STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

--o0o--

ORIGINAL

# BOARD OF DIRECTORS

# PUBLIC MEETING

--o0o--

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

Wednesday, September 8, 2004
9:31 a.m. to 12:23 p.m.

--o0o--

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

November 18, 2004

**Attest:** [signature]

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

A P P E A R A N C E S

Directors Present:

JOHN A. COURSON, Chairperson

PETER N. CAREY

EDWARD M. CZUKER

LUCETTA DUNN
Director
Department of Housing and Community Development

JOHN G. MORRIS

LAURIE WEIR
for Philip Angelides
State Treasurer

JOAN WILSON
for Sunne Wright McPeak
Secretary
Business, Transportation and Housing Agency

--o0o--

CalHFA Staff Present:

SANDY CASEY-HEROLD

BRUCE GILBETSON

EDWIN GIPSON

TINA ILVONEN

ROGER KOLLIAS

DICK LaVERGNE

JIM LISKA

CalHFA Staff Present, continued:

JOJO OJIMA

KEN TAMIZATO

RUTH VAKILI

LINN G. WARREN

KATHY WEREMIUK

LAURA WHITTALL-SCHERFEE

--o0o--

Also Present:

DANIEL A. GONCHAROFF
Chief Financial Officer
ROEM Corporation

BENNY K. KWONG
Senior Project Manager
EAH, Inc.

ALEJANDRO MARTINEZ
Director of Real Estate Development
East LA Community Corporation

MATTHEW STEINLE
Housing Development Director
Housing Authority of the County of Santa Clara

--o0o--

Table of Contents


| Item | | Page |
|---|---|---|
| 1. | Roll Call | 7 |
| 2. | Approval of the minutes of July 8, 2004 Board of Directors meeting | 13 |
| | Motion | 14 |
| | Vote | 14 |
| 3. | Chairman/Executive Director Comments | 8 |
| 4. | Discussion, recommendation and possible action relative to final loan commitment for the following project | |
| | 04-061-C/S Encore Hall Apartments Los Angeles/Los Angeles Resolution 04-19 | 16 |
| | Motion | 22 |
| | Vote | 22 |
| | 03-054-C/N Sobrato Apartments Gilroy/Santa Clara Resolution 04-20 | 23 |
| | Motion | 33 |
| | Vote | 33 |
| | 03-042-L/S Las Flores Los Angeles/Los Angeles Resolution 04-21 | 34 |
| | Motion | 40 |
| | Vote | 40 |
| | 04-008-S Central Plaza Santa Maria/Santa Barbara Resolution 04-22 | 41 |
| | Motion | 47 |
| | Vote | 47 |
| | 03-010-N College View Transfer Linda/Yuba Resolution 04-23 | 48 |
| | Motion | 54 |
| | Vote | 54 |

Table of Contents, continued


| Item | | Page |
|---|---|---|
| 4. | Discussion, recommendation and possible action relative to final loan commitment for the following project, continued | |
| | 03-064-C/N Fairground Family Housing -- HACSC San Jose/Santa Clara | |
| | Resolution 04-24 | 55 |
| | Motion | 74 |
| | Vote | 74 |
| | 04-014-C/N Fairground Family Housing -- ROEM San Jose/Santa Clara | |
| | Resolution 04-25 | 55 |
| | Motion | 79 |
| | Vote | 79 |
| | 03-058-C/S Casitas del Valle Moreno Valley/Riverside | |
| | Resolution 04-26 | 80 |
| | Motion | 86 |
| | Vote | 86 |
| | 04-002-C/N Dublin Transit Center Dublin/Alameda | |
| | Resolution 04-27 | 86 |
| | Motion | 95 |
| | Vote | 95 |
| 5. | Discussion, recommendation and possible action relative to final loan commitment modification for the following project | |
| | 03-035-L/N Mission Gateway Union City/Alameda | |
| | Resolution 04-28 | 96 |
| | Motion | 99 |
| | Vote | 99 |
| 6. | Discussion of Housing Development Program | 101 |
| 7. | Closed session (tabled) | 100 |

Table of Contents, continued


Item Page

8. Discussion of other Board matters and reports 118

9. Public testimony . . . . . . . . . . . . . . . 120

Adjournment . . . . . . . . . . . . . . . . . . . . 120

Reporter's Certificate . . . . . . . . . . . . . . 121


--o0o--

BE IT REMEMBERED that on Wednesday, September 8, 2004, commencing at the hour of 9:31 a.m., at the Hilton Burbank Airport and Convention Center, 2500 Hollywood Way, Burbank, California, before me, YVONNE K. FENNER, CSR #10909, RPR, the following proceedings were held:

--o0o--

CHAIRPERSON COURSON: Good morning, everyone. I'll call the meeting of the California Housing Finance Agency Board of Directors to order and ask Jojo to call the roll.

MS. OJIMA: Thank you, Mr. Chairman.

Item 1: Roll Call

MS. OJIMA: Ms. Weir for Mr. Angelides.

MS. WEIR: Present.

MS. OJIMA: Mr. Bayuk.

(No audible response.)

MS. OJIMA: Mr. Carey.

MR. CAREY: Here.

MS. OJIMA: Mr. Czuker.

(No audible response.)

MS. OJIMA: Ms. Dunn.

MS. DUNN: Present.

MS. OJIMA: Ms. Wilson for Ms. McPeak.

MS. WILSON: Here.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Here.
MS. OJIMA: Mr. Shine.
(No audible response.)
MS. OJIMA: Mr. Courson.
CHAIRPERSON COURSON: Present.
MS. OJIMA: Ms. Arduin.
(No audible response.)
MS. OJIMA: Ms. Boel.
(No audible response.)
MS. OJIMA: Mr. LaVergne for Ms. Parker.
MR. LaVERGNE: Present.
MS. OJIMA: Thank you. We have a quorum.
CHAIRPERSON COURSON: Okay, we do have a quorum to conduct the business that we have today.

Item 3: Chairman/Executive Director Comments

CHAIRPERSON COURSON: Let me just make a couple of opening remarks. One is that, as you can obviously see, the person seated on my right, your left, is not Terri Parker. And Terri is in L.A. today. We met last night. She has been called to testify in the litigation of California Housing Finance Agency versus the Hanover California Management and Accounting Center, which the Board has been briefed on before. So she's in Santa Ana in court today testifying and likely will not be here based upon the timing of the court proceedings today. So obviously sitting in and ably so is Dick LaVergne, who I think you all know is the Chief Deputy Director, and will be assisting us in our meeting today.

Let me just make a couple of brief comments. Those of us who were there, we did -- and I know some traveled and precluded others from attending, but we had a -- what I thought was a terrific Board workshop held in Sacramento and spent six what I would call very substantive hours of talking about our financing, how the agency is financed, some of the strategies in the markets, and brought in people from our investment advisers, some of our bankers, Standard & Poor's. And I thought it was a very enlightening day, a good educational day. And I frankly think that those of us who now pick up the report section and read the reports can look at that and say, "Well, I remember what that is and I know what that means."

So those who weren't there should have -- if you haven't, we'll make sure you receive it, because most of it is -- a lot of it is very self-explanatory. It's on some slides. There are pictures of those slides and we'll make sure we get those to you.

But I thought -- as you know, one of my goals has been to periodically have opportunities to do Board education in those areas that affect our role as fiduciaries. So in our fiduciary responsibility, we have an educational background and a briefing background to discharge our duties.

So we have talked, Dick, Terri, Bruce, and myself, and hopefully maybe perhaps next January or February we'll look for another opportunity to have a day-long workshop and pick another topic that is germane to our fiduciary responsibilities for an educational workshop. And I would encourage the Board and as we talk among ourselves as we get through some of the business that we conduct, if there is a particular area that you see would be appropriate for a workshop topic or a couple of topics, please let us know, because if we get together, we want to make sure that they're things that the Board wants to do. But I really appreciate the hard work that everybody put together. Bruce in particular really orchestrated that for us, and it was a terrific day.

Let me also mention that in October, the first three days, four days of October, Terri and myself, Linn Warren, are traveling to D.C. We're going to go through the rounds. We're going to meet with the Assistant Secretary of HUD and FHA Commissioner John Weicher. We have appointments with Fannie Mae. We have appointments with Freddie Mac to talk about affordable housing goals and projects with them, so we're going to spend -- and we have meetings with homeless groups and other constituencies. So we're going to go in and spend three days really trying to meet with potential -- current or potential partners of California Housing Finance Agency.

And Terri and I have sort of committed ourselves to try to do that a couple of times a year, because clearly we're affected, and our business is affected by our ability to partner with some of those folks who are located in Washington.

Let me -- the last thing I would mention is this is fairly simple math. The quorum for our Board is six, and we are six, and we have ten projects. So my goal is to finish no later than 1:00 o'clock. And it's important, obviously, we finish while we still have a quorum. And I guess my question is, does that timing work for everyone?

John, you've got to get a plane. Does 1:00 o'clock -- if we're out of here by 1:00 work?

MR. MORRIS: Yeah. My flight is -- I have a flight at 2:40; and if I miss that, there's one at 4:45.

CHAIRPERSON COURSON: Okay. And so if 1:00 o'clock works, I think some of us have already talked. So that's going to be our goal, if we can. If we have to go over a little bit, we can; but I hope that we can move through the ten projects -- it's a very heavy agenda -- and finish up in time to get everybody on their way.

The last thing I would mention for those in the public that are here, normally we have copies of the packages and so on that we the Board have in our binders. As happens to my office mail on a regular basis, these packages are where my mail package is, I was supposed to receive yesterday, lost. So they have not arrived here yet. They may still arrive while we're here. If not and anyone from the public wants a copy, please let Jojo know, and we will make sure that you are supplied with that as soon as they arrive here or when she gets back to the office tomorrow.

Having said that, I'll turn to Dick LaVergne for his comments on the behalf of Terri.

MR. LaVERGNE: Thank you. Terri just wanted to make sure a couple of things were passed on to the Board and those present, and that is that she and Di Richardson will also be going back to Washington, D.C. on a separate trip very shortly to continue their efforts along with the National Council of State Housing Finance Agencies to enact a Congressional repeal of the ten-year rule. So there is a last-, if you will, minute push to get that in the appropriate tax bill, and they will be making that trip very shortly.

Also in your packet, Di Richardson, who was not able to be here today, has included an updated state legislative report. As noted in her report update, there's over 700 bills touching in some aspect on housing. Those by and large do not have a significant impact on the Agency, but there will be a concluding session report at the next Board meeting.

And then finally, special kudos to Ken Giebel and his Marketing staff. The Board members will notice that you have received a glossary of housing and finance terms. This was an agency-wide effort coming with term definitions from each of the divisions. And Ken and his staff were able to pull it together. And, of course, as with all glossaries and dictionaries, it's subject to updates. So if you have any suggestions or input, there's a contact at the bottom of the pages to contact Marketing for that.

And then finally, the Agency is hard at work implementing the business plan, and we feel that we're well on schedule to do that, which the Board has enacted. So that concludes my report.

CHAIRPERSON COURSON: Thank you.

Item 2: Approval of the minutes of July 8, 2004 Board of Directors meeting

CHAIRPERSON COURSON: In your -- in the Board book, there are the minutes from the last meeting of July 8th. Is there a motion to approve the minutes?

MR. MORRIS: So moved.

CHAIRPERSON COURSON: And is there a second?

MR. CAREY: Second.

CHAIRPERSON COURSON: Call the roll.

MS. OJIMA: Thank you, Mr. Chairman.

Ms. Weir.

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Ms. Dunn.

MS. DUNN: Yes.

MS. OJIMA: Ms. Wilson.

MS. WILSON: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: The minutes have been approved.

CHAIRPERSON COURSON: Okay. Let's -- let's just roll right through then and start; Linn Warren, if you want to start through the projects.

MR. WARREN: Thank you, Mr. Chairman, members of the Board.

A couple of housekeeping items to begin with. There are some replacement pages that you've been given. We'll bring those up as we go through the projects and point them out to you as we go forward. The Board will also note that on the printouts there are some colored cells and shading. Those really don't have any significance. They were printed out on a colored printer. Those are cells that we use to check form lists and such like that, so, no, they don't have any hidden meanings. There's no secret code there. It's just something we printed out. So in the future we'll do black and white.

As the Chairman indicated, we are going to move quickly; but as the materials indicate, there are some fairly complex issues in the presentation today, and so we want to make sure that we devote adequate time to cover those complex issues. So at appropriate times this morning, we'll slow down, go through stuff what may seem like ad nauseam. We want to make sure that the Board has a full understanding of some of the issues that are surrounding the projects today.

As a final note, these projects are before you today in a clump essentially as these are the prior approvals that are required for CDLAC, which will be meeting very shortly.

So with that, I'd like to proceed. We have a number today. Laura and I will be trading off on presenting, along with the respective loan officers for these projects.

Item 4: Discussion, recommendation and possible action relative to final loan commitment for the following project

Resolution 04-19 (Encore Hall Apartments, Los Angeles/ Los Angeles)

MR. WARREN: So the first project for consideration today is Encore Hall. This is a 104-unit senior project, special needs, located in Los Angeles. The financing request for the Board today is a first mortgage construction loan in the amount of $10,565,000. The variable rate is now today a little under 3 percent on our pricing, 24 months tax-exempt.

Upon completion of the project, we will follow it up with a permanent loan of $2,040,000, 3 percent interest rate. The project does qualify for our special needs rate, given the special needs population. Edwin will talk about that in a moment.

This project, as you can imagine, has a fair amount of locality financing. As you see in your materials on page of 60, MHP, HCD's program, is loaning

$4.493 million, followed by Los Angeles Community Redevelopment for $3.6, and then a group of other loans, particularly the Gay and Lesbian Alliance for a million dollars, and the Los Angeles Housing Department for $1.2 million.

So with that, I'm going to stop and let Edwin go through the project for you.

CHAIRPERSON COURSON: Linn, let me just mention one thing logistically. We've got a screen behind us here and one here. If some on the Board cannot see, we've got John sort of over here by himself and we've got people here. If someone here can't see this screen and would prefer to shift over here, you can. Otherwise, we're all happy. Okay.

