low income rental housing on the San Francisco Bay Area Peninsula, an area that includes some of the country's highest median home prices and apartment rents. MHPC has developed over 80 affordable family and senior projects, and has never had a project in default.

CalHFA has financed twelve MPHC developments totaling 1,199 units beginning in 1982. These projects include acquisition/rehabilitation, preservation and new construction developments. Projects financed over the past few years include Homestead Park, Runnymede Gardens, Gateway Apartments, Riverwood Grove Apartments, Country Hills and Moulton Plaza.

Mid-Peninsula has provided supportive services to its residents throughout its history as part of its overall mission. In 1993, MPHC established its own Services Department, and in 2000 it created its third major affiliated non-profit partner, the Mid-Peninsula Housing Services Corporation ("MPHSC"). The goal of MPHSC is to help individuals and families meet their own needs that extend beyond that of basic shelter by assisting them in achieving self-sufficiency and a higher quality of life.

MPHSC has established a number of on-site programs to achieve this goal including in-home health care information and referral; nutrition and health education; addiction referral and support; community development activities; access to benefits; vocational, and employment agencies that provide specialized services to residents who may need them. After-school programs, summer enrichment programs and a computer-based educational program are available for children and adults.

Management Agent

Mid-Peninsula Housing Management Corporation

MPHC's non-profit affiliate, Mid-Peninsula Housing Management Corporation ("MPHMC") will manage Via Del Mar. Established in 1981, MPHMC currently manages nearly 70 affordable housing developments in Northern California with well over 5,000 units.

Architect

Pyatok Architects Inc.

Pyatok Architects Inc. was established in 1985 by Michael Pyatok, FAIA, who has 34 years of experience in the field of architecture. Staffed with 24 architects and planners, the firm focuses on community planning, affordable housing and higher density, mixed-use developments. It has won over 50 design awards in the past decade. Other CalHFA projects designed by Pyatok include Swan's Marketplace for EBALDC, International Boulevard Family Housing Apartments for Resources for Community Development, both in Oakland and Oak Court Apartments in Palo Alto, which is currently under construction.

Contractor

L & D Construction Co., Inc.

L & D Construction Co., Inc. ("L & D") was incorporated in 1979 and their primary focus of 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. L & D successfully completed Murphy Ranch Phase I, which is financed by CalHFA, under budget and ahead of schedule. L & D is also the contractor for Murphy Ranch Phase II, which will break ground in April with construction financing provided by CalHFA.

Project Summary

Date: 23-Feb-04

Project Profile:

Project :	Via Del Mar	*Cap Rate:*	6.50%	
Location:	124 W. Beach Street	Construction	$7,400,000	
	Watsonville	Market	$4,550,000	
County:	Santa Cruz			
Borrower:	MP Transit Center Associates	***LTC/LTV:***	Construction	Permanent
GP:	Mid-Peninsula Coastside, Inc.	*Loan/Cost*	64%	7%
LP:	Mid-Peninsula Housing Coalition	*Loan/Value*	91%	19%
Program:	Tax-Exempt			
CalHFA # :	03-060-C/N			

Project Description:

Units	40
Handicap Units	1
Bldge Type	Townhomes
Buildings	4
Stories	3
Gross Sq Ft	43,941
Land Sq Ft	28,416
Units/Acre	61
Total Parking	62
Covered Parking	62

Financing Summary:

	Amount	Per Unit	Rate	Term
CalHFA First Mortgage	$860,000	$21,500	5.50%	30
City of Watsonville-Child Care Grant	$457,404	$11,435	0.00%	0
City of Watsonville	$1,215,000	$30,375	0.00%	55
Joe Serna Farmworker loan	$600,000	$15,000	3.00%	55
MHP	$2,716,528	$67,913	3.00%	55
MHP-NSSS	$376,211	$9,405	0.00%	55
HOME	$1,000,000	$25,000	3.00%	55
AHP	$239,000	$5,975	0.00%	30
Tax Credit Equity	$4,261,682	$106,542		
CalHFA Construction Loan	$6,725,000	$168,125	3.00%	18 mos.

Unit Mix:

Type	Manager		30% AMI		35% AMI		50% AMI		60%		Total
	number	rent	number	rent*	number	rent	number	rent*	number	rent*	
1 bedroom			2	366	1	437	3	650	1	767	7
2 bedroom			4	431	4	516	10	772	2	942	20
3 bedroom	1		4	494	1	593	3	888	4	1,085	13
4 bedroom			0	0	0	0	0	0	0	0	0
subtotal	**1**		**10**		**6**		**16**		**7**		
											40

Fees, Escrows, and Reserves:

PERMANENT LOAN			
Fees	**Basis of Requirements**	**Amount**	**Security**
CalHFA Permanent Loan	0.50% Permanent Loan	$4,300	Cash
CalHFA Bridge Loan	0.50% Bridge Loan	0	Cash
Escrows			
Construction Defect	2.50% of Hard Costs	$190,332	Letter of Credit
Reserves			
Operating Expense Reserve	10.00% of Gross Income	$32,797	Cash
Rent Up Reserve		$0	Cash
Annual Replacement Reserve 100% of HOME	$1,074 per unit	$42,971	Operations
CONSTRUCTION LOAN			
Fees			
CalHFA Construction Loan	1.00% Total Construction Loan	$67,250	Cash
Inspection fee	$1,500 x 18 months of construction	$21,000	Cash
Guarantees			
Bond Origination Guarantee	1% of Total Loans	$67,250	letter of credit
Completion Guarantee-Borrower	100% of Construction Contract	7,956,174	guarantee
Performance Bond-contractor	100% of Total Hard Costs	7,956,174	Bond
Payment Bond-contractor	100% of Total Hard Costs	7,956,174	Bond

SOURCES AND USES WORKSHEET — Via Del Mar

SOURCES:

	Permanent Dollars	Construction	% of Total Sources
CalHFA First Mortgage	860,000		7.3%
CalHFA Construction Loan		6,725,000	0.0%
City of Watsonville-Child Care Grant	457,404	457,404	3.9%
City of Watsonville	1,215,000	1,215,000	10.3%
Joe Serna Farmworker loan	600,000	600,000	5.1%
MHP	2,716,528		23.1%
MHP-NSSS	376,211		3.2%
HOME	1,000,000	1,000,000	8.5%
AHP	239,000	239,000	2.0%
Deferred Developer Fee	52,347		0.4%
Tax Credit Equity	4,261,682	350,000	36.2%
Total Sources	**11,778,172**	**10,586,404**	
(Gap)/Surplus	0	0	

USES:

ACQUISITION	Permanent Dollars	Permanent % of Total	Permanent Loan Per Unit
Total Land Cost or Value	-	0%	-
Legal/Broker Fees	3,500	0%	88
Demolition	23,800	0%	595
Off-Site Improvements		0%	-
Existing Improvements Value		0%	-
Other		0%	-
Total Acquisition Cost	**27,300**	**0%**	**294,451**
NEW CONSTRUCTION			
Site Work	342,907	3%	8,573
Structures	6,627,324	56%	165,683
General Requirements	559,427	5%	13,986
Contractor Overhead	213,258	2%	5,331
Contractor Profit	213,258	2%	5,331
Furnishings		0%	-
Total New Const. Costs	**7,956,174**	**68%**	**198,904**
ARCHITECTURAL FEES			
Design	398,081	3%	9,952
Supervision	132,694	1%	3,317
Total Architectural Costs	**530,775**	**5%**	**13,269**
SURVEY & ENGINEERING	**72,500**	**1%**	**1,813**
CONST. INTEREST & FEES			
Const. Loan Interest	201,750	2%	5,044
Construction Loan Fee	67,250	1%	1,681
Predevelopment Interest		0%	-
Taxes		0%	-
Insurance	59,000	1%	1,475
Title and Recording	10,000	0%	250
Contractor's insurance bond		0%	-
Title,escrow,const.closing		0%	-
CalHFA Construction Inspection Fee	21,000	0%	525
Seismic	10,000	0%	
	369,000	**3%**	**8,450**

SOURCES AND USES WORKSHEET — Via Del Mar

SOURCES:

	Permanent Dollars	Construction	% of Total Sources	Interest Rate
CalHFA First Mortgage	860,000		7.3%	5.50%
CalHFA Construction Loan		6,725,000	0.0%	3.00%
City of Watsonville-Child Care Grant	457,404	457,404	3.9%	0.00%
City of Watsonville	1,215,000	1,215,000	10.3%	0.00%
Joe Serna Farmworker loan	600,000	600,000	5.1%	0.00%
MHP	2,716,528		23.1%	0.00%
MHP-NSSS	376,211		3.2%	0.00%
HOME	1,000,000	1,000,000	8.5%	0.00%
AHP	239,000	239,000	2.0%	0.00%
Deferred Developer Fee	52,347		0.4%	0.00%
Tax Credit Equity	4,261,682	350,000	36.2%	0.00%
Total Sources	**11,778,172**	**10,586,404**		
(Gap)/Surplus	0	0		

USES:

ACQUISITION	Permanent Dollars	Construction	Permanent Loan Per Unit	% of total
Total Land Cost or Value	-	0	-	0%
Legal/Broker Fees	3,500	3,500	88	0%
Demolition	23,800	23,800	595	0%
Off-Site Improvements		0	-	0%
Existing Improvements Value		0	-	0%
Other		0	-	0%
Total Acquisition Cost	**27,300**	**27,300**	**683**	**0%**
NEW CONSTRUCTION				
Site Work	342,907	342,907	8,573	3%
Structures	6,627,324	6,627,324	165,683	56%
General Requirements	559,427	559,427	13,986	5%
Contractor Overhead	213,258	213,258	5,331	2%
Contractor Profit	213,258	213,258	5,331	2%
Furnishings		0	-	0%
Total New Const. Costs	**7,956,174**	**7,956,174**	**198,904**	**68%**
ARCHITECTURAL FEES				0%
Design	398,081	398,081	9,952	3%
Supervision	132,694	132,694	3,317	1%
Total Architectural Costs	**530,775**	**530,775**	**13,269**	**5%**
SURVEY & ENGINEERING	**72,500**	**72,500**	**1,813**	**1%**
CONST. INTEREST & FEES				
Const. Loan Interest	201,750	201,750	5,044	2%
Construction Loan Fee	67,250	67,250	1,681	1%
Predevelopment Interest		0	-	0%
Taxes		0	-	0%
Insurance	59,000	59,000	1,475	1%
Title and Recording	10,000	10,000	250	0%
Contractor's insurance bond		0	-	0%
Title,escrow,const.closing		0	-	0%
CalHFA Construction Inspection Fee	21,000	21,000	525	0%
Seismic	10,000	10,000		
	369,000	**369,000**	**8,450**	**3%**

	Permanent Dollars	Permanent % of Total	% of Total Sources
PERMANENT FINANCING			
Finance Fee-Permanent Loan	4,300	0%	108
Application Fee	500	0%	13
Title and Recording	5,000	0%	125
Bridge Loan Interest	-	0%	-
Letter of Credit costs	2,855	0%	
Other	12,145	0%	
Total Perm. Financing Costs	**24,800**	**0%**	**620**
LEGAL FEES			
Permanent Legal Fee	5,000	0%	125
Other-const.loan closing	10,000	0%	250
Other-R/E legal	20,000	0%	500
syndication legal	-	0%	
Total Attorney Costs	**35,000**	**0%**	**875**
RESERVES			
Operating Expense Reserve	32,797	0%	820
Bond Origination Guarantee		0%	-
Rent Up Reserve	43,885	0%	1,097
Total Reserve Costs	**76,682**	**1%**	**1,917**
CONTRACT COSTS			
Appraisal	22,000	0%	550
Market Study	2,800	0%	70
PNA	-	0%	-
Total Contract Costs	**24,800**	**0%**	**620**
CONTINGENCY			
Hard Cost Contingency	598,998	5%	14,975
Soft Cost Contingency	75,000	1%	1,875
Total Contingency Costs	**673,998**	**6%**	**16,850**
OTHER			
TCAC App/Alloc/Monitor Fees	22,627	0%	566
Environmental Audit	7,500	0%	188
Soils, Survey, Testing		0%	-
Asbestos/Lead-based Paint Report		0%	-
Seismic Study Expense		0%	-
Permit Processing Fees	255,643	2%	6,391
Impact fees	302,640	3%	7,566
Relocation Expenses		0%	-
Marketing/Furnishings	100,656	1%	2,516
Other-Audit	-	0%	-
Total Other Costs	**689,066**	**6%**	**17,227**
PROJECT COSTS	**10,480,095**	**89%**	**262,002**
DEVELOPER COSTS			
Developer Overhead/Profit	1,298,077	11%	32,452
Consultant/Processing Agent		0%	-
Project Administration	-	0%	-
Consultant/Processing Agent		0%	-
Total Developer Costs	**1,298,077**	**11%**	**32,452**
TOTAL PROJECT COST	**11,778,172**	100%	**294,454**

Annual Operating Budget

Via Del Mar

		$ per unit	% of Total
INCOME:			
Total Rental Income	322,212	8,055	98.24%
Laundry	5,760	144	1.76%
Other Income	0	-	
Gross Potential Income (GPI)	**327,972**	**8,199**	**100.00%**
Less:			
Vacancy Loss	16,399	410	
Total Net Revenue	**311,573**	**7,789**	
EXPENSES:			
		$ Per Unit	**% of Total**
Payroll	84,094	2,102	29.72%
Administrative	36,050	901	12.74%
Utilities	17,125	428	6.05%
Operating and Maintenance	22,040	551	7.79%
Insurance and Business Taxes	16,750	419	5.92%
Taxes and Assessments	5,300	133	1.87%
Reserve for Replacement Deposits	42,971	1,074	15.19%
Subtotal Operating Expenses	**224,330**	**5,608**	**79.29%**
Financial Expenses			
Mortgage Payments (1st loan)	58,596	1,465	
Total Financial	**58,596**	**1,465**	20.71%
Total Project Expenses	**282,926**	**7,073**	

Cash Flow	Via Del Mar			CalHFA Development Numb			
RENTAL INCOME	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**
Market Rent Increase	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Market Rents	0	0	0	0	0	0	0
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	322,212	330,267	338,524	346,987	355,662	364,553	373,667
TOTAL RENTAL INCOME	**322,212**	**330,267**	**338,524**	**346,987**	**355,662**	**364,553**	**373,667**
OTHER INCOME							
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	5,760	5,904	6,052	6,203	6,358	6,517	6,680
Other Income	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**5,760**	**5,904**	**6,052**	**6,203**	**6,358**	**6,517**	**6,680**
GROSS INCOME	**327,972**	**336,171**	**344,576**	**353,190**	**362,020**	**371,070**	**380,347**
Vacancy Rate : Market	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	16,399	16,809	17,229	17,659	18,101	18,554	19,017
EFFECTIVE GROSS INCOME	**311,573**	**319,363**	**327,347**	**335,530**	**343,919**	**352,517**	**361,330**
OPERATING EXPENSES							
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	179,059	186,221	193,670	201,417	209,474	217,853	226,567
Replacement Reserve	42,971	42,971	42,971	42,971	42,971	42,971	42,971
Ground Lease Payment	1	1	1	1	1	1	1
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	2,300	2,346	2,393	2,441	2,490	2,539	2,590
TOTAL EXPENSES	**224,331**	**231,539**	**239,035**	**246,830**	**254,935**	**263,364**	**272,129**
NET OPERATING INCOME	**87,242**	**87,823**	**88,312**	**88,701**	**88,983**	**89,153**	**89,201**
DEBT SERVICE							
CalHFA - 1st Mortgage	58,596	58,596	58,596	58,596	58,596	58,596	58,596
MHP Debt Service Requirement	11,409	11,409	11,409	11,409	11,409	11,409	11,409
CASH FLOW after 1st Mortgage	**28,647**	**29,228**	**29,716**	**30,105**	**30,388**	**30,557**	**30,605**
DEBT COVERAGE RATIO	**1.49**	**1.50**	**1.51**	**1.51**	**1.52**	**1.52**	**1.52**
CASH FLOW after 1st Mortgage & MHP	**17,238**	**17,819**	**18,307**	**18,696**	**18,979**	**19,148**	**19,196**
DEBT COVERAGE RATIO	**1.25**	**1.25**	**1.26**	**1.27**	**1.27**	**1.27**	**1.27**

Cash Flow

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Ye
Market Rent Increase	*0*	*0*	*0*	*0*	*0*	*0*	*0*	
Market Rents	0	0	0	0	0	0	0	
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.*
Affordable Rents	412,459	422,770	433,339	444,173	455,277	466,659	478,326	490
TOTAL RENTAL INCOME	**412,459**	**422,770**	**433,339**	**444,173**	**455,277**	**466,659**	**478,326**	**490**
OTHER INCOME								
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.*
Laundry	7,373	7,558	7,747	7,940	8,139	8,342	8,551	8
Other Income	0	0	0	0	0	0	0	
TOTAL OTHER INCOME	**7,373**	**7,558**	**7,747**	**7,940**	**8,139**	**8,342**	**8,551**	**8**
GROSS INCOME	**419,832**	**430,328**	**441,086**	**452,113**	**463,416**	**475,001**	**486,876**	**499**
Vacancy Rate : Market	*0*	*0*	*0*	*0*	*0*	*0*	*0*	
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.*
Less: Vacancy Loss	20,992	21,516	22,054	22,606	23,171	23,750	24,344	24
EFFECTIVE GROSS INCOME	**398,840**	**408,811**	**419,032**	**429,507**	**440,245**	**451,251**	**462,532**	**474**
OPERATING EXPENSES								
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.*
Expenses	265,051	275,653	286,679	298,146	310,072	322,475	335,374	348
Replacement Reserve	42,971	42,971	42,971	42,971	42,971	42,971	42,971	42
Ground Lease Payment	1	1	1	1	1	1	1	
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.*
Taxes and Assessments	2,804	2,860	2,917	2,975	3,035	3,095	3,157	3
TOTAL EXPENSES	**310,827**	**321,485**	**332,568**	**344,094**	**356,079**	**368,543**	**381,504**	**394**
NET OPERATING INCOME	**88,014**	**87,326**	**86,463**	**85,414**	**84,166**	**82,709**	**81,029**	**79**
DEBT SERVICE								
CalHFA - 1st Mortgage	58,596	58,596	58,596	58,596	58,596	58,596	58,596	58
MHP Debt Service Requirement	11,409	11,409	11,409	11,409	11,409	11,409	11,409	11
CASH FLOW after 1st Mortgage	**29,418**	**28,731**	**27,868**	**26,818**	**25,570**	**24,113**	**22,433**	**20**
DEBT COVERAGE RATIO	**1.50**	**1.49**	**1.48**	**1.46**	**1.44**	**1.41**	**1.38**	
CASH FLOW after 1st Mortgage & MHP	**18,009**	**17,322**	**16,459**	**15,409**	**14,161**	**12,704**	**11,024**	**9**
DEBT COVERAGE RATIO	**1.26**	**1.25**	**1.24**	**1.22**	**1.20**	**1.18**	**1.16**	

Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25
Market Rent Increase	*0*	*0*	*0*	*0*	*0*
Market Rents	0	0	0	0	0
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	527,982	541,181	554,711	568,579	582,793
TOTAL RENTAL INCOME	**527,982**	**541,181**	**554,711**	**568,579**	**582,793**
OTHER INCOME					
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	9,438	9,674	9,916	10,164	10,418
Other Income	0	0	0	0	0
TOTAL OTHER INCOME	**9,438**	**9,674**	**9,916**	**10,164**	**10,418**
GROSS INCOME	**537,420**	**550,856**	**564,627**	**578,743**	**593,211**
Vacancy Rate : Market	*0*	*0*	*0*	*0*	*0*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	26,871	27,543	28,231	28,937	29,661
EFFECTIVE GROSS INCOME	**510,549**	**523,313**	**536,396**	**549,806**	**563,551**
OPERATING EXPENSES					
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	392,340	408,034	424,355	441,330	458,983
Replacement Reserve	42,971	42,971	42,971	42,971	42,971
Ground Lease Payment	1	1	1	1	1
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	3,418	3,486	3,556	3,627	3,699
TOTAL EXPENSES	**438,730**	**454,492**	**470,883**	**487,928**	**505,654**
NET OPERATING INCOME	**71,819**	**68,821**	**65,513**	**61,877**	**57,897**
DEBT SERVICE					
CalHFA - 1st Mortgage	58,596	58,596	58,596	58,596	58,596
MHP Debt Service Requirement	11,409	11,409	11,409	11,409	11,409
CASH FLOW after 1st Mortgage	**13,223**	**10,225**	**6,917**	**3,282**	**(699)**
DEBT COVERAGE RATIO	**1.23**	**1.17**	**1.12**	**1.06**	**0.99**
CASH FLOW after 1st Mortgage & MHP	**1,814**	**(1,184)**	**(4,492)**	**(8,127)**	**(12,108)**
DEBT COVERAGE RATIO	**1.03**	**0.98**	**0.94**	**0.88**	**0.83**

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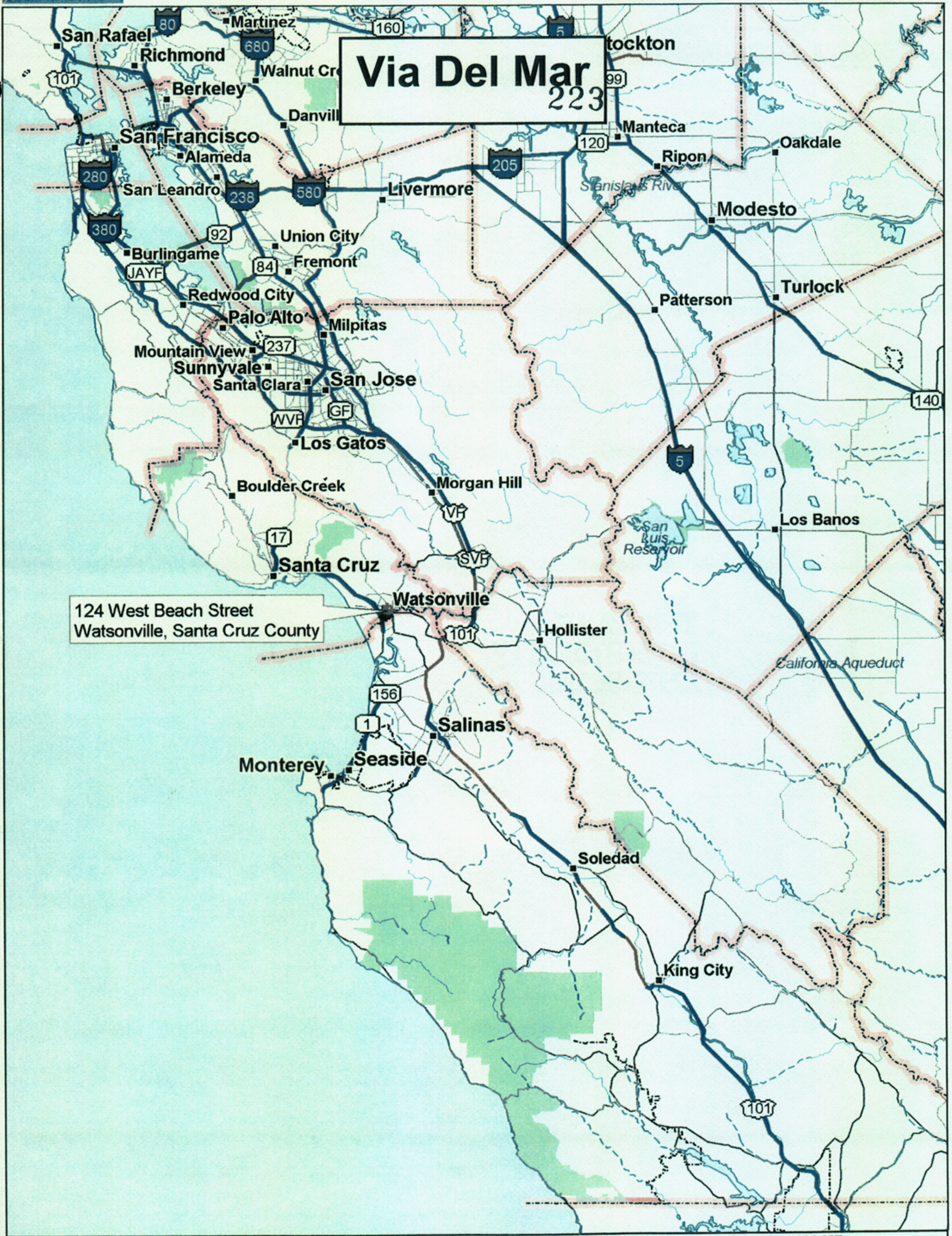