MR. GIPSON: Encore Hall Senior Housing is located at the intersection of Ivar and Selma in Hollywood. The .85-acre site is on a ground lease from the L.A. Department of Transportation. It is located near the major intersection of Hollywood and Vine. Here to the north is the Capital Records building. Beyond that is Highway 101. To the south is the Cinerama Dome and the Heart Light Theater (phonetic). Adjacent to the site is the county public library and the Ivar Theater.

There's a closer view of the site. To the south of the site along the left-hand side of the photo is a mixed-use project. It's 300 units of apartments and a hundred thousand square feet of retail. Located inside that building are also a Borders, a Baja Express, and similar-type services. This is the corner of Ivar and Selma. Selma is here, and Ivar is there. This is Ivar here, and the county public library. To the east is the Doolittle Theater.

Adjacent to the site will be the future site of a 600-space parking garage that will be built in two phases. It is not part of our project, but it is being developed by McCormack Baron and will be undertaken approximately the same time as our project.

Here's a plaza gate. This is located in the basically northwest corner of the site. It's considered a public art project and will have to be moved. Hopefully, it will be maintained somewhere on our site. It's actually quite a sight when you see it up close. Here's a view of the site looking east and looking south.

Elevations of the project, the top one is Ivar Avenue. The other is Selma. The parking garage will be entered from the Selma Avenue side here. It's a five-story structure, the first level concrete, four stories of wood frame structure above. There will be two elevations, 96 one bedrooms and eight two-bedroom units, 55 total parking spaces.

This is a prevailing wage project. Los Angeles Community Redevelopment will be monitoring the prevailing wage.

The site plan. There's approximately 5,000 square feet of community space and administrative space. Approximately 2,400 square feet will be rented by -- or owned, if you will, by the L.A. -- The Gay and Lesbian Elder Housing Corporation. The 2,400 square foot area will include a community room with services brought to the seniors at the site, specifically targeting HIV AIDS seniors or homeless or at-risk homeless. A minimum of 36 units are targeted for that population. It's expected much more will occupy the 104-unit complex, but the 35 is the minimum.

Also adjacent, we will have some community space, some offices for the Los Angeles Gay and Lesbian Center, People Assisting the Homeless, the L.A. Unified School District Adult School and Assistance League of Southern California. They will provide health care services, school services, educational services, Meals on Wheels, and transportation. A lot of those services will be on site, free of charge. Some will be off site, of course, as well. And the meals program will be just for a nominal charge.

The rents on this project are substantially below market. The 20 percent rents are a minimum of at least 20 percent of market rate. The 50 percent rents are approximately 70 percent of market. Back in 2002 in the market area, a similar project was built with approximately a hundred units. Those rents were at 40 and 60 percent, and currently that project is occupied with 500 people on its waiting list.

The borrower is Encore Hall Senior Housing LLP, a joint venture between McCormack Baron Salazar, a for-profit developer, and the Gay and Lesbian Elder Housing Corporation, a nonprofit. McCormack Baron will be the lead developer. The Gay and Lesbian Elderly Housing Corporation will be the social service coordinator. They also provide referral services for seniors seeking housing. And with their administrative offices in the building, it is expected to maintain its occupancy rather easily.

With that done, we'll place it before the Board and answer questions.

MR. WARREN: I don't think we have any particular environmental issues.

As indicated, approximately a third of the units will be dedicated for special needs population. Again, that does qualify for the reduced interest rate.

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

CHAIRPERSON COURSON: Any questions on the Encore Hall?

MR. CAREY: I have two. One's minor. In the report it says the zoning would allow 108 units to the acre. Is this really a net of 122 units to the acre?

MR. GIPSON: Yeah, there's a density bonus in there.

MR. CAREY: So there's a density bonus?

MR. GIPSON: Yeah. I don't have record of a density bonus as of yet, I don't recall seeing it, but I do have that from the City itself.

MR. CAREY: The other question I have is in Year Eleven, the service coordinator drops out of there. What's the plan at that point?

MR. WARREN: We have been -- go ahead.

MR. GIPSON: It's a requirement that there's a ten-year -- for a ten-year service coordinator, so it was placed into the budget. After Year Eleven, it's not a required item, so we did not force it into the cash flow. It is expected that those services, the service coordinator will maintain with the project, but as a required item for the cash flow, it will not.

MR. WARREN: Just so you know, this is relatively new for us, and we've not required service coordinators in the past, so we were kind of dipping our foot in the water. One of the issues is requiring the service coordinator for the full 30-year term will probably not always be practical; so at least for the ten-year period, we're compelling our special needs projects as best we can to put it in the budget. And after ten years, we'll have to wait and see what happens, but with it are sponsor profiles. We know the services will continue, but at least we have them hard coded to deal with the first generation.

CHAIRPERSON COURSON: Other questions from members of the Board?

(No audible response.)

CHAIRPERSON COURSON: Are there any questions or comments from any member of the public?

(No audible response.)

CHAIRPERSON COURSON: Seeing none, then a motion would be in order.

MR. CAREY: I'd move approval.

MS. DUNN: Second.

CHAIRPERSON COURSON: Okay. Let's call roll.

MS. OJIMA: Thank you.

Ms. Weir.

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Ms. Dunn.

MS. DUNN: Yes.

MS. OJIMA: Ms. Wilson.

MS. WILSON: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 04-19 has been approved.

CHAIRPERSON COURSON: Okay. Thank you.

Our next project is Santa Clara County.

Resolution 04-20 (Sobrato Apartments, Gilroy/Santa Clara)

MR. WARREN: Kathy Weremiuk will join us.

Sobrato Transitional Apartments is a 60-unit apartment complex located in Gilroy. Approximately 60 percent of the units are targeted for special needs individuals either suffering from mental illness or substance abuse issues that are either potentially homeless or have been homeless or may have a chronic homeless situation, and Kathy will describe in her piece how this interreacts with the centers directly adjacent to the project.

The loan request today is for a first loan for construction in the amount of $10,960,000, tax exempt for 24 months. We have a partial taxable tail on this particular project. The permanent structure, a relatively small amount of money. The first is for a first loan of $1,070,000. And this is based on project-based vouchers, which we'll talk about in just a moment. This is taxable financing for a ten-year period. And in order to leverage the tax exempt credits for the project, we are requesting an extension of a $4.5 million bridge loan, which is also taxable for a three-year period.

The moneys from both of these loans come from the Agency's Housing Assistance Trust. It is not tax exempt. And one of the benefits of this is with both loans in the ten-year period, the money gets recycled and the two-year period is recycled as well.

Because of also the special needs nature of the project, the permanent financing qualifies for a 2 percent rate. This project, because of the low income nature of the residents, is requiring substantial support with financing. As your materials indicate on page 82, there is also on this project an MHP loan in the amount of just under $4 million. The Santa Clara Loan Fund is in the project for $1.7 million. And there is kind of a long list of equity and grants below that, which I think I'll have Kathy explain that, because it's a little bit different than the format that we have.

I did comment on the housing -- upon the HAP contract. As I think the Board recalls from prior sessions, there is concern on behalf of the Agency about extending credit based on Section 8 contracts with no project-based vouchers, given some of the issues that we now have with HUD in this area. What staff has done is spent a fair amount of time dealing with Santa Clara Housing Authority to establish a clear path for these moneys for these vouchers to be channeled to this project. The Authority has done a very good job in dealing with us on this, so I think we're comfortable with the credit in this particular period.

In the event something should happen in the future, then the contingency plan would be for the ten-year, project-based voucher loan to be extended out as any other loan we have with repayment problems. So we think given the important, laudable nature of the program, the special needs nature of it, it's a level of risk that the Agency should take, and I think we've taken all the prudent steps that we can to make sure we can. So that's kind of the situation today. As time goes on, we'll find out more about the vouchers.

So with that, Kathy, why don't you go ahead and take us through the project.

MS. WEREMIUK: Okay. This is a 60-unit project in Gilroy, which is in southern Santa Clara County. Gilroy is a town that is transitioning from an agricultural area to an agricultural and service area. The project is located two miles from downtown Gilroy, which is right here. It's fairly close to the borrower's, South County Housing's offices, which are here. It's on the -- it's close to Farrell Street, and this is Monterey. Monterey runs parallel to Highway 101, which is in this direction. It's got good freeway access, good bus access to the downtown.

The site itself is offset from Monterey Road. This is an access. The project will be built on this site. This leg will actually belong to a shelter, but there will be a use agreement, reciprocal easement agreement, that will allow full access and ingress from this leg. There will be a 140-unit shelter in front of the property that will be operated by Emergency Housing Consortium. They're the largest provider of shelter facilities in Santa Clara County.

And the borrower is South County Housing, which works in this city and four adjacent cities. They currently own and have developed, owned, and operated a thousand units of housing.

This is the frontage. The area is rural transitioning to urban. I'm going to go back a second. Can I go back?

This -- just what I didn't mention is the borrower has developed this section in single-family housing. It was a combined lot. They also developed single family in the area, and it's new and it's been recently sold as affordable family housing.

This is a front view of the property from Monterey Road. This is a side view looking north on Monterey. There is some retail, slightly funky retail, that's adjacent south. And these are the new single-family homes that have been built.

The property will be five buildings. Four of them will be residential buildings of 60 units. And there will also be a community building. They'll all be two- and three-bedroom units.

The property is entitled as transitional housing by the City of Gilroy. It -- the transitional policy is an exemption policy from the City's entitlement process for new multifamily. They have a moratorium right now on multifamily. Along with the entitlement is a requirement that the property -- that all of the residents in the transitional receive case management services for the duration of their stay.

Forty-five of the units will be for families that will stay there for a maximum of two years. The average is about a year and a half. And 15 of the units will be available for long term. There won't be any time limitation. That way we expect that those families will also be transitional, but the absence of a time limitation was a Section 8 requirement. The property could not have gotten Section 8 certificates without the City Council providing that exemption to the policy.

The residents will come from the shelter that will be in front of the property. It's 140 beds. But they will also be referred by a network of social service agencies throughout the county. In Gilroy right now they have a very large population of people that are working but are in service or agricultural jobs and basically cannot afford any of the housing in the City of Gilroy, and they're currently living in cars.

This was the City's highest priority. One of the things I should mention, in terms of the cost of the project is the -- it's above 300 -- or, no, it's $287,000 per unit. A very large chunk of that, $2 million is city impact fees, and the City is not contributing any money to the project. It's a poorer city, but they are collecting fairly substantially. And we tried very hard to bring them into the project as a lender or grantor, couldn't do that, but they are contributing substantially to the shelter, which is their highest priority.

The rents for the project, the Section -- 15 of the units are Section 8 units. They've got rents of $1,150 and $1,475. It's a little bit above market, but we've gotten a firm market study from the Housing Authority, and those rents will hold.

The rest of the rents are set at variable levels. They're set approximately half of the restricted levels for the property. And that's on the assumption that they will not be able to get higher rents than that and operate consistently. The average is somewhere around $400 per unit per month. The EHAP -- you'll see some of the rents are $280. The EHAP restricts 15 of the units to 30 percent of the families' income, and we're estimating that that will be about $280. So we've underwritten the project to a much more -- to the achievable rents as opposed to the restricted rents.

MR. WARREN: I think it's important to note on these that as we do these special needs projects, one of the things that we look at is what is the intake and source of the residents. It's always beneficial to have that not only nearby, but very direct so that as we offer the reduced rates for the project, one of the issues that we look at is on a long-term basis can the population that we're trying to benefit will always be there. And clearly that's the case with the Gilroy project.

So as Kathy indicated, the underwriting rates are very low. The permanent loan really is based on the project-based vouchers. At the beginning of this project, we didn't know that and then we came back with the project-based vouchers and decided that that was, we think, a pretty good risk.

There are no environmental issues per se. There will be an accoustic study because of its proximity to the railroad, but otherwise we think it's a fairly solid project.

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

CHAIRPERSON COURSON: Questions on the project? Mr. Czuker.

MR. CZUKER: First I'd --

CHAIRPERSON COURSON: Let me also reflect for the record that Ed Czuker has joined the meeting.

MR. CZUKER: Thank you, Mr. Chairman.

First I'd like to commend staff for bringing forward this project. Obviously, we'd like to see more special needs project creatively financed. What's nice here is all the different participants that are sharing portions of the subsidiaries that are obviously going to aid the total capitalization required for this project. It is high cost at the $287,000 per unit, but at the same token, from a CalHFA perspective, our risk is short term on the construction loan and dwindling down with the other subsidies to a very minor level.

I'd like to just ask staff one question, even though I'm very supportive of the project and love to see more projects like this in the future of the creative uses of CalHFA's resources and it certainly stretches our dollars, which is a good thing for the Agency. If you look at the cash flow and debt coverage ratio over the ten-year period, you see it declining. So my question really is obviously these are projections and only projections, but maybe you could comment on why you have a steady decline in debt coverage ratio, usually we see debt coverages increase over time, and with maturity and stabilization of the asset and with the market trends, why you perceive that the long-term cash flow is actually going to decline.

MS. WEREMIUK: We see that kind of decline in properties with very low rents where we assume an expense escalator that is 3 and a half -- in this case 3 and a half versus 2 percent, but the low rents will cause the decline.

One of the things that gave us a little more comfort was that our -- the debt coverage ratios for our debt is a bit higher because we have Santa Clara and MHP behind us. But it's a function of the rents. Some of these projects, special needs projects, don't go out very long and we can't -- even if they didn't have Section 8, we wouldn't be able to carry them out more than ten or 15 years.

MR. CZUKER: In your growth assumptions, what are you using for growth, expenses versus growth or income?

MS. WEREMIUK: 2 percent -- let's see. I used Section 8 assumptions and that's a 2-percent income escalation. And I looked at the rents that EHC had gotten on other similar projects to see what they had actually experienced in a 3 and a half percent expense escalator. We've -- we tried to be very conservative with this project.

MR. WARREN: I think that's a good point, that if you look at special needs projects, by definition, the ratio between expenses to income is very high, and the math makes it go down. So one of the reasons that we've migrated away from long-term 1 and 2 percent on 30-year debt to short-term debt is for that very reason, so we get the debt off the properties. In a simple case, that's why it's happening.

CHAIRPERSON COURSON: Other questions from members of the Board?

(No audible response.)

CHAIRPERSON COURSON: Are there any comments from the public?

(No audible response.)

CHAIRPERSON COURSON: Okay. Seeing none, then a motion is in order.