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Scale 1 : 1,066,667
1" = 16.8 mi

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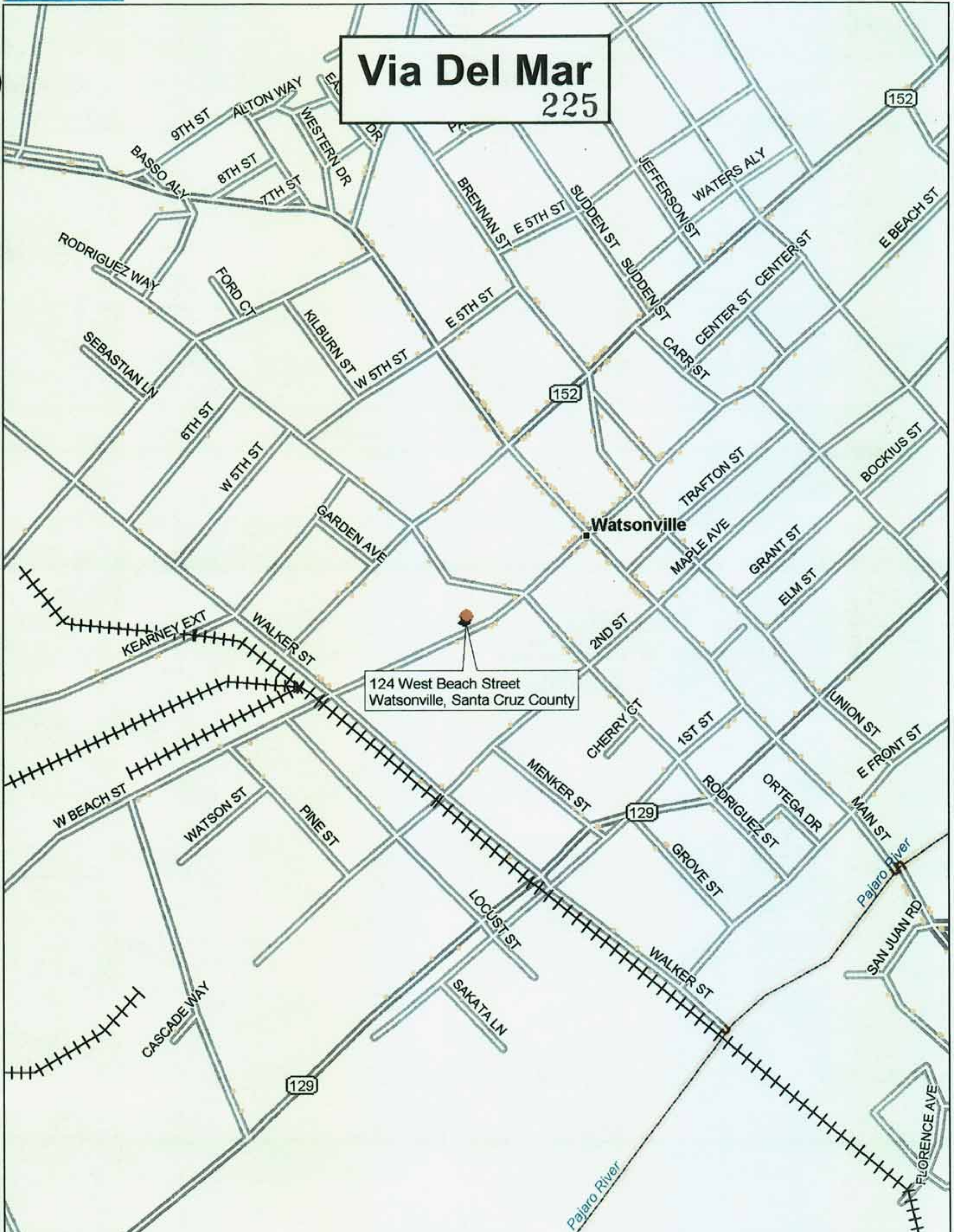

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RESOLUTION 04-10

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of MP Transit Center Associates, 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 40-unit multifamily housing development located in the City of Watsonville to be known as Via Del Mar (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated February 23, 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 February 6, 2004, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

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

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNT
03-060-C/N	Via Del Mar Watsonville/Santa Cruz	40	
		Construction First Mortgage:	$ 6,725,000
		Permanent First Mortgage:	$ 860,000

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

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

I hereby certify that this is a true and correct copy of Resolution 04-10 adopted at a duly constituted meeting of the Board of the Agency held on March 11, 2004, at Sacramento, California.

ATTEST: ______________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY

Loan Modification to Final Commitment
Villa Amador
CalHFA Ln. # 03-038-L/N

SUMMARY:

This loan modification is a request for approval of a $3,650,000 increase to a tax-exempt Loan to Lender and a new $1,800,000 tax-exempt Section 8 Increment loan (second mortgage). The CalHFA Board of Directors previously approved the project financing at its September 18, 2003, meeting. Attached for reference is the September 18, 2003, Board package for Villa Amador.

Villa Amador is a 96-unit, new construction family apartment project located at the northeast corner of Sand Creek Road and Shady Willow Lane in Brentwood, Contra Costa County. The property is owned by Mercy Housing California XII, a California Limited Partnership, whose general partner is Mercy Housing West, a California Nonprofit Public Benefit Corporation.

LOAN TERMS:	**ORIGINAL**	**MODIFIED**
Loan to Lender		
Loan Amount:	$13,000,000	$16,650,000
Interest Rate:	3.00%	3.00%
Term:	2 yr, simple interest	2 yr, simple interest
Financing:	Tax-Exempt	Tax-Exempt
Permanent		
First Mortgage:	$5,280,000	$5,280,000
Interest Rate:	5.50%	5.35%
Term:	30 yrs, fully amortized	40 yrs, fully amortized
Financing:	Tax-Exempt	Tax-Exempt
Second Mortgage:	N/A	$1,800,000
Interest Rate:	N/A	5.25%
Term:	N/A	10 yrs, fully amortized
Financing:	N/A	Tax-Exempt

Note: The modified permanent interest rates are lower than the rates underwritten for the original approval. The original $13,000,000 of tax-exempt bonds was issued in the December 10, 2003, bond sale. The bond sale achieved a lower than expected interest rate and the savings were passed along to all the projects in that bond issue.

REASON FOR LOAN INCREASE:

The project's construction costs have increased substantially over the sponsor's previous estimates. The initial costs for the project were based on preliminary drawings, which incorporated the City's approval requirements, but underestimated their full financial impact. The project plans are now more detailed and the sponsor has obtained a detailed construction cost estimate. The construction costs have increased by approximately 50% over the initial estimates, with the total project cost increasing by 34%.

The City of Brentwood's approval conditions added substantial per unit cost to the project. The City is requiring an 85 foot building setback, 2 to 1 parking ratio, tile roofs, wood siding on carports, a covered car wash area with a special filter for the drain, a bus turnout, a gate around entire community, ROW (Right of Way) landscaping, a left turn lane into the project, and a large interior emergency vehicle access. The project cost is further increased by the City of Brentwood's impact fees of $34,345 per unit ($3,297,135).

Site density is low (12 units/acre), resulting in low cost efficiency. The elongated shape and location of the parcel also requires more extensive site improvements on two street frontages which add more curb, gutter and sidewalk, joint trench work, electric and lighting, sewer, water, fire systems, hydrants, and trash enclosures.

Value engineering is being reviewed, but any cost savings will be limited due to the City's approval requirements.

The construction cost estimator noted the following items in the cost estimate on why this project estimates at a higher than average price per gross square foot:

- "Gated" style community results in more cost of fencing, gates, gate operators, wiring, and control.
- Carports use wood sheathing and are 3 times more expensive.
- City of Brentwood typical required site light fixtures, wider streets and longer radii in turns, covered car wash area, and the use of split-face concrete masonry sound wall with stucco face at interior is expensive.
- Proximity to salt water causes the need to use all galvanized steel components at exterior (fence, etc.)
- Building offsets (module of two/two) causes roof framing and waterproofing expense to increase.

INCREASED FINANCING:

To address the cost increases the project developer has requested an increase in its HOME funds from Contra Costa County and a residual receipt loan from the City of Brentwood. In addition, the project now has 24 units of project based section 8, which it did not have for the original CalHFA approval, and is requesting a CalHFA Section 8 increment loan.

- Contra Costa County originally provided the project a $1,000,000 residual receipt, HOME loan. The sponsor has applied to increase its HOME loan to $2,350,000 for 55 years at 3% interest to offset the increased cost.

- The sponsor has applied to the City of Brentwood for a $2,000,000 residual receipt loan, for 55 years at 3% interest to offset increased costs.

- The Housing Authority of the County Contra Costa is providing project based Section 8 for 24 units of the development. The term of the HAP contract is for ten years (subject to annual renewals). The new second mortgage (Section 8 increment loan) is underwritten to the Housing Authority's established Section 8 market rents: $1,095 for a one-bedroom, $1,374 for a two-bedroom, $1,883 for a three-bedroom, and $2,249 for a four-bedroom unit. The borrower will be required to seek and accept any renewals of the project based Section 8 contract.

OCCUPANCY RESTRICTIONS:

As a condition of the approval for an increase in the HOME financing, HOME is now restricting 49% of the units instead 25% of the units and the City of Brentwood will be adopting the same restrictions as part of its approval conditions. The previous HOME restrictions were 17% of the units (16) restricted to 35% or less of median income and 8% of the units (8) restricted to 40% or less of median income. All other occupancy restrictions remain the same.

CalHFA:	20% of the units (19) will be restricted to 50% or less of median income.
TCAC:	100% of the units (94) will be restricted to 60% or less of median income.
HOME:	35% of the units (33) will be restricted to 35% or less of median income. 14% of the units (13) will be restricted to 50% or less of median income.
City:	35% of the units (33) will be restricted to 35% or less of median income. 14% of the units (13) will be restricted to 50% or less of median income.
MHP:	49% of the units (46) will be restricted to 50% or less of median income.
Farmworker:	27% of the units (25) will be restricted to 35% or less of median income.
AHP:	100% of the units (94) will be restricted to 55% or less of median income.

PROJECT UPDATE:

An updated Market Study dated January 4, 2004, demonstrates continued demand for the project. There has been a slight increase in 1, 2, 3-bedroom average market rents and a slight decrease in 4-bedroom area market rents. The overall project rents have decreased slightly due to an increase in the utility allowances. Market rate rents and demand have remained essentially the same.

An appraisal dated September 15, 2003, prepared by Integra Realty Resources has been received and its valuations are reflected in the attached Project Summary.

The borrower has applied to first round 2004 CDLAC for a $3,650,000 increase in its tax-exempt allocation and will submit its application to TCAC for tax credits. The Loan to Lender of $16,650,000 will be made to Bank of America (construction lender), and Bank of America will also be providing a $1,350,000 taxable tail for the construction financing.

Project Summary

Modified Final
Date: 23-Feb-04

Project Profile:

Project :	Villa Amador		
Location:	NE of Sandcreek Rd & Highland Way		
	Brentwood 94513	*Cap Rate:*	7.50%
County:	Contra Costa	*Market:*	$14,500,000
Borrower:	Mercy Housing CA XII, LP	*Income:*	$14,970,000
GP:	Mercy Housing West	*Final Value:*	$14,950,000
LP:	TBD		

LTC/LTV:	Construction	Permanent
Loan/Cost	N/A	22.8%
Loan/Value	N/A	47.4%

Program: Tax-Exempt

CalHFA # : 03-038-N\L

Project Description:

Units	96
Handicap Units	5
Bldge Type	New Const.
Buildings	14
Stories	2
Gross Sq Ft	114,722
Land Sq Ft	351,162
Units/Acre	12
Total Parking	205
Covered Parking	96

Financing Summary:

	Amount	Per Unit	Rate	Term
CalHFA First Mortgage	$5,280,000	$55,000	5.35%	40
CalHFA Sec. 8 Increment Mortgage	$1,800,000	$18,750	5.25%	10
CalHFA HAT	$0	$0	0.00%	-
HCD MHP	$5,509,905	$57,395	3.00%	55
Contra Costa HOME	$2,350,000	$24,479	3.00%	55
HCD Joe Serna, Jr. Farmworker Funds	$1,899,411	$19,786	3.00%	40
AHP	$507,600	$5,288	0.00%	30
City of Brentwood	$2,000,000	$20,833		55
G.P. Equity Contribution	$0	$0		
Deferred Developer Equity	$757,720	$7,893		
Tax Credit Equity	$10,980,562	$114,381		
CalHFA Loan to Lender	$16,650,000	$173,438	3.00%	2

Unit Mix:

Type	Manager		35% SMI		50% AMI		35% Unit Increment		50% Unit Increment		Total
	number	rent	number	rent	number	rent	number		number		
1 bedroom			3	349	4	704	1	699	1	344	7
2 bedroom	2	843	6	417	13	843	2	899	3	473	21
3 bedroom			20	476	36	968	5	1334	9	842	56
4 bedroom			4	530	8	1079	1	1637	2	1088	12
subtotal	2		33		61		9		15		
											96

Fees, Escrows, and Reserves:

Fees	**Basis of Requirements**	**Amount**	**Security**
Loan Fees	1.00% of L to L Amount	$166,500	Cash
	0.50% of First Mortgage & Second	$35,400	Cash
Escrows			
Bond Origination Guarantee	1.00% of L to L Amount	$166,500	Letter of Credit
Inspection Fee	$1,500 x months of construction	$22,500	Cash
Construction Defect	2.50% of Hard Costs	$453,590	Letter of Credit
Reserves			
Transition Operating Reserve		$183,971	Cash
Marketing	10.00% of Gross Income	$116,029	Letter of Credit
Operating Expense Reserve	10.00% of Gross Income	$116,029	Cash
Annual Replacement Reserve Deposit	0.60% of Hard Costs	$81,380	Operations

VILLA AMADOR - DEVELOPMENT BUDGET COMPARISON

SOURCES:

	New	Previous	Difference	Percent Change	Per Unit (New Uses)	Pct of Total (New Uses)
CalHFA First Mortgage	5,280,000	5,280,000	-	0%	55,000	17%
CaLHFA Sec. 8 Mortgage	1,800,000		1,800,000	N/A	18,750	6%
CalHFA HAT	-		-	0%	-	0%
CalHFA Loan to Lender	16,650,000	13,000,000	3,650,000	28%	173,438	54%
HCD MHP	5,509,905	5,509,905	-	0%	57,395	18%
Contra Costa HOME	2,350,000	1,000,000	1,350,000	135%	24,479	8%
HCD Joe Serna Jr. Farmworker	1,899,411	2,000,000	(100,589)	-5%	19,786	6%
AHP	507,600	507,600	-	0%	5,288	2%
City of Brentwood	2,000,000	-	2,000,000	N/A	20,833	6%
G.P. Equity Contribution			-	0%	-	0%
Deferred Developer Equity	757,720	812,917	(55,197)	-7%	7,893	2%
Tax Credit Equity	10,980,562	8,124,269	2,856,293	35%	114,381	35%
Total Sources	31,085,198	23,234,691	7,850,507	34%	323,804	100%
(Gap)/Surplus	0	0				

USES:

	New	Previous	Difference	Pct Change	Per Unit (New Uses)	Pct of Total (New Uses)
ACQUISITION						
Total Land Cost or Value	1,100,000	1,100,000	-	0%	11,458	4%
Fees/Holding Costs	301,200	84,700	216,500	256%	3,138	1%
Demolition	-	-	-	0%	-	0%
Off-Site Improvements	1,000,000	995,400	4,600	0%	10,417	3%
Existing Improvements Value	-		-	0%	-	0%
Other:	-	-	-	0%	-	0%
Total Acquisition Cost	2,401,200	2,180,100	221,100	10%	25,013	8%
REHABILITATION			-			
Site Work	-		-	0%	-	0%
Structures	-		-	0%	-	0%
General Requirements	-		-	0%	-	0%
Contractor Overhead	-		-	0%	-	0%
Contractor Profit	-		-	0%	-	0%
Other	-		-	0%	-	0%
Total Rehab. Costs	-		-	0%	-	0%
NEW CONSTRUCTION						
Site Work	3,580,356	806,848	2,773,508	344%	37,295	12%
Structures	13,563,262	10,554,725	3,008,537	29%	141,284	44%
General Requirements	685,745	454,463	231,282	51%	7,143	2%
Contractor Overhead	514,309	340,847	173,462	51%	5,357	2%
Contractor Profit	514,309	340,847	173,462	51%	5,357	2%
Other:			-	0%	-	0%
Other: Furnishings	35,000	35,000	-	0%	365	0%
Total New Const. Costs	18,892,981	12,532,730	6,360,251	51%	196,802	61%
ARCHITECTURAL FEES						
Design	345,374	345,374	-	0%	3,598	1%
Supervision	86,344	86,344	-	0%	899	0%
Total Architectural Costs	431,718	431,718	-	0%	4,497	1%
	-			0%	-	0%
SURVEY & ENGINEERING	223,660	213,660	10,000	5%	2,330	1%
				0%	-	
CONST. INTEREST & FEES						
Const. Loan Interest	975,000	612,092	362,908	59%	10,156	3%
Construction Loan Fee	180,000	140,352	39,648	28%	1,875	1%
Legal	-	-	-	0%	-	0%
Bond Premium	188,580	124,977	63,603	51%	1,964	1%
Taxes	13,750	13,750	-	0%	143	0%
Insurance	14,000	14,000	-	0%	146	0%
Title and Recording	12,000	12,000	-	0%	125	0%
Other: Predevelopment Interest	-	55,000	(55,000)	-100%	-	0%
Other:	-	-	-	0%	-	0%
Total Const. Interest & Fees	1,383,330	972,171	411,159	42%	14,410	4%

	New	Previous	Difference	Percent Change	Per Unit (New Uses)	Pct of Total (New Uses)
PERMANENT FINANCING						
Commitment Fee	166,500	130,000	36,500	28%	1,734	1%
Finance Fee	35,400	26,400	9,000	34%	369	0%
Application Fee	500	500	-	0%	5	0%
Title and Recording	10,000	10,000	-	0%	104	0%
Bridge Loan Interest	-	-	-	0%	-	0%
HAT Bridge Loan	-		-	0%	-	0%
HUD Environ. Review	10,000	10,000	-	0%	104	0%
Other	-		-	0%	-	0%
Total Perm. Financing Costs	222,400	176,900	45,500	26%	2,317	1%
LEGAL FEES						
Borrower Legal Fee	40,000	36,000	4,000	11%	417	0%
Other: Perm Loan	5,000	5,000	-	0%	52	0%
Other: Bridge Loan	-		-	0%	-	0%
Total Attorney Costs	45,000	41,000	4,000	10%	469	0%
				0%	-	
RESERVES						
Transition Operating/Rent Up Reserve	183,971	59,879	124,092	207%	1,916	1%
Operating Expense Reserve	116,029	90,121	25,908	29%	1,209	0%
Marketing	-	-	-	0%	-	0%
Bond Origination Guarantee	-		-	0%	-	0%
Letter of Credit Costs	5,000	5,000	-	0%	52	0%
Other	-		-	0%	-	0%
Total Reserve Costs	305,000	155,000	150,000	97%	3,177	1%
CONTRACT COSTS						
Appraisal	8,000	8,000	-	0%	83	0%
Market Study	3,500	3,500	-	0%	36	0%
PNA	-		-	0%	-	0%
Total Contract Costs	11,500	11,500	-	0%	120	0%
			-	0%	-	
CONTINGENCY						
Hard Cost Contingency	1,885,798	1,249,773	636,025	51%	19,644	6%
Soft Cost Contingency	100,000	100,000	-	0%	1,042	0%
Total Contingency Costs	1,985,798	1,349,773	636,025	47%	20,685	6%
				0%	-	
OTHER						
TCAC App/Alloc/Monitor Fees	53,917	50,725	3,192	6%	562	0%
Audit	-		-	0%	-	0%
Soils Report Expense	4,000	4,000	-	0%	42	0%
Construction Audit	-	-	-	0%	-	0%
Seismic Study Expense	10,000	10,000	-	0%	104	0%
Permit Processing Fees	46,877	46,877	-	0%	488	0%
Local Impact Fees	3,297,135	3,290,855	6,280	0%	34,345	11%
Relocation Expenses	-	-	-	0%	-	0%
Marketing Budget	30,000	30,000	-	0%	313	0%
CalHFA Construction Inspection Fee	22,500	19,500	3,000	15%	234	0%
Other: Consultants	-		-	0%	-	0%
Total Other Costs	3,464,429	3,451,957	12,472	0%	36,088	11%
			-	0%	-	
PROJECT COSTS	29,367,016	21,516,509	7,850,507	36%	305,906	94%
DEVELOPER COSTS						
Developer Overhead/Profit	1,718,182	1,718,182	-	0%	17,898	6%
Consultant/Processing Agent	-	-	-	0%	-	0%
Project Administration	-	-	-	0%	-	0%
Other:	-	-	-	0%	-	0%
Total Developer Costs	1,718,182	1,718,182	-	0%	17,898	6%
TOTAL PROJECT COST	31,085,198	23,234,691	7,850,507	34%	323,804	100%

Annual Operating Budget

Villa Amador

		$ Per Unit
INCOME:		
Total Rental Income	1,157,412	12,056
Laundry	2,880	30
Other Income	0	-
Commercial/Retail	0	-
Gross Potential Income (GPI)	**1,160,292**	**12,086**
Less:		
Vacancy Loss	58,015	604
Total Net Revenue	**1,102,277**	**11,482**
EXPENSES:		
Payroll	171,116	1,782
Administrative	83,676	872
Utilities	73,775	768
Operating and Maintenance	50,596	527
Insurance and Business Taxes	8,800	92
Taxes and Assessments	2,000	21
Reserve for Replacement Deposits	81,380	848
Subtotal Operating Expenses	**471,343**	**4,910**
Financial Expenses		
First Mortgage Payment	320,350	3,337
Second Mortgage Payment	231,750	2,414
MHP Administration Fee	23,142	241
Total Financial	**575,243**	**5,992**
Total Project Expenses	**1,046,585**	**10,902**

Cash Flow Villa Amador CalHFA Development Numb

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	
Section 8 Rent Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	
Section 8 Increment Rent	267,852	273,209	278,673	284,247	289,932	295,730	301,645	3
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	
Affordable Rents	889,560	911,799	934,594	957,959	981,908	1,006,455	1,031,617	1,0
TOTAL RENTAL INCOME	**1,157,412**	**1,185,008**	**1,213,267**	**1,242,206**	**1,271,839**	**1,302,186**	**1,333,262**	**1,3**
OTHER INCOME								
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	
Laundry	2,880	2,952	3,026	3,101	3,179	3,258	3,340	
Other Income	0	0	0	0	0	0	0	
TOTAL OTHER INCOME	**2,880**	**2,952**	**3,026**	**3,101**	**3,179**	**3,258**	**3,340**	
GROSS INCOME	**1,160,292**	**1,187,960**	**1,216,293**	**1,245,307**	**1,275,018**	**1,305,444**	**1,336,602**	**1,3**
Vacancy Rate : Market	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	
Less: Vacancy Loss	58,015	59,398	60,815	62,265	63,751	65,272	66,830	
EFFECTIVE GROSS INCOME	**1,102,277**	**1,128,562**	**1,155,478**	**1,183,042**	**1,211,267**	**1,240,172**	**1,269,772**	**1,3**
OPERATING EXPENSES								
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	
Expenses	387,963	403,482	419,621	436,406	453,862	472,016	490,897	5
Replacement Reserve	81,380	81,380	81,380	81,380	81,380	85,449	85,449	
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	
Taxes and Assessments	2,000	2,040	2,081	2,122	2,165	2,208	2,252	
TOTAL EXPENSES	**471,343**	**486,901**	**503,081**	**519,908**	**537,406**	**559,673**	**578,598**	**5**
NET OPERATING INCOME	**630,935**	**641,661**	**652,397**	**663,134**	**673,861**	**680,499**	**691,174**	**7**
DEBT SERVICE								
CalHFA - 1st Mortgage	320,350	320,350	320,350	320,350	320,350	320,350	320,350	3
CalHFA - Section 8 Mortgage	231,750	231,750	231,750	231,750	231,750	231,750	231,750	2
MHP Administration Fee	23,142	23,142	23,142	23,142	23,142	23,142	23,142	
CASH FLOW after debt service	**55,692**	**66,418**	**77,155**	**87,891**	**98,619**	**105,256**	**115,931**	**1**
DEBT COVERAGE RATIO	**1.10**	**1.12**	**1.13**	**1.15**	**1.17**	**1.18**	**1.20**	