MS. WEIR: Move approval.

MR. CZUKER: Second.

CHAIRPERSON COURSON: Ms. Weir moved, and Mr. Czuker seconded. Call roll.

MS. OJIMA: Thank you, Mr. Chairman.

Ms. Weir.

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Aye.

MS. OJIMA: Ms. Dunn.

MS. DUNN: Yes.

MS. OJIMA: Ms. Wilson.

MS. WILSON: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution No. 04-20 has been approved.

CHAIRPERSON COURSON: Okay, thank you.

Linn, why don't you go on to the East Los Angeles project.

MR. WARREN: I'm going to ask Laura to take the next project.

Resolution 04-21 (Las Flores, Los Angeles/Los Angeles)

MS. WHITTALL-SCHERFEE: The next project is Las Flores, which a 25-unit family apartment project in East Los Angeles, an unincorporated part of Los Angeles County. Twelve of the units, half of the project, will be special needs units, and we're targeting families where an adult member has a history of mental illness. Those 12 units are divided equally. Half of all unit types will be special needs.

The request for financing is for a loan-to-lender. The lender on this will be Wells Fargo Bank. The loan amount is $4,510,000 for two years. It's tax exempt. Once the loan-to-lender is completed, we are requesting permanent financing. There are three loans, a first mortgage in the amount of $155,000 at 3 percent for 15 years, and it is taxable. The second mortgage is in the amount of $455,000 for three -- at 3 percent for five years. It, too, is taxable, and it will be based on a Shelter Plus Care subsidy. And then a bridge loan in the amount of $1,595,000 at 3 percent for three years, and it is also taxable.

There is a large county commitment in the other financing. The County is committing home funds in the amount of approximately a million, five and CDBG funds in the amount of $50,000. There's also MHP, the supportive services loan, in the amount of a million, 447. And City of Industry funds in the amount of $1,267,430.

And with that, I'm going to ask Kathy to talk more about the project.

MS. WEREMIUK: This is the project site. It's across a street, Rowan, and a sound barrier adjacent to Highway 5. This is Olympic Boulevard. This is Whittier. This is the junction of 5 and 60, and downtown L.A. is here, about four and a half miles from the project. East L.A. is an older community, a lot of it -- most of it built before the 70s. It's seen a loss of housing in the last 20 years. It's a poorer community with higher unemployment in the L.A. region.

Oops, what did I do?

MS. WHITTALL-SCHERFEE: There we go. You're back.

MS. WEREMIUK: There's considerable shopping, parks, and amenities in the area. This is a closer view of the site. It's got -- it's adjacent to a pedestrian ramp that will cross the freeway and allows the kids in the development to go to an adjacent school.

This is a freeway on-ramp, and it's a primarily residential single-family community. This is a view of the on-ramp, the west view of the property. The north view of the property just behind it. And this is Rowan Street. This is the street on the other side.

This gives you a sense. This is our property. The structures that are shown on the photos were demolished in the last couple of days so it's now a vacant lot. There was a church that's moved to Whittier. There were some relocation payments that were required.

The proximity to the freeway has an impact on the project because a lot of sound mitigation was required. When you look at the front on Rowan Street, all of the windows, obviously, will need to mitigate sound. There will be ventilation systems. Some of the construction will be thicker and denser to mitigate sound. And there is a plan that will require day care, and there will have to be a ten-foot sound wall in front of the day care to allow the children a play space that they can play in without sound pollution.

The project is expensive. It's $311,000 per unit. A good part of the cost comes from the fact that the County and the supervisor's office had a lot of requirements, including town houses on top of a podium structure, and the podium itself added significant costs to the development.

These are the front elevations. This is where the day care will go. The day care, the County was very interested and asked the project to include a day care. They have a grant on their agenda of $250,000 to pay for it. They enacted a special ordinance that allowed day care as a matter of right in rental housing on developments in L.A. County, and they are currently processing what they call a minor parking variance to allow for a parking reduction to 44 units. That will take approximately six weeks. We fully anticipate that it's going to go through, but it isn't required for this project.

The day care provider is L.A. Childcare or Childcare Development Center. They operate day care for poorer children throughout L.A. County. They are very proficient. Day care will be available for the residents at the site.

The social service provider for this is actually also the -- is a minor -- a sub general partner during the construction. It's the Community of Friends. They will become the managing general partner in the permanent loan phase. And East L.A. Community Development Corporation, who's a major general partner in construction, will step back. The Community of Friends currently operates a thousand units and has developed and operates a thousand units in L.A. County. And they operate -- my staff report said there were only eleven units for mentally ill families housing in L.A. County. That's incorrect. ACO has put 49 additional units into operation after I wrote the staff report so now there are 60, but they are the only other -- the only provider of housing in L.A. for families with mental illness.

This is the site plan. There is a building here. The day care will go here. This will be parking. This -- these are stacked units, stacked flats. And then there are five town houses and a podium. Parking will also be underneath, and there will be two access points for the parking.

As I get to the rent chart, 50 percent of the units will be at 40 percent rents, but those 40 percent rents for the first five years will have Shelter Plus Care subsidy. That Shelter Plus Care subsidy is in all instances higher than the market rents but is a fixed amount of money and a fixed grant. Even if the resident had no income, that grant is sufficient to pay for the underwriting rents, which were $807, $1,021, $1,300 and -- or $1,400 and $1,650 for the four bedrooms.

The 50 percent rent units will not be subsidized, and those will not be targeted to special needs families. The Community of Friends has committed to full-time staff on the project. They will fund-raise for it. It's not in the budget. They have a very good track record of fund-raising and there are -- they will also coordinate several other institutions that will assist with services for the residents. There will be case management, but also psychiatric services for the residents on site.

MS. WHITTALL-SCHERFEE: And with that, we'd be happy to answer any questions that the Board members may have for us.

CHAIRPERSON COURSON: This was a project that had a supplemental handout.

MS. WHITTALL-SCHERFEE: Yes.

CHAIRPERSON COURSON: Mr. Morris.

MR. MORRIS: How many children can the day care center service, Number 1, and is that for the exclusive use of the tenants?

MS. WEREMIUK: It's not for the exclusive use of the tenants, and I might have to ask the project manager, who's here, to answer the question as to the numbers.

MR. MARTINEZ: 25 or less.

CHAIRPERSON COURSON: Okay. Other questions from the Board?

(No audible response.)

CHAIRPERSON COURSON: Is there any comment from the public?

(No audible response.)

CHAIRPERSON COURSON: Okay. Seeing none, a motion would be in order.

MS. WEIR: Move to approve.

MR. CZUKER: Second.

CHAIRPERSON COURSON: Okay. Call the roll.

MS. OJIMA: Thank you, Mr. Chairman.

Ms. Weir. Ms. Weir?

MS. WEIR: Yes.

MS. OJIMA: Thank you.

Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Ms. Dunn.

MS. DUNN: Yes.

MS. OJIMA: Ms. Wilson.

MS. WILSON: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 04-21 has been approved.

CHAIRPERSON COURSON: Thank you.

We're on in our books, page 123, the Central Plaza Apartments.

Resolution 04-22 (Central Plaza, Santa Maria/Santa Barbara)

MS. WHITTALL-SCHERFEE: Jim Liska is going to be presenting Central Plaza Apartments with me.

This is a final commitment request for a 112-unit family apartment project in Santa Maria. It's an existing project that was constructed in 1976. It will include rehabilitation, but also some new construction. There will be the construction of a new community room. There will be new site improvements, irrigation and lighting, and then there will be other interior and exterior renovations that Jim will address a little bit later.

The borrower is the Housing Authority of the County of Santa Barbara, a not-for-profit governmental agency. The request is for construction financing and permanent. Because this is both new construction and acquisition rehab, we are requesting a construction loan in the amount of $6,240,000. For the first year of that loan, it will be interest only. It will be tax exempt. Then when the construction and the rehab are complete, we will have a permanent loan in the amount of $6,240,000. The interest rate will be at 5.7 percent, and it will be a 30-year, fully amortized loan. There is also an IRP mortgage in the amount of $975,000 at 5.7 percent with a remaining term of 12 years.

This is a 236 project with no Section 8. And there are no project-based vouchers.

With that, I'm going to ask Jim to talk about the project.

MR. LISKA: Here's the subject site here. It's in downtown Santa Maria. The site is sort of a zig-zag configuration. This is the site here. And there's a greenbelt which runs through the site and right adjacent to it. It's city owned and maintained. There's a park here. The greenbelt runs this way. There's a green open area. There's a gazebo here. The high-rise off to the left is a subsidized senior project.

Over in this area here, the sponsor is going to build a new community facility, 1,800 square feet, which will have a kitchen. Along the front of Main Street here is existing retail commercial, such as a hair salon, Harley Davidson with their clothing outlet.

Along Vine Street here to the north is existing single family. Along Mill Street towards the back is single family, auto body shop. And then off to the side here on the left are Broadway and Main Street. And located there is the regional shopping center for Santa Maria, which is called Santa Maria Town Center.

And this is just a view of the city-owned greenbelt. A view of the Santa Maria shopping, Town Center, which is just to the left of our project. Our subject, which is at the corner of Vine and Mill Streets, the project was, as previously mentioned, built in 1976.

The Phase I disclosed that there is lead-based paint and asbestos in the project, and we are requiring an operations maintenance manual, which will be shared with the rehab personnel during the rehab process. Ongoing existing maintenance people on site will be trained on how to take care and look out for asbestos, lead-based paint, as well as the tenants will be informed as far as the necessity for any mitigation.

This is just a close-up view, a sketch of the community building.

Here are our rents. Now, you can see the project is a hundred percent, 50 percent, and 60 percent right now. There are 22 -- I was informed 22 enhanced Section 8 vouchers on the site. We have underwritten to a hundred percent at 50 and 60 percent rents. The IRP, as Laura indicated, decoupling request has been submitted to HUD, and we hope to get word on their approval within the next three to four months.

Fifty percent rents are pretty well below market. The 60 percent are -- we tried to meet the 90 percent test, to be 90 percent or less below market, and the market rents are pretty well up there. Demand is good. Vacancy is minimal in this area. There's a strong market for the 50, 60 percent level.

As far as rehab, the project sponsor is proposing a $2 million-plus rehab budget, which is approximately $18,488 per unit. Some of the stuff that we're trying to do there is basically stripping out the wood for the stairwells. There's like a wood belly band around some of the existing buildings, which are going to be removed because of deterioration. Interior is appliances, kitchen upgrades, cabinetry. The bathrooms are refurbishing, what have you. The roofs are in fairly good shape.

With that, I'll turn it back to Laura.

MR. WARREN: Just a comment to the Board, I'm not sure if the newer Board members -- when we use the term "IRP mortgage," that stands for interest reduction payments. And what that was was a prefunded stream of dollars which HUD has *granted projects primarily 236* projects, or HUD 236 projects, to reduce the interest rate in exchange for affordability. Decoupling means that that stream stays with the project but is not part of the loan structure. The stream has several years left to go, and we capitalize that stream at a particular rate, and it's prefunded by HUD, so staff has processed it. When you see IRP mortgage, that is basically capitalizing annuity for the benefit of the project. Thanks.

MS. WHITTALL-SCHERFEE: And with that, we'd be happy to answer any questions, and we ask the Board for approval.

CHAIRPERSON COURSON: Is the closing of the construction loan subject to HUD approval? You say that's three or four months down the road.

MR. LISKA: Yes. We're anticipating closing this project. We won't get our select approval until about approximately December 15th, so we're looking at around that period of time to close the loan.

CHAIRPERSON COURSON: Thank you.

MR. LISKA: With HUD approval.

CHAIRPERSON COURSON: Yes.

Mr. Czuker.

MR. CZUKER: Thank you, Mr. Chairman.

The question I have relates to the fact that here we have a borrower that's the County of Santa Barbara, and does staff go through the same due diligence as well as controls that they would have with a third party or with a nonprofit borrower, or with a government agency or a county agency, as we have here? And perhaps you can describe that to us a little bit.

MR. LISKA: Yes, we go through the same amount of due diligence to look at their experience, their capacity for -- and managing ability for a multifamily project, as well as for bonding requirements, insurance requirements during the rehab period.

MR. CZUKER: Cost control.

MR. LISKA: Cost control. They do have a licensed contractor on their staff, which is a part of our write-up, and we spent extensive time with that individual going over the cost items and what was to be done and made sure that they had a fairly good background.

MR. CZUKER: The underwriting and their administration of the loan are handled just as any other loan would be?

MS. WHITTALL-SCHERFEE: Yes.

MR. LISKA: That is correct.

MR. CZUKER: Thank you.

CHAIRPERSON COURSON: Other questions from the

Board?

(No audible response.)

CHAIRPERSON COURSON: Any comments from the public?

(No audible response.)

CHAIRPERSON COURSON: If not, a motion will be in order.

MS. DUNN: Move approval.

CHAIRPERSON COURSON: And is there a second?

MR. MORRIS: Second.

CHAIRPERSON COURSON: Mr. Morris.

Okay. Let's call the roll.

MS. OJIMA: Thank you.

Ms. Weir.

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Ms. Dunn.

MS. DUNN: Yes.

MS. OJIMA: Ms. Wilson.

MS. WILSON: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 04-22 has been approved.

CHAIRPERSON COURSON: All right. Let's move to the College View project in Yuba County.

Resolution 04-23 (College View Transfer, Linda/Yuba)

MS. WHITTALL-SCHERFEE: College View is our next project that we are requesting approval for. College View is an existing 88-unit family project located in the unincorporated community of Linda just outside of Marysville. It's an agency portfolio refinance request. The project has fallen into a little bit of disrepair over the years, and we need to bring in some new money, and we're also looking for a new borrower.

The Agency goal is to recapitalize the project. The project was originally constructed in 19 -- I'm sorry, the permanent loan, the Agency permanent loan that's currently in place dates back to 1981. There was a Housing Assistance Payment, HAP, contract that provides a Section 8 subsidy to all of the units, and that is still in effect. It expires in October of 2021.