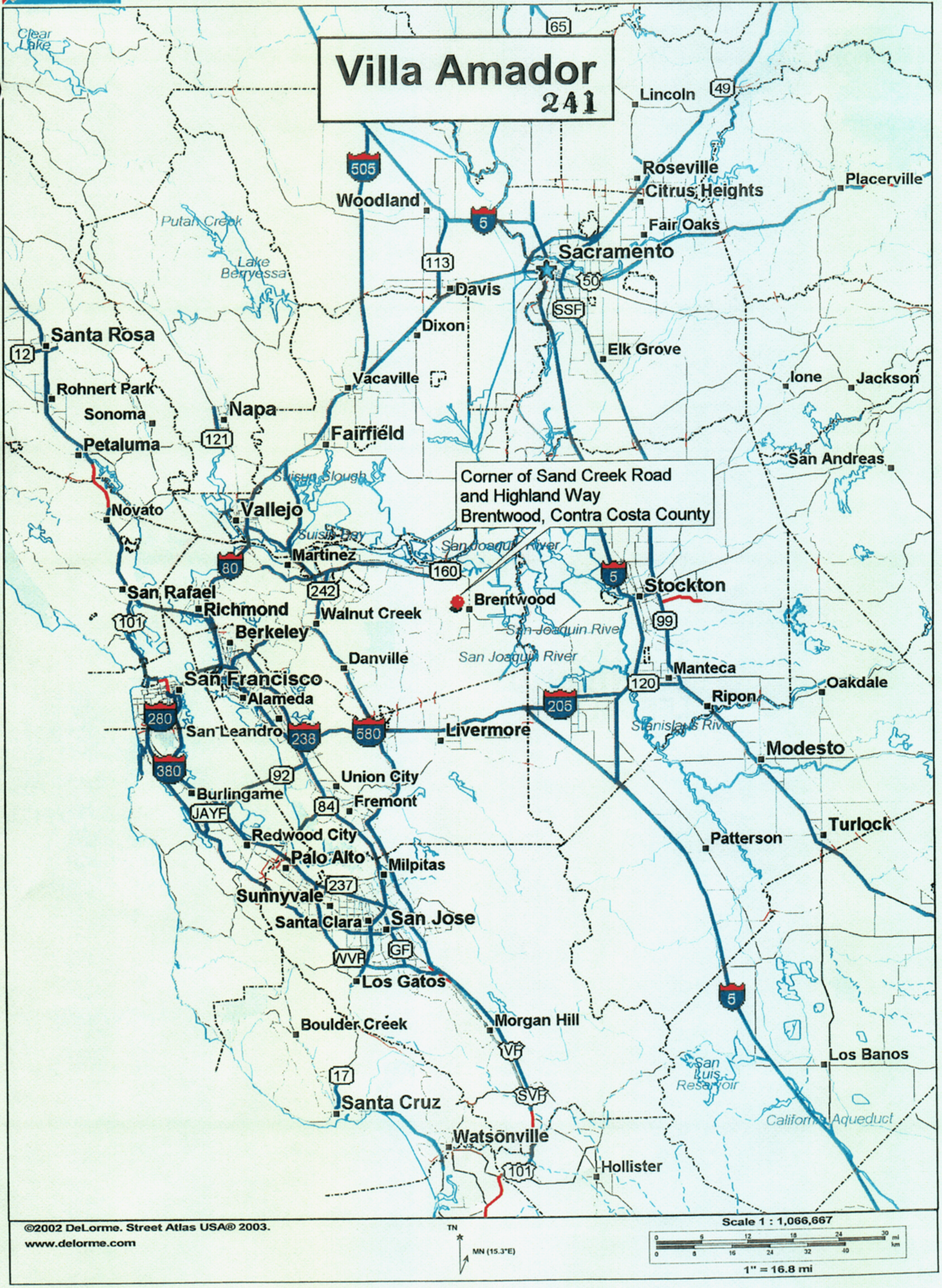
Cash Flow

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Ye
Section 8 Rent Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.*
Section 8 Increment Rent	0	0	0	0	0	0	0	
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.*
Affordable Rents	1,138,712	1,167,180	1,196,359	1,226,268	1,256,925	1,288,348	1,320,557	1,353
TOTAL RENTAL INCOME	**1,138,712**	**1,167,180**	**1,196,359**	**1,226,268**	**1,256,925**	**1,288,348**	**1,320,557**	**1,353**
OTHER INCOME								
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.*
Laundry	3,687	3,779	3,873	3,970	4,069	4,171	4,275	4
Other Income	0	0	0	0	0	0	0	
TOTAL OTHER INCOME	**3,687**	**3,779**	**3,873**	**3,970**	**4,069**	**4,171**	**4,275**	**4**
GROSS INCOME	**1,142,399**	**1,170,959**	**1,200,233**	**1,230,238**	**1,260,994**	**1,292,519**	**1,324,832**	**1,357**
Vacancy Rate : Market	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.*
Less: Vacancy Loss	57,120	58,548	60,012	61,512	63,050	64,626	66,242	67
EFFECTIVE GROSS INCOME	**1,085,279**	**1,112,411**	**1,140,221**	**1,168,726**	**1,197,945**	**1,227,893**	**1,258,591**	**1,290**
OPERATING EXPENSES								
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.*
Expenses	574,280	597,251	621,141	645,987	671,826	698,699	726,647	755
Replacement Reserve	89,721	89,721	89,721	89,721	89,721	94,207	94,207	94
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.*
Taxes and Assessments	2,438	2,487	2,536	2,587	2,639	2,692	2,746	2
TOTAL EXPENSES	**666,439**	**689,459**	**713,399**	**738,295**	**764,186**	**795,598**	**823,600**	**852**
NET OPERATING INCOME	**418,840**	**422,952**	**426,822**	**430,431**	**433,758**	**432,295**	**434,991**	**437**
DEBT SERVICE								
CalHFA - 1st Mortgage	320,350	320,350	320,350	320,350	320,350	320,350	320,350	320
CalHFA - Section 8 Mortgage								
MHP Administration Fee	23,142	23,142	23,142	23,142	23,142	23,142	23,142	23
CASH FLOW after debt service	**75,347**	**102,601**	**106,472**	**110,081**	**113,408**	**111,945**	**114,640**	**116**
DEBT COVERAGE RATIO	**1.22**	**1.32**	**1.33**	**1.34**	**1.35**	**1.35**	**1.36**	

Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
2.00%	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
0	0	0	0	0	0	0	0	0	0
2.50%	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
1,457,648	1,494,089	1,531,441	1,569,727	1,608,970	1,649,195	1,690,424	1,732,685	1,776,002	1,820,402
1,457,648	**1,494,089**	**1,531,441**	**1,569,727**	**1,608,970**	**1,649,195**	**1,690,424**	**1,732,685**	**1,776,002**	**1,820,402**
2.50%	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
4,719	4,837	4,958	5,082	5,209	5,339	5,473	5,610	5,750	5,894
0	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
4,719	**4,837**	**4,958**	**5,082**	**5,209**	**5,339**	**5,473**	**5,610**	**5,750**	**5,894**
1,462,367	**1,498,926**	**1,536,399**	**1,574,809**	**1,614,179**	**1,654,534**	**1,695,897**	**1,738,295**	**1,781,752**	**1,826,296**
5.00%	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
5.00%	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
73,118	74,946	76,820	78,740	80,709	82,727	84,795	86,915	89,088	91,315
1,389,249	**1,423,980**	**1,459,579**	**1,496,069**	**1,533,470**	**1,571,807**	**1,611,102**	**1,651,380**	**1,692,664**	**1,734,981**
4.00%	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
850,075	884,078	919,441	956,218	994,467	1,034,246	1,075,616	1,118,640	1,163,386	1,209,921
98,917	98,917	98,917	98,917	98,917	103,863	103,863	103,863	103,863	103,863
2.00%	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
2,972	3,031	3,092	3,154	3,217	3,281	3,347	3,414	3,482	3,552
951,964	**986,026**	**1,021,450**	**1,058,290**	**1,096,601**	**1,141,390**	**1,182,826**	**1,225,917**	**1,270,731**	**1,317,336**
437,285	**437,953**	**438,129**	**437,779**	**436,869**	**430,417**	**428,277**	**425,463**	**421,933**	**417,645**
320,350	320,350	320,350	320,350	320,350	320,350	320,350	320,350	320,350	320,350
23,142	23,142	23,142	23,142	23,142	23,142	23,142	23,142	23,142	23,142
116,934	**117,603**	**117,779**	**117,429**	**116,519**	**110,066**	**107,926**	**105,112**	**101,583**	**97,294**
1.37	**1.37**	**1.37**	**1.37**	**1.36**	**1.34**	**1.34**	**1.33**	**1.32**	**1.30**

Cash Flow

RENTAL INCOME	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Ye
Section 8 Rent Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2*
Section 8 Increment Rent	0	0	0	0	0	0	0	
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2*
Affordable Rents	1,865,912	1,912,560	1,960,374	2,009,383	2,059,618	2,111,108	2,163,886	2,217
TOTAL RENTAL INCOME	**1,865,912**	**1,912,560**	**1,960,374**	**2,009,383**	**2,059,618**	**2,111,108**	**2,163,886**	**2,217**
OTHER INCOME								
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2*
Laundry	6,041	6,192	6,347	6,505	6,668	6,835	7,006	7
Other Income	0	0	0	0	0	0	0	
TOTAL OTHER INCOME	**6,041**	**6,192**	**6,347**	**6,505**	**6,668**	**6,835**	**7,006**	**7**
GROSS INCOME	**1,871,953**	**1,918,752**	**1,966,721**	**2,015,889**	**2,066,286**	**2,117,943**	**2,170,892**	**2,225**
Vacancy Rate : Market	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5*
Less: Vacancy Loss	93,598	95,938	98,336	100,794	103,314	105,897	108,545	111
EFFECTIVE GROSS INCOME	**1,778,356**	**1,822,814**	**1,868,385**	**1,915,094**	**1,962,972**	**2,012,046**	**2,062,347**	**2,113**
OPERATING EXPENSES								
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4*
Expenses	1,258,318	1,308,651	1,360,997	1,415,437	1,472,054	1,530,937	1,592,174	1,655
Replacement Reserve	109,056	109,056	109,056	109,056	109,056	114,509	114,509	114
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2*
Taxes and Assessments	3,623	3,695	3,769	3,844	3,921	4,000	4,080	4
TOTAL EXPENSES	**1,370,997**	**1,421,403**	**1,473,822**	**1,528,338**	**1,585,032**	**1,649,446**	**1,710,763**	**1,774**
NET OPERATING INCOME	**407,358**	**401,412**	**394,562**	**386,757**	**377,940**	**362,601**	**351,584**	**339**
DEBT SERVICE								
CalHFA - 1st Mortgage	320,350	320,350	320,350	320,350	320,350	320,350	320,350	320
CalHFA - Section 8 Mortgage								
MHP Administration Fee	23,142	23,142	23,142	23,142	23,142	23,142	23,142	23
CASH FLOW after debt service	**87,008**	**81,061**	**74,212**	**66,406**	**57,589**	**42,250**	**31,234**	**19**
DEBT COVERAGE RATIO	**1.27**	**1.25**	**1.23**	**1.21**	**1.18**	**1.13**	**1.10**	



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Villa Amador

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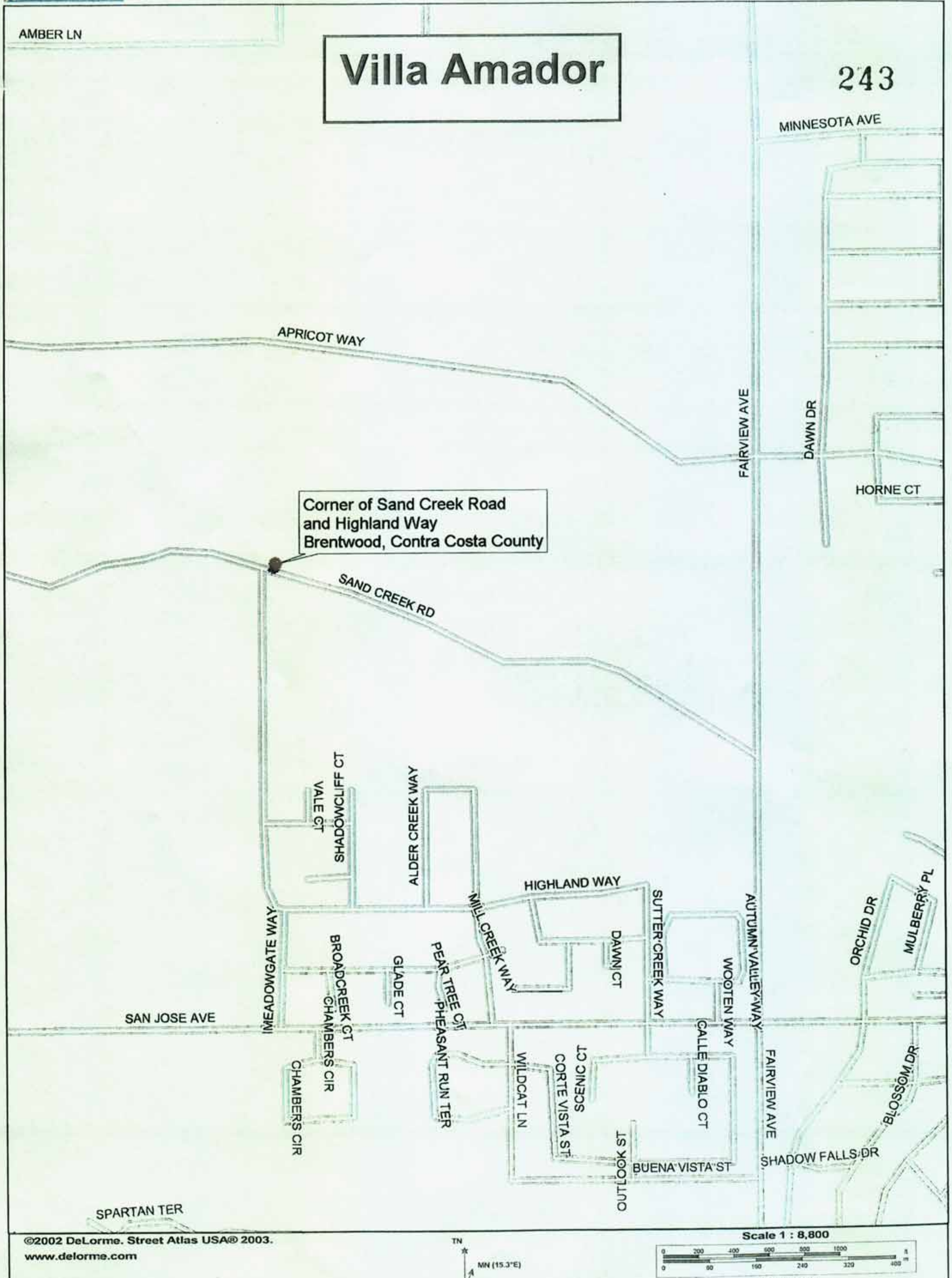

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RESOLUTION 04-11

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT MODIFICATION

WHEREAS, the California Housing Finance Agency (the "Agency") has received a modification request from Mercy Housing California XII, a California limited partnership (the "Borrower"), seeking an increase of the loan commitment approved by Resolution 03-36 under the Agency's Loan-to-Lender and Tax-Exempt Programs in the mortgage amounts described herein, the proceeds of which are to be used to provide financing for a 96-unit multifamily housing development located in the City of Brentwood to be known as Villa Amador (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated February 23, 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 July 9, 2003, as modified on February 23, 2004, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

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

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MODIFIED MORTGAGE AMOUNT
03-038-L/N	Villa Amador	96	
	Brentwood/Contra Costa	Loan-to-Lender:	$16,650,000
		Permanent First Mortgage:	$ 5,280,000
		Permanent Second Mortgage:	$ 1,800,000

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

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

I hereby certify that this is a true and correct copy of Resolution 04-11 adopted at a duly constituted meeting of the Board of the Agency held on March 11, 2004, at Sacramento, California.

ATTEST: ____________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Villa Amador
Brentwood, Contra Costa County, CA
CalHFA # 03-038-L/N

SUMMARY

This is a final commitment request for tax-exempt permanent loan financing in the amount of Five Million Two Hundred Eighty Thousand Dollars ($5,280,000), and Loan to Lender financing in the amount of Thirteen Million Dollars ($13,000,000). The property will be owned by Mercy Housing California XII, a California Limited Partnership, whose general partner is Mercy Housing West, a California Nonprofit Public Benefit Corporation.

Villa Amador is a 96-unit, new construction family apartment project located at the northeast corner of Sand Creek Road and Highland Way in Brentwood, Contra Costa County.

LOAN TERMS

Loan to Lender

Loan Amount	$13,000,000
Interest Rate	3.00%, fixed
Term	24 Months, interest only
Financing	Tax-exempt

Permanent

First Mortgage	$5,280,000
Interest Rate	5.50%
Term	30 year fixed, fully amortized
Financing	Tax-exempt

LOCALITY INVOLVEMENT

Contra Costa County will provide the project a $1,000,000 residual receipt, HOME loan for 40 years at 3% interest.

OTHER FINANCING

The California Department of Housing and Community Development is providing the project a $5,509,905 residual receipt MHP loan for 55 years at 3% interest, and a $2,000,000 residual receipt Joe Serna Jr. Farmworker Housing Grant for 40 years at 3% interest.

The project has received an AHP grant (via Bank of America) for $507,600 for 30 years at 0% interest.

PROJECT DESCRIPTION

Project Location

The project is located at the northeast corner of Sand Creek Road and Highland Way in Brentwood, Contra Costa County (approximately one-half mile east of the Highway 4 bypass). The City of Brentwood is located 24 miles west of Stockton, 26 miles southeast of Concord, and 54 miles east of San Francisco in the northeastern portion of Contra Costa County. State Highway 4 runs through the city.

The project is bounded by a construction site for single family homes to the north, to the east is vacant land (which will be a public park), to the south across Sand Creek Road are single family homes, to the southwest is a commercial center (which includes a grocery store), and to the west is vacant land (and one-half mile beyond State Highway 4 bypass).

Site

The project site is 8 acres and is zoned PD-6 (Planned Development) which is sufficient to construct the 96-unit family apartments. The zoning allows for a maximum density of 20 units per acre. The site is level and vacant. Street frontage is along Sand Creek Road.

Improvements

The project will consist of 96 units in 14 two-story buildings (garden and town home style), a 3,100 square foot community building and a small maintenance building. The buildings will be on slab on grade, with wood frame construction, Hardi-plank siding, and fiber reinforced cement tile roofs.

The project will have 205 parking spaces (96 covered and 109 uncovered), laundry rooms, a tot lot, and a basketball court. The project will be gated with secure access. The community building will house a manager's office and a neighborhood daycare center that will be available to tenants and area residents.

Unit amenities include central heat and air conditioning, refrigerator, range, dishwasher, and patio. The units will be individually metered for electricity and gas. The three and four bedroom units will also have washer/dryer hook-ups.

Unit Mix:

No. of Units	No. of Bedrooms	No. of Bathrooms	Unit Square Footage
7	1	1	780
21	2	1	888
56	3	2.5	1294
12	4	2.5	1450

Twenty-five of the units will be set-aside as farmworker housing in accord with the financing terms of the HCD Joe Serna, Jr. Farmworker Housing Grant. (Three 1-bedroom, Four 2-bedroom, Fourteen 3-bedroom, and Four 4-bedroom units.)

Off-site Improvements

There are $995,000 of off-site improvements which include the following: a water/sewer line extension, street improvements, an intersection signal light, and a bus stop.

MARKET

Market Overview

The Market Study, prepared by Laurin and Associates, has defined the Primary Market Area (PMA) as the eastern Contra Costa County cities of Brentwood and Oakley. The PMA also includes the small communities of Knightsen and Byron, and extends south to Marsh Creek and Camino Diablo Roads, west to Deer Valley Road and Route 4, and north to the San Joaquin River.

As of 2003, the PMA had approximately 83,755 residents (26,560 households). The PMA population is projected to increase by approximately 7,157 residents (2,119 households) between 2003 and 2005, representing an 8.5% increase. The estimated 2003 population of Contra Costa County was 974,670 residents (352,185 households), and is projected to increase by 26,742 residents (8,127 households) or 2.7% by 2005.

As of December 2002, the unemployment rate for Contra Costa County (County) was 4.9%, an increase from 3.3% in 2001. On average in 2002, there were 520,700 people employed in the County labor force of which 2.9% were in Brentwood and Oakley. According to the 2000 Census, only 30.7% of the Brentwood labor force works within a 20 minute commute from their homes, while 52.9% commute 40 minutes or more.

Contra Costa County is comprised of 470,000 acres of which 147,859 acres are allocated as farmland. The County ranks 37th among California's counties in gross value of agricultural products. The predominate land use in Brentwood is agricultural.

Housing Demand and Supply

The median value of single family housing in Brentwood is approximately $318,490. According to the 2000 Census 33.4% of the renter households in Brentwood and 59.6% Oakley were paying over 30% of the household gross income for shelter. Single family housing represents

88.3% and 86.9% of all housing stock in the PMA and in Brentwood respectively. Multifamily units represent 4.2% of the housing stock in the PMA and 8.6% in Brentwood.

In the last ten years there have been 357 multifamily units built (5 projects); only one project was market rate (43 units). There are four LIHTC projects in the PMA with a total of 314 units. In the PMA there are also two public housing complexes operated by the County Housing Authority located in Brentwood (44 units) and Oakley (31 units). The 2000 Census states the overall vacancy rate for rental housing as 3.1%, but the market study survey by the found the vacancy rate for multifamily housing at 0.9% in the PMA.

The project targets households that have annual incomes between 35% SMI and 50% AMI and farmworker households with incomes at 35% of SMI. In the PMA 24.7% of the family households are income eligible and 51.5% of the farmworker households are income eligible for the project.

As of February 2003, the Contra Costa County Housing Authority had waiting lists for Section 8 and Public Housing as follows:

Section 8 – Number of Households: 3577

Public Housing: 1-bedroom: 2472; 2-bedroom: 1424; 3-bedroom: 561; 4-bedroom: 99

There are no other affordable multifamily projects pending in Brentwood or Oakley, but there is one 178-unit market rate project proposed in Brentwood.

PROJECT FEASIBILITY

Market rate rents for comparable properties average $945 for a one-bedroom unit; $1082 for a two-bedroom unit; $1239 for a three-bedroom unit, and $1667 for a four-bedroom unit.

Rent Differentials (Market versus Restricted)

Unit Type	Subject	Market Rate Average	$ Difference	% Market
One Bedroom		**$945**		
35%	$ 356		$589	37%
50%	$ 711		$234	75%
Two Bedroom		**$1082**		
35%	$ 423		$659	39%
50%	$ 849		$233	78%
Three Bedroom		**$1239**		
35%	$484		$755	39%
50%	$976		$263	79%
Four Bedroom		**$1667**		
35%	$ 539		$1128	32%
50%	$ 1088		$579	65%

Estimated Lease-up Period

The market study assumes 95% occupancy within 180 days of certificate of completion, but the project developer expects to be 100% pre-leased and has already developed a waiting list. The market study capture rate for the general occupancy units is 8.6% and for the farmworker designated units is 8.3% of the eligible market.

OCCUPANCY RESTRICTIONS

CalHFA: 20% of the units (19) will be restricted at 50% or less of median income. The CalHFA Regulatory Agreement will be for a term of 30 years.