The loan request is for a first mortgage in the amount of $500,000. It would be one year interest only at 3 percent, and then it will roll over to 5.7 percent for 30 years and will be tax exempt. Then there's a taxable mortgage in the amount of $850,000 at 3 percent, also for one year, then rolling over to a 7 percent loan for 30 years, also fully amortized and taxable. The Section 8 mortgage will be in the amount of $2,730,000 at 5.7 for the 17 years that are remaining on that Section 8 HAP contract, and that will be tax exempt. And then there's a bridge loan request for $450,000 at 4 percent for one year, tax exempt.

The first mortgage rents have been underwritten at 50 and 60 percent AMI. The Section 8 mortgage in the amount of $2,730,000 has been underwritten using the difference between that and the HAP contract proceeds.

And with that, I'm going to ask Roger to walk you through the project.

MR. KOLLIAS: College View is located at the northeast corner of North Beale Road and Alberta Avenue. It's approximately one and a quarter miles southeast and contiguous to the City of Marysville. The area is characterized as a mixture of residential, small retail and commercial, and vacant farmland. The primary area of commercial is along North Beale Road. There is a large grocery store and Wal-Mart near the intersection of North Beale Road and Lindhurst Avenue with other commercial and community services available in the City of Marysville.

There's another view of the site. College --

Linda is -- it consists of 13 two-story buildings with a total of 88 one-, two-, and three-bedroom units, as well as a freestanding community room. A public bus service is available along North Beale Road -- excuse me, North Beale Road and Alberta Avenue.

And here's a typical elevation of the property. The project amenities include a recreation room, which contains a community room, an office, and the laundry room. And other project amenities include a tot lot and on-site parking for 130 vehicles, of which 80 are covered carports.

The project is approximately 20 years old and, as Laura mentioned, is showing signs of deferred maintenance, which is typical of projects of this age, wear, use, and design. And the scope of work has been formulated on this project at a cost of approximately $1,326,000 or approximately $15,100 a unit. Some of the items to be covered are tree removal, landscape renovation, replacement of the tot lot playground equipment, repair and replacement of the parking areas, paving, and carports, as well as the block wall -- installation of a block wall around the trash enclosures.

Improvements to the exterior of the buildings include removing/replacing all exterior vertical siding and trim elements, replacing/repairing all window screens and sliding glass doors, replacement of the private patio fences as you can see here, re-roofing of two buildings, all the other buildings have already been removed -- I mean replaced, excuse me, as well as removal of all materials identified as fungus or mold.

Improvements to the interior of the units include repair/replacement of cabinets, countertops, and fixtures in the kitchens and bathrooms, painting of the kitchens and bathrooms, as well as replacement of carpeting and vinyl floor coverings. The units will be hard-wired for smoke detectors, and other issues pertaining to health and safety will also be addressed.

The current owner has recently settled litigation with former tenants over mold-related issues with two of the units. The proposed owner will be responsible for any required water damage and mold-related remediation and the costs related thereto.

The market rents for competitive area projects average $632 for a one-bedroom unit, $725 for a two-bedroom unit, and $815 for a three-bedroom unit. And as Laura mentioned, the long-term financing was underwritten with rents at the 50 and 60 percent AMI level with the net income differential between the HAP contract and 50 and 60 percent affordable rents that they were utilized to underwrite the Section 8 loan on the remaining HAP contract.

MS. WHITTALL-SCHERFEE: The borrower is a to be formed California limited partnership, which will be DHI College View Associates, LP, and it will consist of a Pacific Housing, Incorporated, which is a California 501(c)(3) nonprofit corporation as the managing general partner. The members of College View Associates, LLC, which are also -- it's a to-be-formed limited liability corporation -- will be part of the ownership entity, will include two individuals, Thomas Dawson and Tim Fluetsch. Thomas Dawson is the Principal of Pacific American Properties, Inc., and Tim Fluetsch is the Vice President of Acquisitions for Pacific American Properties. They currently -- Pacific Housing, Inc., manages 16 properties in California consisting of 11 family projects, three senior projects, and two special needs projects.

MR. WARREN: Just to comment on the Section 8, not to be confused with the project-based vouchers of the prior project, these are long-term Section 8 contracts with the Agency that are prefunded by HUD, and we've refinanced a number of Agency projects at which the contract levels will continue without, really, fear of reduction. After the contract is over, then it's unclear what the rents will be; hence, the very small first level, but our understanding from HUD is these contracts can be continued at the approximate levels, rent levels, they are today, which allows us to lend to them. So they are distinctly different than project-based vouchers loans that were seen on the prior projects.

MS. WHITTALL-SCHERFEE: And with that, we'd be happy to entertain any questions, and we ask the Board for approval.

CHAIRPERSON COURSON: I have two questions. One is I heard you say that the tenant litigation now is resolved?

MR. KOLLIAS: Yes.

CHAIRPERSON COURSON: And the second question is talk a little bit, if you would, about the tenants during the rehabilitation, the current occupants, how will the renovation be accomplished, and how it affects your occupancy.

MR. KOLLIAS: Well, the work to be -- the only work that will really disturb the tenants during relocation obviously is the interior units, which are the cabinets, the countertops, the kitchens --

CHAIRPERSON COURSON: So that won't require relocation?

MR. KOLLIAS: If it is, it's just a mater of several days.

CHAIRPERSON COURSON: Other questions from the

Board?

(No audible response.)

CHAIRPERSON COURSON: Okay. Seeing none, a motion would be in order.

MR. CAREY: I'd move approval.

CHAIRPERSON COURSON: Mr. Carey.

Any second?

MR. MORRIS: Second.

CHAIRPERSON COURSON: Mr. Morris.

Call the roll, please.

MS. OJIMA: Thank you.

Ms. Weir.

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Ms. Dunn.

MS. DUNN: Yes.

MS. OJIMA: Ms. Wilson.

MS. WILSON: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 04-23 has been approved.

CHAIRPERSON COURSON: Thank you. I think in the interest of time, we're moving well, and so let's use this -- we're halfway through our projects, so let's use this for about a ten-minute break, and then we'll come back at probably about ten minutes till 11:00.

(Recess taken.)

CHAIRPERSON COURSON: Okay. Let's go. The next project -- okay, the next project is the Fairgrounds Family Housing in Santa Clara County.

Resolution 04-24 (Fairground Family Housing -- HACSC, San Jose/Santa Clara)

Resolution 04-25 (Fairground Family Housing -- ROEM, San Jose/Santa Clara)

MR. WARREN: Thank you, Mr. Chairman. Joining us is Ruth Vakili, who has been working on both of these Fairgrounds projects. And as I said at the outset of the meeting, we're going to spend a little bit of time on some of these projects, and that time has arrived.

The Fairgrounds is a major initiative for the County of Santa Clara and the City of San Jose; and when Ruth goes through her presentation, she'll tell you more about how these two projects came to be.

As your materials indicate, these are two fairly complex projects. At one moment they're viewed as one;

at another moment they're viewed as two separate and distinct projects, as well as ancillary areas around the projects that are tied to the development itself. But in the simple case, it is an initiative to supply 300 units of family housing in the San Jose area, which we think is still very critical. At some juncture, we'll comment on where we think rents are in San Jose and a discussion of the Silicon Valley. We've taken that into account as have the project sponsors.

With us today also in the audience is Matt Steinle. Matt is the developing director for the Santa Clara Housing Development. Matt is a very experienced developer and has led the industry in many financings of development issues over the years; so in a departure normally from our presentation modes, for those questions that are project specific, I've asked Matt to be available to answer those. Matt's a very experienced developer and knows this project very, very well.

What I'd like to do for the presentation is -- Ruth will go into it after we make the initial request for commitments -- is talk about the project. We're going to spend a fair amount of time talking about the condominium plan, the lease plan, and the parts that will be held in common by ROEM and the Housing Authority.

So with that, I think I'd like to go ahead and start. The first project we will consider, and we'll talk about these probably somewhat in tandem, is the Housing Authority portion of the Fairgrounds project. It's a 130-unit family housing project located in San Jose.

The request today is for a construction loan in the amount of $17,240,000, variable rate for 30 months, tax exempt. Upon completion, it will be followed with a permanent loan in the amount of $8,605,000, 5.7 percent for 40 years.

There is sizable contribution from the locality. The City of San Jose will be contributing almost $9 million of dollars, 55 years at 4 percent.

There is a lease on the project. Both sites will be subject to a hard-lease payment. It's a 75-year ground lease. Residual receipts, they will be shared with the locality if dollars are left over. The final draft of the lease is essentially complete. The financial terms of the lease have been settled. There are some minor issues that we're still working on regarding transfer of title at the end of certain periods, but they're relatively minor.

So with that, I think I'm going to stop and let Ruth take you through how the project is set up, the history of it, and how the various parcels have been laid out.

So, Ruth.

MS. VAKILI: Good morning. This project is located in San Jose about four miles from downtown. Fronting the project is Tully Road. You'll see here on the right of the L-shaped lot, the County is currently building and almost completed with a health clinic. To the front of this parcel is a piece of vacant land that is currently proposed to be senior housing. To the right of the bottom portion of the property is open space which is owned by the Franklin McKinley School District and will be the future recreational two-acre site for the property.

Over here you can see the Franklin McKinley School. It's an elementary school which will serve the property. Across from Tully you can see some industrial and small retail uses. And to the corner here, you can see some single family. And in the back of the site, some single family. This large open space area is the county fairgrounds site.

Briefly, the history of the site is that this piece of land has been operated as a baseball field since the 1960s. It was deemed by the County to be surplus lands, had the opportunity to develop it for much needed affordable housing. The County then undertook an RFP process in which they requested that a nonprofit partner with a for profit in order to build a mix of housing uses for this site. Therefore, ROEM will be -- ROEM is the for-profit partner, which will be developing some single families on the outer edge of this project. ROEM will also be participating in the affordable housing.

Throughout this presentation, I will first of all start with the Housing Authority Project, keeping in mind, though, that this is basically considered a one single project, 300 units of family apartments.

The land is to be leased to ROEM and Housing Authority. It's 5.8 acres. Housing Authority and ROEM will hold a fee interest in the buildings within each air space condo shoebox. It's basically called a shoebox space. And I will show you how this is to be set up.

Let me back up a little bit. You're looking across Tully to the site here. And this is the back of the property looking towards the fairgrounds. And once again, another different viewpoint of the site from the back of the parking lot that is shared. That is a part of the county health clinic. Here to the right, you can see the health clinic itself. It's a lovely building that's just about completed.

This is an elevation of the Housing Authority's property. The project is going to be built on a single podium shared with ROEM. The Housing Authority's piece is -- consists of four buildings that are four stories built on top of leased land that is 5.8 acres. Housing Authority and ROEM, as I said, will hold fee interest in the buildings, and this will be air space commercial condominium project.

Here you can see another elevation. This is the ROEM project. And this is an elevation of the podium parking level. The red mark indicates spaces that are owned as tenants in common. The tenants in common areas are held as a leasehold interest. These areas consist of the parking garage, the podium area, the pool, the spa, landscape areas, and also the community building.

On the podium level, you can see indicated in blue, are the Housing Authority building areas, which are called basically shoebox condominium spaces. The green area consists of the ROEM properties, which are two buildings. Inside ROEM's Building F is the community space, which is one other shoebox area held as tenants in common. And the tenants in common area are all the common spaces between these buildings located on the podium level, which as I said includes the pool.

The community center contains management offices, a computer room, and fitness and meeting rooms. This is a shared subcondominium unit shared between the Housing

Authority and ROEM. ROEM will hold a 55 percent interest in common areas, and the Housing Authority will hold a 45 percent interest.

The residential improvements consist of 130 family apartments with a mix of one, two, and three bedrooms in four garden-style walkup buildings. For the Housing Authority's buildings, there will be 222 parking spaces. 193 are enclosed podium parking, and 29 are exterior. There will be two elevators from the garage level to the podium level, and all units will have air conditioning, a deck or patio, with a washer and dryer hookup. In the Housing Authority buildings, there will be one large laundry room on the ground floor. And throughout the ROEM and Housing Authority projects, there will be four other laundry rooms that are located for use of the tenants.

There will be, as part of the off-site improvements, a main entry road, and this is roughly going down the side of the property. This area is shared with the county clinic. Then there will be a loop road providing access -- providing access to the townhomes and the remainder of the site. There will be shared access for the main road between the County, ROEM, and Housing Authority. And for the loop road specifically for these projects, there will also be shared-use agreements.

There will also be a reciprocal easement for the use of private streets, utilities, lighting, and common landscape improvements between both the Housing Authority, County, and ROEM.

As I mentioned before, there is an area that is two acres. This is the area that is owned by the Franklin McKinley School District. The developers will go under an agreement for improvements to this site for a total cost of $300,000. The site will be improved with a baseball field, picnic area, and a soccer field. There will be access from the residential site to the recreational area, and the area will be available to tenants after school hours. The Housing Authority and ROEM will go into an agreement with the Franklin McKinley School District prior to closing, which will govern the type of improvements that will take place on this site, access, and operating costs.

The market for this project is -- the primary market area is a roughly three-mile radius of the site. This project is well located four miles from downtown on a major thoroughfare connecting to downtown. The San Jose market has sustained adjustments, as is well known, to the rental market. And this project is -- and the developers are very well aware of the market conditions in the area. They have taken a great amount of care to thoroughly research and schedule their rents according to the market study. Therefore, the developers have scheduled their rents not necessarily according to income limits, but rather according to underwriting limits relative to where the market study has told the developers that they need to set their rents. Fully, 92 percent of these units are scheduled to be rented to people of incomes below 50 percent.

This area -- the project is located in an area that has a higher number of persons per household and also a lower median income per household than the County. It's believed that there is a strong demand still for affordable housing in this area, specifically for projects that are offering units that are below 50 percent. And this project, as I said, the majority of the units are below 50 percent.

There were eight comparable rate market projects that were reviewed by the market study. They are showing 2 to 5 percent vacancy rates. There were 11 affordable projects in the area within a three-mile range, and their vacancy rates were between 93 to 98 percent with waiting lists for five of these projects. Of these affordable projects, over half of the units were offered at 60 percent of median. Only 41 percent were at 50 percent of median. This project is thought to be very well placed in terms of rent.

It's to be noted too that there are nine units that are offered at 60 percent of median. These rents were actually set per the requirements of the market study, which showed that these types of units should be at a more favorable rent. Therefore, the rent that is scheduled for the 60 percent units is actually 51 percent of the median, which is highly competitive.

This project is expected to be built out in 21 months. The market study showed that 15 units would be absorbed per month, for a total of a 29-month construction and lease-up period. As to our underwriting procedures, we've looked at the absorption a little more conservatively and estimated ten units per month would be leased. We have a 30-month construction loan and have built into both projects a rent-up reserve so that in the event that at the time of closing there is -- there is still a little bit of softness in the rents, we have six months of rent-up reserve for the projects to take care of any operating expenses during that time.

Relative to the environmental issues, as I said before, the project has been used as a baseball field since the 60s. Prior to that, there were various agricultural uses. There is -- the environmental report showed that additional minor testing is required prior to closing, which we will pursue. The borrower is also requesting an earthquake insurance waiver, and that review is underway.

MR. WARREN: I think that covers all of the issues, so I would be happy to entertain questions, and I'd like to recommend approval.

CHAIRPERSON COURSON: Okay. Questions?

Mr. Czuker.

MR. CZUKER: Once again, this is a creative project, and I'm very happy to see the projects coming forward today versed with the special needs which are sorely needed across the state, as well as now with this project.

I had a few comments and questions for you. First, if you turn to page 171, which deals with some of the projects, I noticed several things that I'd like to question and comment on. First is the cap rate and appraisal. If you notice, all of the prior appraisals have been around plus or minus 7 percent. Here you have a 10 percent cap rate, which seems rather conservative in this environment as well as in this location. What that tells me is that your loans are safer perhaps than are even indicated here because of the cushion you have in the appraised value that isn't being reflected in this report -- so I wanted to flag that.

Also, if you notice you're roughly going from a construction loan of approximately 65 percent in costs down to approximately 29 percent in costs, and that in and of itself is a well-controlled process with the construction disbursement that the Agency is putting in place. And the 29 percent long-term permanent debt is something that if you get into trouble, you can -- you certainly have a lot of equity in a lot of sources in front of you, the first being the City of San Jose, but more importantly being the tax credit equity.

I'm wondering as a question since the tax credit equity in and of itself is more than a third, 36 percent, of the total project budget, has the tax credit provider partner been identified? Is that something that has already been resolved? I think to the extent that's needed, you're showing only during construction about $200,000 of tax credit equity being made available during construction period. Obviously to the extent that it's needed, there's a huge reservoir that could be tapped for supporting the project during the construction lease-up stabilization process from tax credit equity.

So I'm very favorable, impressed with the project, and would like to support it, but would like your view.

MR. WARREN: Certainly. I've asked Matt Steinle to come up here.

MR. STEINLE: What I would say first of all is that we don't have an equity investor identified. We have found it to be the case that we get the most attention and the best pricing when the transaction is very well formed and about ready to go. We tend to see discounting in pricing you're going to get in terms of dollars and anticipated credit.

We anticipate exposing this project to the marketplace. While we haven't confirmed all the details with the partners in the development corporation, it's likely we're going to engage in a common process of solicitation of offers with the objective being to pick a single investor for both projects. We think it's going to make an already-complicated transaction a lot simpler to close under circumstances where we have the same equity investors and the same terms with a complicated set of facts to deal with.

We run our numbers based upon the expectation of getting back 91 cents on the dollar, which is consistent with a relatively small amount coming in on our project at the front end. ROEM may be, in fact, interested in an alternative structure with the same investor for a somewhat large company coming in during construction. I'm not speaking for them. That's how we've looked at it. And that's what our consultants are most comfortable with in terms of what they think can reasonably be achieved in the marketplace.

With respect to the 91 cents pricing, we're doing a little bit better than that right now. We think that pricing in the marketplace is going to come down a little bit as a function of interest rates, which are anticipated by us to raise a little bit. With an investor we will, of course, be closing the sale of our limited partnership interest concurrently with the closing of all of the construction financing.

The only thing I would add though that is of any interest is how we -- if there's not -- I can comment on it, how our subdivision scheme was actually set up in a bit more detail so that it's perhaps better for the Board to understand how loan security is accomplished within the context of having two separate limited partnerships and two separate projects. If there's an interest, I can comment on it. If not, I'm happy to stay silent.

MR. WARREN: We've talked with Matt about this. I think the pricing for the equity is kind of in a sweet -- if we had to pick a sweet spot today, it would probably be pretty close to that, and I know that Matt's pretty experienced over the years and he's pretty adept at wringing the last few cents out of the investors, so I think that's where we're at.

But, if you'd like Matt to comment on the detail of the structure of the lease, now would be the time if the Board would wish to go into that in more depth.

MR. CZUKER: If he was able to satisfy you, then I'm sure we're satisfied.

MR. WARREN: Well, we had a very interesting discussion many months ago when it was brought to us, and I must confess I had to ask Matt to repeat this more than once when they brought it to us.

MR. STEINLE: What I would say very briefly is that we're blessed with working with an outstanding subdivision attorney, a gentleman by the name of Paul Dubrasich of Severson & Werson out of San Francisco, who is capable of coming up with some extremely elegant solutions through a couple of conundrums that we were facing that related to how one accomplished subdivisions within the context of the Uniform Building Code requirements that permit you to establish parcel lines underneath a single building absent putting a two-hour line, which was a real issue with respect to our parking count, and so he came up with a very elegant solution, which I won't burden the Board with as they've already commented that they're comfortable with the staff recommendation on this.

What I would say is that we are working closely with CalHFA outside counsel of Bill McCutchen, and they're, I think, quite aware of what we have in mind and feel extremely comfortable generally about how the loan will execute for both projects.

MR. WARREN: Yes. And to comment on what Matt said, there are two issues. They're collateral issues, but it's a clear path in case something untoward should happen, but as I think Mr. Czuker pointed out, when all is said and done, the construction goes according to plan, the exposure is relatively small. There is a strong cash flow. The lease payments are manageable on the project. The LTV is certainly within limits.

And taken down all -- I want to comment, again reiterate on the rent issue, we're more concerned, as well we should be, about rent levels, but I think it's fair to say that the rent issues in the Silicon Valley and San Jose are at or near the bottom. I think as employment will begin to rise and begin to get better, so we've taken it into account. You know, underwriting does change, but it is something that we're concerned about and was addressed before the project came before you.

CHAIRPERSON COURSON: Yes, Mr. Morris.

MR. MORRIS: On the net operating income, you've got down for the first year a little over $600,000 and then on the appraisal you show a cap rate of 10 percent. Can you explain to me how you got that number, because --

MR. STEINLE: I think maybe it's a partial year, if it's for the Housing Authority.

MR. MORRIS: If you have the second, the second full year it's 614.

MR. STEINLE: I'm sorry.

MR. MORRIS: Or even the third year. It's -- they're kind of tracking a little over $600,000.

MR. STEINLE: What I can say is that the staff analysis is accurate. I'm not in a position to speak to the contents of the appraisals today. I apologize for that.

MR. MORRIS: Okay. If you look at the amount of income in the total budgets costs, something's not right. Maybe somebody can explain that to me, how they come up with 10 percent.

MR. WARREN: The appraisal itself, this is a leasehold appraisal, and so we're taking into account the value of the lease. And I'm trying to see if that has -- let me catch up with you a little bit.

MR. MORRIS: It does take into account the lease payment?

MS. VAKILI: Yes, it does.

MR. MORRIS: Yeah. Right.

MR. WARREN: It should be, but --

MR. MORRIS: It does, but --

MR. WARREN: -- I believe it's also market unrestricted as well. It's lease payment with unrestricted rents. We benchmarked that from a market standpoint. Let me rephrase that, John, and speak correctly. When we appraise projects, we look at several values, the restricted value, the leasehold value, and the unrestricted value. For our credit analysis, what we look at is unrestricted value vis-à-vis a leasehold.

When we do that, we understand that the restricted value, the LTV may be a little bit higher. When we use the unrestricted value on the leasehold to then benchmark ourselves to the rents in the market as an unencumbered and unrestricted basis, that gives us a good view of where the rents are. That's how we view it.

If we have a very high LTV, for example, and we have restricted rents, then we'll revisit the restricted value and maybe lower our loan amount, because ultimately if we have to take the property back, it would probably be subject to the rents, restricted rents, on a long-term basis.

Most likely, if I recall, this is a market rate leasehold value; hence, it's higher if you capitalize the NOI, if that's what you're concerned about. The unrestricted NOI value is probably much higher than this or would be in our appraisal. So does that answer your question as to why? I think you're --

MR. MORRIS: It shows a cap rate of 10, but yet when I look at the cap rate, it looks more like 4, in essence. Something is -- something is --

MR. WARREN: The NOI on the unrestricted value is a little bit higher.

MR. STEINLE: It could possibly be the case that with respect to one of the values, tell me if I'm wrong, that at least with respect to the permanent loan that the credit value is -- or the construction loan, excuse me.

MR. WARREN: Yeah, it's the construction loan that has the credit value.

MR. STEINLE: And that would presumably establish the kind of LTV that, you know, makes this a secure transaction.

CHAIRPERSON COURSON: Other questions? Mr. Morris, are you --

MR. MORRIS: Yeah, that's fine.

CHAIRPERSON COURSON: Any other questions?

(No audible response.)

CHAIRPERSON COURSON: Okay. If not, a motion is in order, and let's be clear that we'll deal with these separately. So the first motion will be for the HACSC

Fairgrounds Family Associates loan. Is there a motion?
MR. MORRIS: So moved.
CHAIRPERSON COURSON: Mr. Morris.
MR. CZUKER: Second.
CHAIRPERSON COURSON: And Mr. Czuker seconds.
Is there any comment from the public?
(No audible response.)
CHAIRPERSON COURSON: Okay. Seeing none and with no further questions, we'll call the roll.
MS. OJIMA: Thank you.
Ms. Weir.
MS. WEIR: Yes.
MS. OJIMA: Mr. Carey.
MR. CAREY: Yes.
MS. OJIMA: Mr. Czuker.
MR. CZUKER: Yes.
MS. OJIMA: Ms. Dunn.
MS. DUNN: Yes.
MS. OJIMA: Ms. Wilson.
MS. WILSON: Yes.
MS. OJIMA: Mr. Morris.
MR. MORRIS: Yes.
MS. OJIMA: Mr. Courson.
CHAIRPERSON COURSON: Yes.
MS. OJIMA: Resolution 04-24 has been approved.

CHAIRPERSON COURSON: Now, are there -- I guess it's appropriate at this time to see if there are any questions on the second half of this combined project, either from members of the Board or from -- any comments from the public?

Linn, did you want to make a comment about that?

MR. WARREN: I do want to just comment that again, we're requesting for the ROEM project construction loan in the amount of $23 million, 165. Similar terms to the Housing Authority. The permanent loan on the ROEM project is higher, in the amount of $50 million, 290.

The expenses on the Housing Authority project are higher than the ROEM project. The lease payments are somewhat different; hence, the amount of money that can be leveraged and capitalized for the debt is more, hence, the larger loan amount. But for all other -- all other issues, we are essentially as before on the values.

So with that, we would like to recommend approval. I believe the numbers again, Mr. Morris, your point on the appraisals, those are -- include the tax credit equity during construction, that's why the lower LTVs.

CHAIRPERSON COURSON: Mr. Czuker.

MR. CZUKER: Before we move on to approve it, perhaps we could spend another minute just understanding the lease and the leasehold and how that works, what's the term, and you have the right to buy at the end of the term, perhaps go through that.

MR. WARREN: Matt, come on up.

MR. STEINLE: The basics, it's a 75-year term. There is both a noncontingent and a contingent component to the obligations of the tenant. The noncontingent amount with respect to our project is a little over $236,000 a year. It's a lower figure, which is kind of historical in nature with respect to the ROEM project. Just as an aside, the reason why it's lower on the ROEM project had to do with the time in the entitlement process where it was going to be 75 percent qualified basis project and where the market -- the portion of the units which were not to be restricted to loan to occupancy in essence is a drag on the transaction, and, therefore a lower basic ground rent which required the project be feasible.

When feasible, when it later became a 100 percent qualified basis project, obviously it could support somewhat more in terms of ground rent holding constant in the amount of subsidy being the basis that otherwise would have been made available, but the City of San Jose looked at that and put in the amount of subsidy that they felt was appropriate, given the fact that it had a lower basic loan for the project, a lower basic ground rent payment obligation, how that might look when one is looking at two projects to be carried through, but that's the historical reason for that difference.

The County simply did not elect to go back and attempt to renegotiate that ground rent payment in an environment where the city funding available was constrained. And they felt that in trying to raise the ROEM project up to our level, they could put themselves in a position where neither project was in a position to go forward because of a relative lack of availability of city subsidies. They could have, as an alternative, elected to reduce our rent and raise the ROEM project's rent, but they did not do that and both of our projects work. And it's certainly not material in any way regarding the security and the stability of the projects.

I may be answering a question that had not arisen in your mind, but it's one that could reasonably be raised, based upon the text of the two projects that's before you today.

MR. CZUKER: On a per-unit basis, the cost on the second project appears to be higher, not just in gross costs, but also per unit costs.

MR. STEINLE: I believe that it is somewhat higher, and Dan can speak to that. But they are being built by different general contractors. I believe that the higher costs are driven by an entirely different architectural format for the one project. There is one additional story and it's an elevator service project; and the costs appear to be consistent with the market for both projects based upon information that we're getting, as we test the subcontractor market.

Dan, I don't know if there's something you want to add to that.

MR. GONCHAROFF: Dan Goncharoff. I'm with ROEM Development.

One of the things is that there's actually -- their project is actually three story, ours is four. When you go up to four stories, the prices just escalate exponentially, the fact that there's steel and all those factors. We've actually currently bid out another project recently that's four story, and that's where we got the estimated costs. They're very comparable in that fact. So that's one of the main reasons why the cost difference is, the fact, you know, they have three stories, their elevator only goes up to the podium. We have, you know, a couple of elevators. They go all throughout the four stories.

CHAIRPERSON COURSON: Other questions from the Board?

(No audible response.)

CHAIRPERSON COURSON: Any comments from the public?

(No audible response.)

CHAIRPERSON COURSON: Okay. If not, this motion would be to approve the Fairgrounds Luxury Family Apartments, LP, ROEM. Is there a motion?

MR. MORRIS: So moved.

CHAIRPERSON COURSON: Mr. Morris.

MR. CZUKER: Second.