TCAC: 100% of the units (94) will be restricted to 60% or less of median income.

HOME: 17% of the units (16) will be restricted to 35% or less of median income. 8% of the units (8) will be restricted to 40% or less of median income.

MHP: 49% of the units (46) will be restricted to 50% or less of median income.

Farmworker: 27% of the units (25) will be restricted to 35% or less of median income.

AHP: 100% of the units (94) will be restricted to 55% or less of median income.

ENVIRONMENTAL

A Phase I Environmental Assessment report was completed on December 9, 1999, by Envirometrix Environmental Consultants. The report concluded that there are no adverse environmental conditions that warrant further investigation or remedial action. Due to the age of the Phase I report, an updated report will be required prior to construction loan closing. The final commitment will include the condition that the report and its findings be acceptable to the Agency.

A seismic report has been ordered, but has not yet been received. The project is requesting a waiver of the earthquake insurance requirement. Any design modifications required as a condition of the earthquake insurance waiver shall be incorporated in the final plans and specifications approved by CalHFA. If the earthquake waiver is denied, the CalHFA permanent loan amount may decrease due to the impact of the earthquake insurance premium on the operating budget.

ARTICLE XXXIV

An opinion letter has been submitted by the law office of Gubb & Barshay, LLP dated March 4, 2003. The opinion letter is subject to CalHFA's review and approval. Satisfactory evidence of Article XXXIV compliance will be a condition of the final commitment.

DEVELOPMENT TEAM

Borrower

Mercy Housing California XII

The project will be owned by Mercy Housing California XII, a California Limited Partnership whose general partner is Mercy Housing West, a California Nonprofit Public Benefit Corporation. Mercy Housing has developed and rehabilitated 77 projects in California with over 4,000 units during the past 34 years. Five of the projects with a total of 364 units were financed by CalHFA.

Management Agent

Mercy Services

Mercy Services Corporation, a nonprofit affiliate of Mercy Housing California, founded in 1992, manages all of the multifamily projects owned by Mercy Housing California and its affiliates. It currently manages over 139 properties with 7,955 units nationwide, including 79 sites with over 4,000 units in California.

Architect

Harrison Benson, Associated Architects

Patricia Harrison and Richard A. Benson have an associated architectural practice that is devoted exclusively to affordable housing and related facilities for nonprofit developers. Over the past ten years they have collaborated on over sixteen projects.

Project Summary

254 120

Final
Date: 25-Aug-03

Project Profile:

Project:	Villa Amador			
Location:	NE of Sandcreek Rd & Highland Way			
	Brentwood 94513	*Cap Rate:*	8.00%	
County:	Contra Costa	*Market:*	-	
Borrower:	Mercy Housing CA XII, LP	*Income:*	$9,896,562	
GP:	Mercy Housing West	*Final Value:*	$9,896,562	Estimated
LP:	TBD			
		LTC/LTV:	Construction	Permanent
Program:	Tax-Exempt	*Loan/Cost*	N/A	22.7%
CalHFA #:	03-038-N\L	*Loan/Value*	N/A	53.4%

Project Description:

Units	96
Handicap Units	5
Bldge Type	New Const.
Buildings	14
Stories	2
Gross Sq Ft	115,322
Land Sq Ft	348,480
Units/Acre	12
Total Parking	205
Covered Parking	96

Financing Summary:

	Amount	Per Unit	Rate	Term
CalHFA First Mortgage	$5,280,000	$55,000	5.50%	30
CalHFA HAT	$0	$0	0.00%	-
CalHFA	$0	$0	0.00%	-
HCD MHP	$5,509,905	$57,395	3.00%	55
Contra Costa HOME	$1,000,000	$10,417	3.00%	40
HCD Joe Serna, Jr. Farmworker Funds	$2,000,000	$20,833	3.00%	40
AHP	$507,600	$5,288	0.00%	30
Contributions From Operations	$0	$0		-
G.P. Equity Contribution	$0	$0		-
Deferred Developer Equity	$812,917	$8,468		-
Tax Credit Equity	$8,124,269	$84,628		
CalHFA Loan to Lender	$13,000,000	$135,417	3.00%	2
CalHFA Bridge	$0	$0	0.00%	-

Unit Mix:

Type	Manager		35% SMI		50% AMI		60% AMI		Market		Total
	number	rent	number	rent	number	rent	number	rent	number	rent	
1 bedroom			3	356	4	711	0	0	0	0	7
2 bedroom	2	849	6	423	13	849	0	0	0	0	21
3 bedroom			20	484	36	976	0	0	0	0	56
4 bedroom			4	539	8	1088	0	0	0	0	12
subtotal	2		33		61		0		0		
											96

Fees, Escrows, and Reserves:

Fees	Basis of Requirements	Amount	Security
Loan Fees	1.00% of L to L Amount	$130,000	Cash
	0.50% of First Mortgage	$26,400	Cash
Escrows			
Bond Origination Guarantee	1.00% of L to L Amount	$130,000	Letter of Credit
Inspection Fee	$1,500 x months of construction	$19,500	Cash
Construction Defect	2.50% of Hard Costs	$308,924	Letter of Credit
Reserves			
Marketing	10.00% of Gross Income	$90,121	Letter of Credit
Operating Expense Reserve	10.00% of Gross Income	$90,121	Cash
Annual Replacement Reserve Deposit	$485 per unit	$46,560	Operations

Sources and Uses — Villa Amador

SOURCES:

Name of Lender / Source	Amount	$ Per Unit	% of Total
CalHFA First Mortgage	5,280,000	55,000	22.7%
HCD MHP	5,509,905	57,395	23.7%
HCD Joe Serna, Jr. Farmworker Fund	2,000,000	20,833	8.6%
Contra Costa HOME	1,000,000	10,417	4.3%
AHP	507,600	5,288	2.2%
Total Institutional Financing	**14,297,505**	**148,932**	**61.5%**
Equity Financing			
Tax Credits	8,124,269	84,628	35.0%
G.P. Equity Contribution	0	0	0.0%
Deferred Developer Equity	812,917	8,468	3.5%
Total Equity Financing	**8,937,186**	**93,096**	**38.5%**
TOTAL SOURCES	**23,234,691**	**242,028**	**100.0%**

USES:

Acquisition	2,180,100	22,709	9.4%
Rehabilitation	0	0	0.0%
New Construction	12,532,730	130,549	53.9%
Architectual Fees	431,718	4,497	1.9%
Survey and Engineering	213,660	2,226	0.9%
Const. Loan Interest & Fees	972,171	10,127	4.2%
Permanent Financing	176,900	1,843	0.8%
Legal Fees	41,000	427	0.2%
Reserves	155,000	1,615	0.7%
Contract Costs	11,500	120	0.0%
Construction Contingency	1,349,773	14,060	5.8%
Local Permit Fees	46,877	488	0.2%
TCAC Fees/Costs	50,725	528	0.2%
Impact Fees	3,290,855	34,280	14.2%
Seismic/Soils/Marketing/Inspection	63,500		
PROJECT COSTS	**21,516,509**	**224,130**	**92.6%**
Developer Overhead/Profit	1,718,182	17,898	7.4%
Consultant/Processing Agent	0	0	0.0%
TOTAL USES	**23,234,691**	**242,028**	**100.0%**

Annual Operating Budget

Villa Amador

		$ Per Unit
INCOME:		
Total Rental Income	898,332	9,358
Laundry	2,880	30
Other Income	0	-
Commercial/Retail	0	-
Gross Potential Income (GPI)	**901,212**	**9,388**
Less:		
Vacancy Loss	45,061	469
Total Net Revenue	**856,151**	**8,918**
EXPENSES:		
Payroll	171,356	1,785
Administrative	83,676	872
Utilities	73,775	768
Operating and Maintenance	50,596	527
Insurance and Business Taxes	8,800	92
Taxes and Assessments	2,000	21
Reserve for Replacement Deposits	46,560	485
Subtotal Operating Expenses	**436,763**	**4,550**
Financial Expenses		
Mortgage Payments (1st loan)	359,751	3,747
MHP Administration Fee	23,142	241
Total Financial	**382,893**	**3,988**
Total Project Expenses	**819,656**	**8,538**

Cash Flow Villa Amador CalHFA Development Numb

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	
Market Rent Increase	*0*	*0*	*0*	*0*	*0*	*0*	*0*	
Market Rents	0	0	0	0	0	0	0	
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	
Affordable Rents	898,332	920,790	943,810	967,405	991,590	1,016,380	1,041,790	1,
TOTAL RENTAL INCOME	**898,332**	**920,790**	**943,810**	**967,405**	**991,590**	**1,016,380**	**1,041,790**	**1,**
OTHER INCOME								
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	
Laundry	2,880	2,952	3,026	3,101	3,179	3,258	3,340	
Other Income	0	0	0	0	0	0	0	
TOTAL OTHER INCOME	**2,880**	**2,952**	**3,026**	**3,101**	**3,179**	**3,258**	**3,340**	
GROSS INCOME	**901,212**	**923,742**	**946,836**	**970,507**	**994,769**	**1,019,639**	**1,045,130**	**1,**
Vacancy Rate : Market	*0*	*0*	*0*	*0*	*0*	*0*	*0*	
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	
Less: Vacancy Loss	45,061	46,187	47,342	48,525	49,738	50,982	52,256	
EFFECTIVE GROSS INCOME	**856,151**	**877,555**	**899,494**	**921,981**	**945,031**	**968,657**	**992,873**	**1,**
OPERATING EXPENSES								
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	
Expenses	388,203	403,731	419,880	436,676	454,143	472,308	491,201	
Replacement Reserve	46,560	46,560	46,560	46,560	46,560	48,888	48,888	
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	
Taxes and Assessments	2,000	2,040	2,081	2,122	2,165	2,208	2,252	
TOTAL EXPENSES	**436,763**	**452,331**	**468,521**	**485,358**	**502,867**	**523,404**	**542,341**	
NET OPERATING INCOME	**419,388**	**425,224**	**430,973**	**436,623**	**442,163**	**445,252**	**450,532**	
DEBT SERVICE								
CalHFA - 1st Mortgage	359,751	359,751	359,751	359,751	359,751	359,751	359,751	
CalHFA - Bridge Loan	0	0	0	0	0			
MHP Administration Fee	23,142	23,142	23,142	23,142	23,142	23,142	23,142	
CASH FLOW after debt service	**36,495**	**42,331**	**48,080**	**53,730**	**59,270**	**62,359**	**67,639**	
DEBT COVERAGE RATIO	**1.10**	**1.11**	**1.13**	**1.14**	**1.15**	**1.16**	**1.18**	

Cash Flow

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17
Market Rent Increase	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Market Rents	0	0	0	0	0	0	0
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	1,149,941	1,178,689	1,208,157	1,238,361	1,269,320	1,301,053	1,333,579
TOTAL RENTAL INCOME	**1,149,941**	**1,178,689**	**1,208,157**	**1,238,361**	**1,269,320**	**1,301,053**	**1,333,579**
OTHER INCOME							
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	3,687	3,779	3,873	3,970	4,069	4,171	4,275
Other Income	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**3,687**	**3,779**	**3,873**	**3,970**	**4,069**	**4,171**	**4,275**
GROSS INCOME	**1,153,628**	**1,182,468**	**1,212,030**	**1,242,331**	**1,273,389**	**1,305,224**	**1,337,854**
Vacancy Rate : Market	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	57,681	59,123	60,601	62,117	63,669	65,261	66,893
EFFECTIVE GROSS INCOME	**1,095,946**	**1,123,345**	**1,151,428**	**1,180,214**	**1,209,720**	**1,239,963**	**1,270,962**
OPERATING EXPENSES							
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	574,635	597,621	621,526	646,387	672,242	699,132	727,097
Replacement Reserve	51,332	51,332	51,332	51,332	51,332	53,899	53,899
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	2,438	2,487	2,536	2,587	2,639	2,692	2,746
TOTAL EXPENSES	**628,406**	**651,440**	**675,394**	**700,306**	**726,213**	**755,722**	**783,742**
NET OPERATING INCOME	**467,541**	**471,905**	**476,034**	**479,908**	**483,506**	**484,240**	**487,220**
DEBT SERVICE							
CalHFA - 1st Mortgage	359,751	359,751	359,751	359,751	359,751	359,751	359,751
CalHFA - Bridge Loan							
MHP Administration Fee	23,142	23,142	23,142	23,142	23,142	23,142	23,142
CASH FLOW after debt service	**84,647**	**112,154**	**116,283**	**120,157**	**123,755**	**124,489**	**127,469**
DEBT COVERAGE RATIO	**1.22**	**1.23**	**1.24**	**1.25**	**1.26**	**1.26**	**1.27**

Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27
Market Rent Increase	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Market Rents	0	0	0	0	0	0	0
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	1,472,022	1,508,822	1,546,543	1,585,206	1,624,836	1,665,457	1,707,094
TOTAL RENTAL INCOME	**1,472,022**	**1,508,822**	**1,546,543**	**1,585,206**	**1,624,836**	**1,665,457**	**1,707,094**
OTHER INCOME							
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	4,719	4,837	4,958	5,082	5,209	5,339	5,473
Other Income	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**4,719**	**4,837**	**4,958**	**5,082**	**5,209**	**5,339**	**5,473**
GROSS INCOME	**1,476,741**	**1,513,659**	**1,551,501**	**1,590,288**	**1,630,046**	**1,670,797**	**1,712,567**
Vacancy Rate : Market	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	73,837	75,683	77,575	79,514	81,502	83,540	85,628
EFFECTIVE GROSS INCOME	**1,402,904**	**1,437,976**	**1,473,926**	**1,510,774**	**1,548,543**	**1,587,257**	**1,626,938**
OPERATING EXPENSES							
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	850,601	884,625	920,010	956,810	995,082	1,034,886	1,076,281
Replacement Reserve	56,594	56,594	56,594	56,594	56,594	59,424	59,424
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	2,972	3,031	3,092	3,154	3,217	3,281	3,347
TOTAL EXPENSES	**910,166**	**944,250**	**979,696**	**1,016,558**	**1,054,893**	**1,097,591**	**1,139,052**
NET OPERATING INCOME	**492,737**	**493,726**	**494,230**	**494,216**	**493,650**	**489,666**	**487,887**
DEBT SERVICE							
CalHFA - 1st Mortgage	359,751	359,751	359,751	359,751	359,751	359,751	359,751
CalHFA - Bridge Loan							
MHP Administration Fee	23,142	23,142	23,142	23,142	23,142	23,142	23,142
CASH FLOW after debt service	**132,986**	**133,975**	**134,479**	**134,465**	**133,899**	**129,915**	**128,136**
DEBT COVERAGE RATIO	**1.29**	**1.29**	**1.29**	**1.29**	**1.29**	**1.28**	**1.27**

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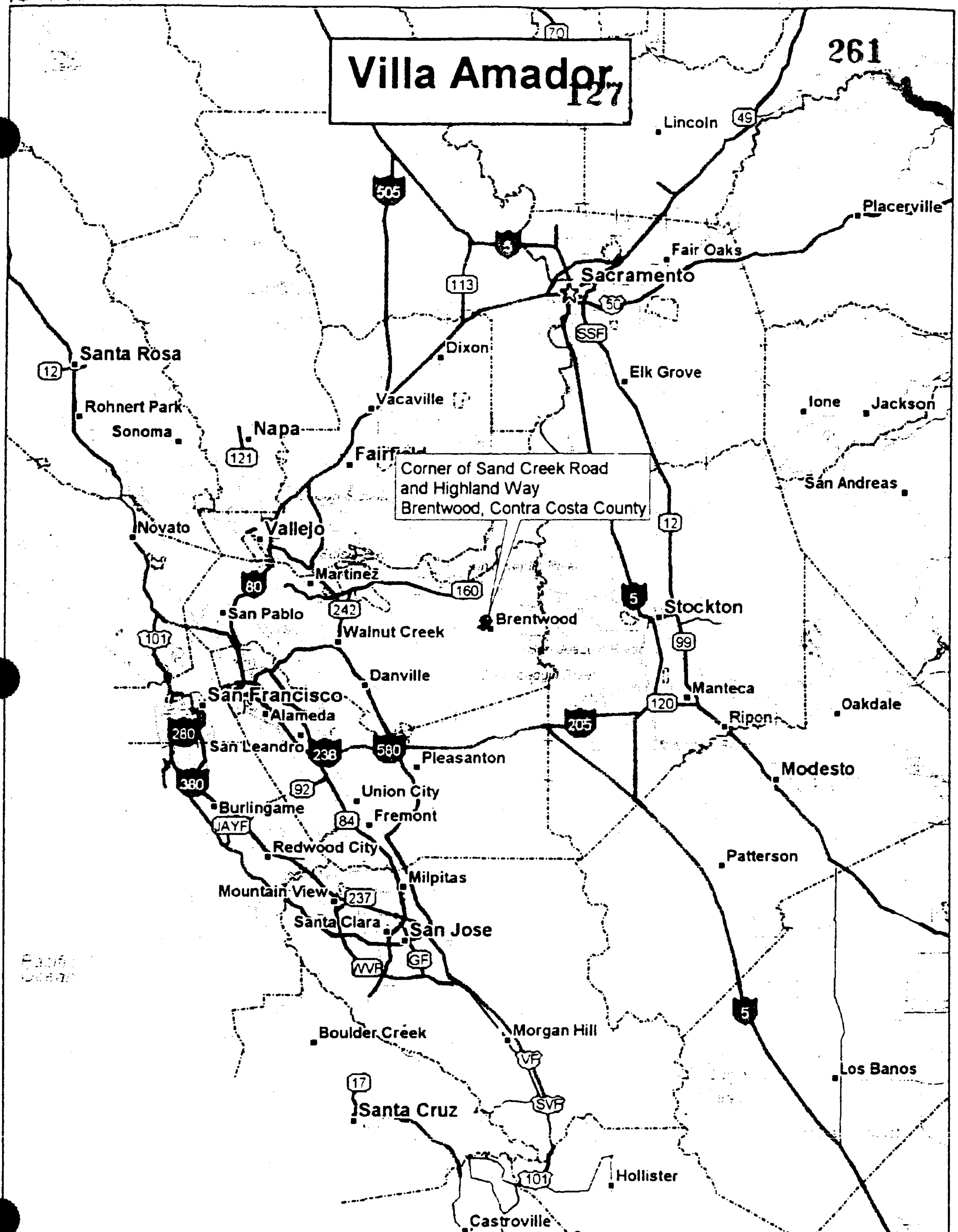

Scale 1 : 1,100,000
1" = 17.4 mi

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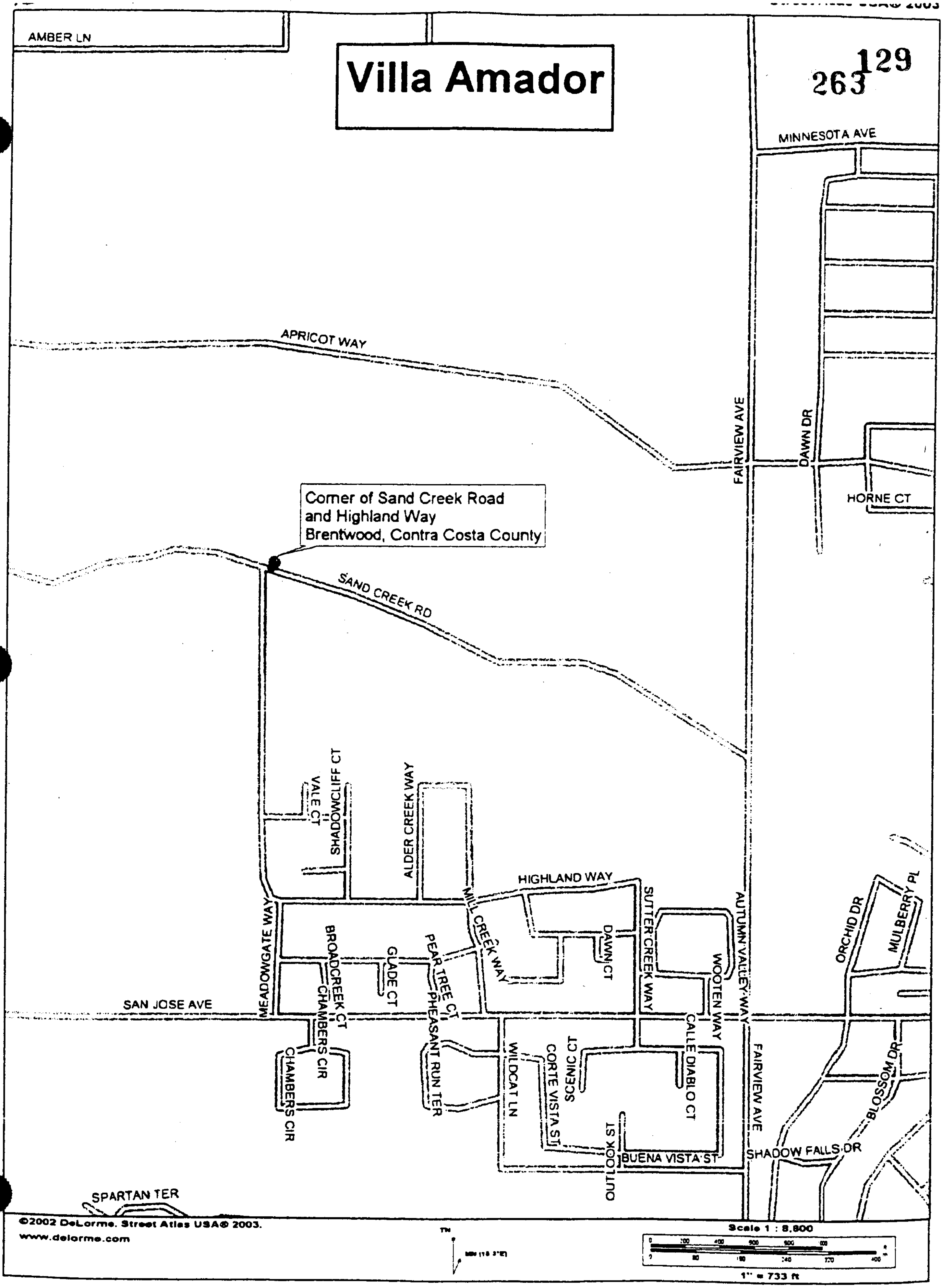
Villa Amador
263
129
AMBER LN
MINNESOTA AVE
APRICOT WAY
FAIRVIEW AVE
DAWN DR
HORNE CT
Corner of Sand Creek Road
and Highland Way
Brentwood, Contra Costa County
SAND CREEK RD
VALE CT
SHADOWCLIFF CT
ALDER CREEK WAY
HIGHLAND WAY
MILL CREEK WAY
SUTTER CREEK WAY
AUTUMN VALLEY WAY
ORCHID DR
MULBERRY PL
MEADOWGATE WAY
BROADCREEK CT
GLADE CT
PEAR TREE CT
DAWN CT
WOOTEN WAY
SAN JOSE AVE
CHAMBERS CIR
PHEASANT RUN TER
WILDCAT LN
CORTE VISTA ST
SCENIC CT
CALLE DIABLO CT
FAIRVIEW AVE
BLOSSOM DR
SHADOW FALLS DR
BUENA VISTA ST
OUTLOOK ST
SPARTAN TER
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Scale 1 : 8,800
1" = 733 ft

130

264

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RESOLUTION 03-36

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Mercy Housing California XII, a California limited partnership (the "Borrower"), seeking a loan commitment under the Agency's Loan-to-Lender and Tax-Exempt Loan Programs in the mortgage amounts described herein, the proceeds of which are to be used to provide financing for a 96-unit multifamily housing development located in the City of Brentwood to be known as Villa Amador (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated August 25, 2003 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

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

WHEREAS, on July 9, 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:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNT
03-038-L/N	Villa Amador	96	
	Brentwood/Contra Costa	Loan-to-Lender:	$13,000,000
		Permanent First Mortgage:	$ 5,280,000

Resolution 03-36
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%) and modify the interest rate charged on the Loan-to-Lender loan based upon the then cost of funds without further Board approval.

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

I hereby certify that this is a true and correct copy of Resolution 03-36 adopted at a duly constituted meeting of the Board of the Agency held on September 18, 2003, at Burbank, California.

ATTEST: ______________________
Secretary