CHAIRPERSON COURSON: Seconded by Mr. Czuker.

Call the roll, please.

MS. OJIMA: Thank you, Mr. Chairman.

Ms. Weir.

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Ms. Dunn.

MR. WARREN: Yes.

MS. OJIMA: Ms. Wilson.

MS. WILSON: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 04-25 has been approved.

CHAIRPERSON COURSON: Thank you. Thank you for coming and joining us today and helping us better explain and understand the project and for all the work.

Okay. Let's move on. Moreno Valley, Riverside.

Resolution 04-26 (Casitas del Valle, Moreno Valley/Riverside)

MS. WHITTALL-SCHERFEE: Ken Tamizato is going to present Casitas Del Valle to the Board.

This is a final commitment request for a proposed 40-unit apartment complex in Moreno Valley in Riverside named Casitas Del Valle. It is a request for a construction loan and a permanent loan. You'll see that there is a handout that's been provided because an additional thing that we wanted to do was give you a look at an alternative project summary and financial summary page. We've been trying to find ways to maybe clarify what we're doing in our construction underwriting, and in so doing, we neglected to include the unit mix, so that has been provided to you as a handout, and you will see that back within the actual financial summary sections.

However, we would ask that you provide us with feedback at a later date as to how the Board feels about having the financing summary on page 216 be divided up between construction and permanent so you can see what sources are there during construction and what sources are there during the permanent financing, as well as the unit mix and rent summary page that's on page 217. And there are some changes that have also been made to the sources and uses page on 218.

What we did was we presented the construction loan breakdown first, everything that was being used during construction, and then we show in the second set of columns the permanent loan. And we show the loans that are basically going to stay in during the permanent loan, and the only other uses that you'll see are the uses that are used to fund the permanent loan, things like permanent financing fees and reserves that need to be funded.

CHAIRPERSON COURSON: The Chair, I'll just speak for myself and tell you I find the format is much more user friendly in terms of trying to flip back and forth through pages and lining it out this way. From my personal standpoint, I found it very helpful, a good presentation.

MS. WHITTALL-SCHERFEE: This was the only project we wanted to present this way to you today so that you could take a look at it, see what you thought about it, and see if you would like us to use it on a go-forward basis, particularly on our construction loans.

But back to the project. This is a final commitment request for a construction loan in the amount of $5,250,000, 18-month interest only. It's partially tax exempt and partially taxable. It has a small taxable tail in the amount of $450,000 and a $4.8 million tax-exempt loan. Then it would have a permanent first mortgage of $930,000 at 5.5 percent for 20 years. And it will be tax exempt as well.

There's other financing that's been provided. Housing and Community Development is providing an MHP loan in the amount of a million, seven. And there's also a supportive services loan from HCD in the amount of $295,237. AHP grant money is also in place for $200,000, and the Redevelopment Agency is providing a loan in the amount of $1,729,929. All of these are 55-year terms, 3 percent interest rates, and residual receipts.

And with that, I'll ask Ken to walk through the project and explain it in a little bit more detail.

MR. TAMIZATO: This is the project. Currently, there are three parcels that will eventually be combined into one three-and-a-half-acre parcel. To the north in that road entry is Lamos Place, which is the entry road into the project. To the south of the project is the

60 freeway. Immediately to the east of the project is a Best Western hotel/motel, and the rest of the surrounding area is single-family residence.

This is a larger overview of the same -- of the lot. Here is Perris and, you know, which we're located right here is the Walgreen's Pharmacy. There's a bus stop here. Over in this area is the elementary school. There's another elementary school further up. To the south over here is the family medical clinic, and immediately a little bit further south is the local library and two high schools.

This is from the project's north side facing southeast. Again, this is the Best Western motel, and this is that top piece that you saw on the prior map. This is from the south end facing north. There's a drive, a road already referred to as Pace Drive. That will not be going through. There will be a small hammerhead just situated just on the edge of the property. To the north again, you see Lamos Place and with a drive just to the right.

This is a slide, not very nice, but it shows the property facing the 60 freeway. We do have an acoustical report that has recommended that additional insulation will be required, you know, for the property, especially on the south and east sides of each of the buildings.

Here again, this is another one of the property facing east. This is that top piece that was shown on the prior units on the prior screens.

This is an elevation of two of the buildings. The top building is the only single-story building in the project. The bottom one is the community building with residential units up above. One of the residential units will be the manager's unit.

Here again, these are another -- copies of another elevation of -- this is one of apartment units. Down below on the Building E are the townhouse units that are part of the project. All the buildings will be concrete slab wood frame construction with exterior stucco and tile roofs.

Again, this is another elevation of one of the other buildings included in the project. This is a map of the project. This is a road that will have to be constructed. This will be a continuation of Lamos Place that will eventually connect with Oporto. Immediately to the right of this is an existing fire station. And again, this is that hammerhead or end of that Pace Drive that I referred to previously.

All of the rents in the project are 60 percent or below of AMI and rents range when compared to the current market from 27 to 72 percent of market. The demand for this particular project is very high. There are only four affordable projects in the market area, and none of them have any vacancies, and there are long waiting lists.

MS. WHITTALL-SCHERFEE: The borrower for the project will be Casitas Del Valle Housing Associates, a California limited partnership. The general partner will be Coachella Valley Housing Coalition. You may be familiar with them because they are the developer and the nonprofit on Coyote Run II, which was approved by this Board two or three Boards ago. Coachella Valley Housing Associates has developed nearly 2,300 units in Riverside County, and they have provided approximately 1,400 rental apartment units for families of farmworkers and those with special needs.

And with that, we're asking you for your approval, and we will entertain any questions you may have.

CHAIRPERSON COURSON: Are there questions on this project?

(No audible response.)

CHAIRPERSON COURSON: Any comment from the public?

(No audible response.)

CHAIRPERSON COURSON: Okay. Seeing none, then a motion would be in order.

MR. CAREY: I move approval.

MR. CZUKER: Second.

CHAIRPERSON COURSON: Mr. Carey. And Mr. Czuker seconded. Call the roll.

MS. OJIMA: Thank you.

Ms. Weir.

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Ms. Dunn.

MS. DUNN: Yes.

MS. OJIMA: Ms. Wilson.

MS. WILSON: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 04-26 has been approved.

CHAIRPERSON COURSON: Okay. Thank you. The Dublin Transit Center project.

Resolution 04-27 (Dublin Transit Center, Dublin/Alameda)

MR. WARREN: For our last two projects of the day, Tina Ilvonen, who will double on the next project.

Dublin is a 112-unit family project located in Dublin, in the east bay of the Bay Area. It is part of a 91-acre planned unit development and will partially satisfy the inclusionary affordable housing requirements of the City of Dublin.

The request in front of you today is for a construction loan in the amount of $23,420,000. It is a variable rate for 22 months with a taxable component. The permanent loan is for $6.2 million, 5.7 percent interest rate, 30-year, fully amortized. As with other projects, there's a fair amount of subordinate financing support. There's a sizable MHP loan from HTD in excess of $7 million, approximately $7.5 million. Supportive service MHP for $254,000. Alameda County is contributing with their own $4 million loan, as well as a grant which was used to replace other property for surplus land authority for $3,120,000.

So with that, I'm going to ask Tina to run through the project.

MS. ILVONEN: Okay. This two-acre site right here is the subject of the loan request. This 91 acres outlined here is the entire Dublin Transit Redevelopment area. This is 580 right here, and here is the BART station. This is a close-up of the site. The BART parking lots here and here will be redeveloped into multifamily residential housing, and the BART station will remain over here. They will also be building a BART parking lot, parking structure.

This property is owned by the Alameda County Surplus Authority, and the limited partnership will take fee ownership of the site at construction close. The property, the entire 91 acres, is subject to the City's inclusionary zoning requirement. 100 percent of the affordable housing requirement is being met in this two-acre property with the rents restricted to 50 percent and 60 percent of the AMI levels.

While we have this set up, I want to talk about the environmental. The property has received its Phase I and soil sample reports. There were a few issues that ACC Environmental were concerned about. There were former railroad spurs and also former aboveground propane tanks identified during the aerial paragraphs. The soil sampling that ACC did concluded that there was no evidence of soil impact at all. URS has reviewed the reports completed to date and is waiting to review the soil sampling results of the proposed soil before issuing their final report.

This is the BART station. It's just a few blocks away from the property. This is the site plan for the entire 91 acres to be redeveloped. This is going to be an Ikea right here. This is a site that has been developed. This will be other office space, other office space. This will all be high-density multifamily housing. This is a park, 12-acre park. This is a one-acre park. And this is Iron Horse Trail. I forget where this connects, but this a long trail, a long hiking trail. And this is 580 here and the BART station here.

There will be 1,500 residential units on sites A, B, and C, and 2 million square feet of office space on sites D and E, with 70,000 square feet of retail uses.

MR. CZUKER: On that slide before you change, where is the site?

MS. ILVONEN: The site is right here, this two acres right here.

And this is a close-up of the site. As you can see, the building envelope takes up almost the entire site. There is a strip of landscaping right here and an access road that will be private. And there's 160 ground floor parking spaces with access from this street.

This is a 3D -- 3D picture of the site. There will be 112 units with a mix of flats and townhomes with individual hydronic heat and air conditioning systems. Amenities will include a community center, a leasing office, a barbecue area, tot lots, and laundry rooms.

This is an elevation of the site. The buildings will be four-story Mediterranean with on-grade parking, and three stories of residential, wood framed with stucco exteriors and an interior courtyard.

This slide shows the rents. Rents are at all different rent levels ranging from 20 percent to 60 percent of AMI. And the market study that was completed said that the project would need to capture between 4 and 14 percent of the demand, depending on the unit type.

And I think I will stop there and open it up for questions.

MR. WARREN: Just a comment. We have a particular construction loan at this juncture. It's a 94 percent LTV, which exceeds our normal 90 percent guidelines. It's a very fairly conservative number today. When the final tax equity does come in, there will be a reappraisal. I will point out, though, on the construction sources and uses you will see that $4 million of locality money will be coming in ahead of ours, and there's also a fairly sizable contribution compared to other projects at $1.6 million in tax credit equity which will also come in during construction. So we're comfortable with the 94 percent, although we're going to revisit that value prior to close.

So with that, we'd be happy to answer any questions.

CHAIRPERSON COURSON: Questions on the Dublin project? Mr. Czuker.

MR. CZUKER: Thank you.

Mr. Warren, you just articulated the loan to value, but if you go to loan to cost, you're reflecting 73 percent. So on a cost basis, it seems to be okay relative to all the sources and uses, with the one comment that I'd like to ask you to address, which is this appears to be a high-cost project in the over $300,000 a unit -- and the --

MR. WARREN: Sure.

MR. CZUKER: $302,378 seems very high, especially in terms of the high cost.

MS. ILVONEN: There are high costs on this project. The land costs $3.1 million, that's $28,000 per acre. If you take that out, the costs are $274,000 per unit. The land at $3.1 million is being donated by the Alameda Housing Surplus Authority and they are -- they are donating $3.1 million to the project, which kind of offsets the land value that is in the uses.

In addition, the -- most of the costs are hard costs of construction. There's $174,000 in hard costs, and that's just the way it is. Costs are -- costs are very expensive right now with the cost of steel, lumber, and prevailing wage. So those are the big ticket items.

MR. WARREN: I would also point out that the impact fees are in excess of $32,000 a unit.

MR. CZUKER: That's a biggie.

MR. WARREN: That is a biggie. So if you back those down, it gets back down into a more reasonable range. Still it's on the expensive side. Steel costs are up 60 percent. It's a very tough time this year. We'd like to see them higher, quite frankly, in that structure.

CHAIRPERSON COURSON: Mr. Morris.

MR. MORRIS: Maybe it's due to the Olympics in China.

MR. WARREN: Where most of the steel is coming right now.

MR. MORRIS: Yeah, that's right.

What is the timing of the other projects that are part of this surrounding area?

MS. ILVONEN: They're planning on starting construction in March 2005. They're planning on doing the grading before then, but they will be starting --

MR. MORRIS: So the office, the retail and the other portions will be started in March?

MS. ILVONEN: Oh, I'm sorry. You asked about the other.

MR. MORRIS: The other -- the other projects that are a part of this surrounding area, the IKEA, the office that you showed on the slide.

MS. ILVONEN: Oh, the IKEA.

MR. MORRIS: That you showed on the first slide.

MS. ILVONEN: The project approval is in place, but I don't know exactly what the timing is on starting the other -- the other 91 acres. I can ask the developer who's here.

MR. MORRIS: Is he here?

MR. WARREN: Yeah.

MR. MORRIS: Can you go back to that slide.

MR. WARREN: Yeah.

MR. KWONG: Actually, the IKEA project is up here on this big parcel here, and it was approved more than four months ago. The status on that, I'm not quite sure. But Avalon Bay and Western Pacific are doing their -- half of this lot will be condos for sale at market rate and the other half will be mixed use developed by Avalon Bay. I think they're going on the same schedule as our projects, starting construction early spring next year.

CHAIRPERSON COURSON: And the office space?

MR. KWONG: The office space, I don't have the latest information, but the current site, corporate offices, already exists right here. And the other one, we -- I don't have the latest. I'll have to call to see what the status is of that, but my understanding is the Ken Park Army Reserve is the parcel right here, will be next with the City for future development as well.

MR. WARREN: So at a minimum, we're going to see development starting next year coincident with our project?

MR. KWONG: Yeah. They're immediately adjacent to it, which is Avalon Bay and Western Pacific.

MR. MORRIS: Thank you.

CHAIRPERSON COURSON: Other questions?

Mr. Carey.

MR. CAREY: One of the parts of the units has to capture up to 14 percent of the demand?

MS. ILVONEN: I think the three bedrooms at the 60 percent level.

MR. CAREY: Are we comfortable with that kind of --

MS. ILVONEN: Yeah. I think the -- the market study seemed that it was very conservative. They had a very small demand area. And I think that the market study was very conservative, just assumed that people would be coming outside of that area.

MR. CAREY: Okay.

CHAIRPERSON COURSON: Other questions?
(No audible response.)
CHAIRPERSON COURSON: Any comments from the public?
(No audible response.)
CHAIRPERSON COURSON: If not, then the Chair will entertain a motion.
MR. MORRIS: So moved.
MS. DUNN: Second.
CHAIRPERSON COURSON: Morris.
MS. DUNN: And I seconded.
CHAIRPERSON COURSON: Dunn seconds. Call the roll, please.
MS. OJIMA: Thank you.
Ms. Weir.
MS. WEIR: Yes.
MS. OJIMA: Mr. Carey.
MR. CAREY: Yes.
MS. OJIMA: Mr. Czuker.
MR. CZUKER: Yes.
MS. OJIMA: Ms. Dunn.
MS. DUNN: Yes.
MS. OJIMA: Ms. Wilson.
MS. WILSON: Yes.
MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 04-27 has been approved.

CHAIRPERSON COURSON: Okay. And our final project is the Mission Gateway Apartments.

Item 5: Discussion, recommendation and possible action relative to final loan commitment modification for the following project

Resolution 04-28 (Mission Gateway, Union City/Alameda)

MR. WARREN: This is a loan modification request. The Mission Gateway Project is being developed by Mid-Peninsula Housing. At the time of the approval, there was an attempt to go forward with a fairly aggressive time schedule. The sponsor was unable to meet that and did incur cost overruns which Tina will indicate.

The request today is for a modified first loan amount of $6,730,000. That's an increase from $6,575,000, a modest amount. The majority of the increase in the lender loan. Currently it's $18 million, 515. That is now being increased to $21 million, 515, primarily for the purposes of qualifying the project for additional tax credits.

So with that, Tina, you want to run through some of the issues with us?

MS. ILVONEN: Sure. This is the outline of the site. Mission Gateway is located at the north end of Union City along Mission Boulevard. There are two parcels separated by Dry Creek, which is right here.

This is another -- another view of the site. This is Mission Boulevard right here.

This loan was originally approved in May 2003, and Linn just said what the numbers were, so I'm not going to say that again. Since May 2003, all the environmental testing has been complete and been reviewed by our environmental consultant. In addition, all the single-family homes, the mobile homes and the retail that were along Mission Boulevard has been demolished.

This is an elevation of the site. The request is to increase the lender loan by $3 million and the permanent loan by $155,000 due to higher than anticipated building costs.

Another building elevation. Construction was originally expected to begin in September 2003 with J.R. Roberts, but the bids came in $3 million higher than expected due to increases in labor, lumber, and steel costs. Mid-Peninsula Housing rebid the project in the fall of 2003, and even with value engineering, the costs were still $3 million higher than originally budgeted.

They chose W.E. O'Neil as their final contractor, and the contract was signed in June 2004.

This is an outline of the project. You can see there's a community building here, a pool. There's volleyball and basketball here and a tot lot here, and there are three buildings on the podium level.

These are the rents for the project. And, let's see, this page is actually missing some of the things that the City requires as well as their increased contributions. The City increased their contribution by $1.4 million, and equity increased about $2.6 million. The City required four additional 17 percent AMI's, one unit at 45 percent AMI and one unit at 55 percent AMI, so those are not on here.

This -- these market rents are from the new market study that was required because we're going back for an additional allocation. The construction loan actually did close last week and with Wells Fargo Bank as the lender. And the permanent is expected to happen in August 2006.

So with that, I'm happy to answer any questions.

MR. WARREN: As Tina mentioned, this is a loan-to-lender situation. The construction period risk is held by Wells Fargo, not by the Agency. Even though we are a capital source for Wells, they're the construction lender for the project.

CHAIRPERSON COURSON: Questions on the project?

Mr. Czuker.

MR. CZUKER: I think the staff has done a good job in dealing with the circumstances here and so has the sponsor in increasing uses -- or sources, rather, excuse me, from bringing in the city RBA, additional proceeds, and increasing the tax credit equity to help mitigate the cost increases. I note that the debt coverage ratios in starting out of the gate are -- still seem high and healthy, and I move to support the project and its modification. I'm happy to make that motion, if there's no other comments.

CHAIRPERSON COURSON: Okay. There a second?

MR. MORRIS: Second.

CHAIRPERSON COURSON: Mr. Morris.

Any additional discussion from the Board, any comments from the public?

(No audible response.)

CHAIRPERSON COURSON: Seeing none, we will call roll.

MS. OJIMA: Thank you.

Ms. Weir.

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.
MS. OJIMA: Mr. Czuker.
MR. CZUKER: Yes.
MS. OJIMA: Ms. Dunn.
MS. DUNN: Yes.
MS. OJIMA: Ms. Wilson.
MS. WILSON: Yes.
MS. OJIMA: Mr. Morris.
MR. MORRIS: Yes.
MS. OJIMA: Mr. Courson.
CHAIRPERSON COURSON: Yes.
MS. OJIMA: Resolution 04-28 has been approved.
CHAIRPERSON COURSON: Thank you. That completes our review of the projects today. I appreciate the Board's input and particularly the staff. I know they worked hard. We obviously had a large number today, and I know Linn and his staff have worked diligently to put these together; and I think the presentations in our opportunity to get our questions answered was good, and we appreciate that.
MR. WARREN: Thank you very much.
Item 7: Closed session
CHAIRPERSON COURSON: And we'll move on with the rest of our agenda, two more items. Let me mention to the Board that Item 7, the closed session, will not

be held only because, as we have announced, Terri's absence and being -- testifying, that that trial does continue on and so at such time as it's appropriate we can deal with the closed session with the results of that trial. But it is ongoing, as it has been for a few weeks and probably will be for a few additional weeks. So that item will not be a part of our agenda.

But we do want to talk briefly, we want to give Mr. Warren an opportunity to appear before the Board today, and so we will continue on and talk about the Housing Development Program and then move to the reports. And I believe that there is a handout at everybody's spot, Linn, that would have some of this information for us.

Item 6: Discussion of Housing Development Program

MR. WARREN: Back in May at the business plan session, we brought up a program which really combines the best elements or all the elements of the three lending divisions of the Agency, the multifamily construction lending, the homeownership with all of its programs, and the mortgage insurance division.

The objective for doing so is in talking with localities, we found that there is a real need for homeownership in infill areas, redevelopment areas, where the profile is primarily rental at this juncture. And these homeownership units when developed with commercial and retail present a very nice symmetry and revitalization to these types of projects. So it seemed logical to us that we combine the components of the Agency to try to facilitate the development of home ownership units essentially in these infill areas.

So that is basically what we did. We sat down with the two other divisions and came up with a series of programs to try to accomplish that very goal. As you can see from this first slide, it really does target those three, but the last bullet point was to configure lending products to the individual projects. It's usually the case that locality requirements may be such as far as resale requirements, levels of affordability and other factors, design, may require customization of our programs for these infill projects, so we go into this program understanding that they will probably not be cookie cutter. It will be variable on a per-project basis.

We originally talked about doing this infill adjacent to redevelopment areas. We did want to draw some sort of demarcation between just doing homeownership development, could be homeownership with a larger purpose, and also to do the homeownership in conjunction with redevelopment. Clearly, the need for commercial and retail adjacent to the homeownership is necessary to support the interest and demand for the units, so we did want to link the two.

In our analysis of this, it also dawned on us that we do a fair amount a self-help building, lending to homeowners who supply sweat equity as part of their ownership contribution. And what that means, we found in discussing with the homeownership folks, is that it's a solid source of development financing for these self-help projects. So from those -- and these are primarily in rural areas, not in the urban areas -- we included that within the Housing Development Program.

But that said, the project types we're looking at are primarily condominiums and townhouses in the urban and city centers for single family and self-help type. We're looking at 10 to 50 units. That's somewhat of an arbitrarily number, but it seemed to be our experience in the type of homeownership developments that are done in the small redevelopment areas.

We do have some criteria. We do want to see strong markets in which there is a really unmet need for homeownership projects. In talking to localities, one of the reasons that we're promoting the program is that they very much want to have a limited number of lenders. They're often inundated with various lenders from a construction development standpoint, and it seemed to make their process far more simple if they could deal with fewer lenders and even more simple if they just had to deal with two or three; hence, our desire to simplify their processes.

The next few slides will kind of give you a brief overview of what the parameters are from the development standpoint, our construction loan standpoint, at this juncture. These are taxable loans, full recourse, very similar to what we're doing today. They will be Libor based at a variable rate, at this junction a 200-basis-point spread over the Libor index. Prevailing market for HUD's condominium development loans ranging from a 250-basis-point spread to 300. It's important for us to keep under the market and translate that into increased affordability.

The Agency needs to participate with the lenders. We can either be lead or participant. We want to encourage working with local banks, particularly in the self-help area, community banks that are involved in these infill projects. We work with them on a collaborative basis as joint funders. We think that's a very good partnership that we should pursue.

From an underwriting standpoint, we will have limits. The loan to value in this case was 80 percent bulk sale value. That's another way of saying liquidation value. In the event a project fails from a for-sale standpoint, we're in the upper-end valuation tests, which means if you have to liquidate or make it a rental project, what is the bulk value.

From a loan limitation standpoint, we told the folks we're going to be doing business with that upwards of $20 million. On the project I'm going to talk about in just a moment, that is the level that we're looking at. But that's a comfortable number for us. It's a little bit lower than what we normally do, but this type of development financing has an inherently greater risk than pure multifamily. Consequently, we are going to cap our responsibility at $20 million. And that's pretty consistent with industry norms. One project we're talking about, the pieces of the loan participation are all coming in around $20 million, so we think that's a nice round number.

From an underwriting standpoint for us to release units under our development loans, we're looking at 30 to 40 percent presale of the units on average.

Our homeownership folks, one of the things that we've asked them to look at in addition to their very good payment assistance projects and loan projects today, is there a necessity to introduce a BLOCK forward or extended term forward commitment loan. Right now, homeownership offers forward rate locks on new construction for six, nine, and 12 months. You'll vary lock rates during the period between one and a half to two and a half to 3 percent, depending on the lock and the product.

One question that we have asked them to look at or one issue for them to look at, is it practical for us to offer a longer lock, 18 months, perhaps, on certain types of projects, and how do we price that? And that's something that's under discussion.

The benefit of the forward rate lock really hasn't been necessary in the rate environmental the last couple years. Rates have risen now, and developers are coming back to us and asking what kind of forward lock program can we offer. If rates go back down, then, you know, the affection for those types of projects goes away and we're back to what we have. We're trying to anticipate a series of products which we can roll out given whatever the rate environment might be.

The last bullet point relates to package of programs. Some down payment assistance programs may not apply, depending on what localities are offering, so we do want to give localities and sponsors the ability to pick and choose from a menu of products that we can offer.

The third leg of our involvement is mortgage insurance, and this is possibly one of those projects in which we may not be able to offer our mortgage bond programs or some other lender wants to be involved in the take-out financing. Not only can we insure our own, but we can also insure other loans that are being used to take out. And as you can see from the bullet point, we have less restrictions than we have with the homeownership program. This increased flexibility will allow us to help those particular take-out loans.

The last bullet point is very important. On a case-by-case basis, we can calibrate our exposure for this type of project. So if we feel it's a higher risk from a demand standpoint, from a construction standpoint, we might dial back our involvement. If we feel the market is very strong, then the percentage of the loans that are insured under the mortgage insurance division may increase on a case-by-case basis. It's very much market rate driven. Again, it comes back to the theme of customizing the loan products which go around the restrictions embedded in the project, and the inherent risk of those type of projects.

The project that has come to us first is a little bit larger than what we had anticipated. It is a

224-unit condominium project located in downtown San Francisco adjacent to the Mission Bay Redevelopment area and the campus for UCSF. At this time, there are 150 units that are below market which are targeted for borrowers at a hundred percent making a hundred percent or less of median income and there are 54 market rate units. Again, here's an example of where, if the income limits are too high, then the mortgage insurance division could assist in insuring the loan.

The project costs are not insubstantial, $75 million, typical for something this size, and the 6,000 square feet of retail commercial. The developer is A.F. Evans, who we know very well, and Art and his folks are very savvy, and very good at influencing investors. His division is involved; an equity investor who is involved, and his name is Tishman.

We are talking about a development loan in participation with another major bank, upwards of $20 million. We will not be the lead lender. We anticipate somebody else will be. That's kind of at our request. Coming out of the box with something this size, we prefer that somebody else take the lead and we will follow along. But the benefit of our below-market rate financing both on the development side and on the homeownership side, we want to be able to facilitate deeper affordability on the for-sale units. That's a quid pro quo for our involvement.

At the juncture, we are planning on offering mortgage insurance for both restricted and market rate, depending upon the situation, and on the purchase loan for our homeownership. The City of San Francisco does have resale restrictions. Occasionally, we've run afoul of those, depending on our marketing guidelines, so we'll be looking at those documents to see if we're comfortable with them. If we're not, then I think we probably can't use the MRB program, but it's a case-by-case basis. Localities all have their resale restrictions of varying types and flavors, and again, going back to the theme of case by case, we'll examine those and see where we can help and where we can't help.

So in a nutshell, this is where we're headed. One of the reasons that we wanted to bring this to the Board today is that in November this King Street project may be up for consideration. Construction on King Street is scheduled to start sometime next spring, and we would probably want to ask if we're comfortable with the project for some form of commitment in November, but that's to be determined. But I would like the Board to see this now so it would not be a complete surprise.

So with that, I'll be happy to answer any questions.

CHAIRPERSON COURSON: I think clearly as we went through our business plan for the coming year as we talked about, in many of our programs particularly in the homeownership side, the private market, has successfully really handled many of the historical types of loans, first mortgage loans, second mortgage loans, down payment assistance, that CalHFA has done. The private market has stepped up over recent years, and yet there still is a great need in low and moderate income housing and it's the issue of supply.

And that's where, as we talked about in our business plan and looked at, this talking about developing the ability of California Housing Finance Agency to get involved in meeting that demand and getting involved in the supply by taking our resources from various parts, our construction capabilities, our multifamily and our single family and combining those to see if we can't get into the cities throughout the state and provide the infill capability and supply capability.

That's what was part of the plan looking forward, and Linn brings this forward today as sort of a heads-up that we talked about, and it is part of our plan, our ongoing plan, to meet the housing issues in the state. And we may have an opportunity to take a look at a specific project that would combine all these elements for us and all of our different resources in November.

Mr. Czuker.

MR. CZUKER: Thank you.

Linn, I was wondering if staff for the Agency has considered in this process the ten-year construction defect liability that will run on projects like this and what exposure does that have to the various participations the Agency might participate in, as well as any reserve requirements or restructure to a typical deal to accommodate, what is the construction defect liability or contingency for a lawsuit down the road?

MR. WARREN: We have looked at it and continue to look at it. We're looking -- in discussions with our insurance provider, Driver Associates, one of the questions that we put to them early on was is there some sort of insurance vehicle that we can use, given our bulk pricing that we use for insurance and how can we leverage that to the benefit of the project. That's about as far as the discussion has gone, but that's going to be up there as an issue to be discussed right along with how we underwrite these things.

And one of the issues that we have is when we deal, for example, with smaller nonprofits that are asked as part of the development to build, who knows the experience they have in dealing with that. Can we offer them something from an insurance standpoint to help them with that? If we can't, then how are we going to hedge our long-term risk? I think the straight answer, Mr. Czuker, is it's foremost in our mind. We haven't formed a solution yet. We're going to have to deal with that before we go a whole lot further. It's an issue to the point it's going to kill some projects if we don't deal with it.

CHAIRPERSON COURSON: Ms. Dunn.

MS. DUNN: Thank you, Mr. Chairman.

I just wanted to commend Linn and his group for his work there. It certainly as well dovetails with the business plan as well into what the administration is looking at in focusing the next term on some significant legislation with regard to increasing land supply 20 -- for a 20-year period in appropriately zoned areas at appropriate densities with a real focus on infill refill, notwithstanding the fact that all supply can't be accommodated with just those areas, but it really is as typical of CalHFA that we try to stay two steps ahead of the curve here, and so good for you. I appreciate that.

CHAIRPERSON COURSON: Thank you.

Other comments?

Yes, Ms. Weir.

MS. WEIR: Is this the first time this type of single-family development program has come before the Board?

MR. WARREN: It came before the Board in May as part of the business plan, but this is the first time, Ms. Weir, that we've taken the next step because first we had to have a project to talk about.

Number 2, as we flesh out this program, this is kind of the guide right now, and each of the respective divisions have been tasked with coming up with their piece of it, so. And I suspect as we go forward now with the project approvals in the business plan, there will be other issues.

MS. WEIR: One of the things that I would look carefully at is development of track record in a single-family program, because multifamily deals usually are intimidating enough that first-time developers don't tackle them. Single-family developments, on the other hand, tend to be more approachable from developers that may not have that track record that we're really working for.

Also, in some instances there have been some single-family proposals that I've looked at in the past where the land-use pattern was an interesting one, lacking in side yards and back yards and things like that, which were struggling to make those single-family homes work on what was a fairly constricted site, and they weren't willing to go up to do the density that they needed to in order to make their project pencil out. And that's certainly something that I would be looking at, and I'm sure you're already there and looking at that as well.

MR. WARREN: One of the reasons that we're trying to hitch ourselves to establish the redevelopment areas is theoretically that's already been dealt with. We don't want to do something that's in an outlying area, a one-off transaction. We've told potential sponsors, for now, anyway, subjects that have been fully vetted in the hearing process, been through general plan updates, all of the above, don't ask us to step outside of that box because we're not ready to do that.

And not only for the public policies that you bring up, but it's a pure real estate issue. When you build something like this outside of the box, then you -- I've spent too many years many years ago with RTC unwinding many of these. But that is a concern, and this is -- this can be serious, seriously risky lending if you don't do it properly, yeah.

MS. WEIR: One last thought, the federal government, I'm sure as everyone aware, is looking a single-family tax credit. And would this program be designed to work in conjunction with that, I assume?

MR. WARREN: I think it would fit in very nicely. There are many issues regarding how those credits would be administered, compliance issues on single-family tax credits, but the basic theory is if you go with a developer who can use the credit for self-credits, then the basic delivery mechanism is the same. It's an additional equity source, which if done properly will drive down costs, but drive up the affordability, which is really what we're after, and to the extent we can leverage home ownership tax credits with loan programs, so much the better.

CHAIRPERSON COURSON: Ms. Dunn.

MS. DUNN: Thank you, Mr. Chairman.

Just one last comment following on Mr. Czuker, and I actually prefer construction dispute versus construction defect, because I think there's a presumption there. Anyway, with regard to construction dispute issues for me, I'm wondering if as you're looking at those that SB 800 and the right to repair that some developers are now taking advantage of, I know some of the reviews are mixed on that, but I'm hoping that at least that might allow you a little more freedom to look at those in the future.

MR. WARREN: I think so, and I think the current state of construction dispute --

MS. DUNN: Thank you.

MR. WARREN: -- certainly is different than what it was several years ago. And that is welcomed. At least it gives us a different trend to work off from. It's the whole dispute issue and how you deal with a product that is very much in flux right now. And one of the reasons -- King Street is a bit of an exception, but one of the reasons we're trying to keep the projects small is to mitigate our overall risk as a whole on this issue. It won't go away, but we can lower it.

CHAIRPERSON COURSON: Mr. Carey.

MR. CAREY: I don't want to leave Ed being the only one looking for the clouds and the silver lining. Are you confident that the Agency's participation won't bring the prevailing wage to bear on the single family?

MR. WARREN: The Agency's participation will bring prevailing wage to bear. It is required. That's why we're dealing with urban areas with the exception of self-help. It does not apply to self-help. That is an issue, Mr. Carey, and fortunately the self-help is exempted from that, which helps a lot. But regrettably, if you look at smaller cities, for example, outside of San Francisco, if they wanted to do something like this, it's a redevelopment by any other name and it may not be in a prevailing situation, but our money would trigger it if we have participation, and that is one of the drawbacks.

MR. CZUKER: Even if it's taxable and not tax exempt?

MR. WARREN: That's correct. Any lending that we do under our particular chapter would trigger prevailing wage.

MR. CAREY: It creates a daunting obstacle in the development of single-family housing.

MR. WARREN: It does.

MR. CAREY: And I wonder if there's some way to structure the long-term affordability restriction that would meet the BMIR exception. I don't know.

MR. WARREN: It is something that we have to look at, I think. With the multifamily, prevailing wage is part of the cost within the industry. This particular prevailing wage issue, we've not had much time to talk with our legal folks and members of general counsel, but we did have a discussion before this meeting about that. I proposed several solutions, none of which were immediately adopted by our attorneys, but...

MR. CAREY: You're talking to the lawyers. That's the problem.

MR. WARREN: Well, actually, they indicated that perhaps there are alternative ways to look at it, but it's an honest-to-God issue. I mean it really is. We've already had several projects that have come to us with which we cannot proceed because of the prevailing wage issue for that very reason. And at this junction, Mr. Carey, it is what it is.

CHAIRPERSON COURSON: Other questions?

(No audible response.)

CHAIRPERSON COURSON: A good discussion.

MR. WARREN: Thank you very much.

CHAIRPERSON COURSON: I appreciate the heads-up and we'll see where we go.

MR. WARREN: We'll see where we go.

CHAIRPERSON COURSON: We'll get the first project, perhaps in November.

MR. WARREN: Thank you, Mr. Chairman.

CHAIRPERSON COURSON: Thank you.

Item 8: Discussion of other Board matters and reports

CHAIRPERSON COURSON: The last item I'd like to draw everyone's attention is the reports on our swaps. And there is -- Bruce Gilbertson is with us.

And, Bruce, just a couple minutes on the draw down bond. That's a new -- a new piece here that we heard about in our workshop. I'd ask you to make a couple of comments on that.

MR. GILBERTSON: Certainly. Good morning. And I'd be glad to answer any questions that you may have on the other report as well. A lot of that material is material we covered at the Board workshop back on August 23rd.

But the second report that's in your Board binder on page 303 has to deal with the Draw Down Bonds Program of the Agency. The Draw Down Bonds Program is really simply a mechanism, one of several mechanisms that we have that allows us to preserve tax-exempt bond authority.

So this report discusses our July 29th transaction, where we entered into a relationship with one of our underwriters, where we could issue up to $1.2 billion in draw down bonds to preserve this tax-exempt authority. On the closing date, we did our first draw of $613.3 million. These bonds are issued in variable rate form, have interest rates based on an index. They're privately placed with the investment subsidiary of one of our underwriters, reduces the transactional costs so that this is a positive situation for the Agency, meaning that we're able to preserve the tax-exempt authority at minimal cost.

All of the proceeds were invested in guaranteed investment contracts, so we're protected in that area. And we have plans to issue or make subsequent draws under this $1.2-billion program over the next six or seven months.

Any questions on that report or on the variable interest rate report?

CHAIRPERSON COURSON: I just want to make sure that we spent the time, that's why I had Bruce share with us that draw down bond. This is a new report that we have before us at this time.

Item 9: Public testimony

CHAIRPERSON COURSON: Okay. Seeing none, is there -- at this point I would ask if there is any public comment or testimony to be presented before the Board?

MR. CZUKER: I think Elvis has left the room.

CHAIRPERSON COURSON: Elvis has left the room. And so, therefore, we will stand adjourned. Thank you all very much for your time today and hard work preparing for the Board meeting.

(Whereupon the meeting adjourned at 12:23 p.m.)

REPORTER'S CERTIFICATE

I hereby certify 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.

In witness whereof, I have hereunto set my hand this 15th day of September, 2004.

Yvonne K. Fenner

Yvonne K. Fenner
Certified Shorthand Reporter
License No. 10909, RPR

# CALIFORNIA HOUSING FINANCE AGENCY
## Final Commitment
## Fairgrounds Family Housing-HACSC
## San Jose, Santa Clara County, CA
## CalHFA # 03-064-C/N

**SUMMARY**

This is a final commitment request for construction and permanent loans to finance a 130 unit family housing project located at 350 Tully Road, San Jose (the "HACSC project"). The HACSC project will be developed by HACSC Fairgrounds Family Associates, LP, limited partnership, (HACSC) whose general partner is Pinmore HDC, Inc., an affiliate of the Housing Authority of the County of Santa Clara.

The HACSC project is being developed in conjunction with HACSC and an affiliate of ROEM Development Corporation (ROEM) on top of a podium with shared parking beneath. On the podium there will be two affordable housing projects totaling 300 units, owned separately by HACSC (130 units in four buildings) and ROEM (170 units in two buildings, defined as the "ROEM project"). The separate interests in the HACSC and ROEM projects consist of building airspace units, to be described on a condominium plan placed on the fee owned by the County of Santa Clara and leased to the developers.

Although there are separate ownership entities, both the HACSC and ROEM projects will be operated by a single property management firm as one 300 unit family apartment property with two building types, providing equal access of common facilities to residents of both projects.

**LOAN TERMS**

**Construction**

| | |
|---|---|
| **First Mortgage** | $17,240,000 |
| Interest Rate | 3.00%, variable |
| Term | 30 Months, interest only |
| Financing | Tax-exempt |

**Permanent**

| | |
|---|---|
| **First Mortgage** | $8,605,000 |
| Interest Rate | 5.70% |
| Term | 40 year fixed, fully amortized |
| Financing | Tax-exempt |

**OTHER FINANCING**

| Source | Type | Loan Amount | Term | Interest Rate | Repayment |
|---|---|---|---|---|---|
| City of San Jose | Loan | $8,997,431 | 55 | 4.00% | 50% of Residual Receipts |

The County of Santa Clara (County) will execute a 75 year ground lease with HACSC at construction loan closing. The lease is in final draft form and requires that HACSC pay an up-front payment of $199,999, which will be applied towards the cost of installing common area roads, lighting and utilities to serve the entire project. Commencing at permanent loan closing, HACSC is obligated to pay monthly lease payments for this project totaling$236,250 annually. Contingent ground lease payments in the form of 50% of annual net residual receipts will also become due annually, commencing the completion of the first full year of operations.

CalHFA's Regulatory Agreement will be secured against the County's fee interest during the construction and permanent loan periods. The deed of trust is to be secured against HACSC's leasehold interest, subject to satisfactory review and approval of the final ground lease and all other agreements as further described below.

Residual receipts payment of the City of San Jose loan is calculated based on net operating income after the contingent ground lease payment is made to the County of Santa Clara.

**PROJECT DESCRIPTION**

**Project Location**

- The project is located on Tully Road in central San Jose and is bordered by Highway 87 to the west, Senter Road to the east and Lewis Road to the south. The location is approximately four miles from downtown San Jose and 1.25 miles from Highway 101.
- Adjacent to the site is the remainder of the County Fairgrounds property to the south, an elementary school to the west and a fire department and single family homes to the east. The Valley Health Center is being constructed on the parcel, west of the subject.
- The neighborhood is a mix of older residential, commercial and industrial uses with some newer residential infill. Plans are underway to re-zone several properties in the area from industrial to single-family residential and retail uses. A zoning change is currently being considered for the redevelopment of a large industrial parcel, the former GE plant, one block away. This parcel will be developed as a "town center" retail facility with a grocery and drug store and other large retail users.
- A large grocery store is 1.5 miles away and several smaller grocery stores and a Costco are within two blocks. A regional mall and a full service medical facility are 3 miles away. An elementary school is adjacent to the site and a middle and high school are within ½ mile.

**Site/Common Improvements**

- This development is part of an 11.98 acre parcel owned by Santa Clara County and to be leased to ROEM and HACSC under two separate ground leases. Other uses of the site include a proposed 200 unit senior project (to be developed by HACSC by 2006) and a proposed 43-unit single-family project also being developed by ROEM.
- The land to be leased to ROEM and HACSC is 5.88 acre parcel, described as an airspace commercial condominium project. HACSC and ROEM will hold a fee interest in the buildings within each airspace condominium "shoe box." As a commercial condominium project, there will be an unincorporated association comprised of the two developers as its sole members.
- A leasehold interest in on-site common areas is to be held by the developers as tenants in common and governed by Covenants, Conditions and Restrictions. These common interest improvements, or shared use areas, include the parking garage, podium areas, pool, spa, landscape areas and access roads. ROEM will hold a 55% interest in common areas and HACSC will hold a 45% interest. Closing of the construction loan is subject to CalHFA review and acceptance of the final map, CC & R's and condominium plan.
- The shared use area also includes the 2,435 square foot community center for both projects, which is located in building F owned by ROEM. The community center contains the management offices, a computer room, and fitness and meeting rooms. This space is described as a sub-condominium unit and will also be leased as tenants in common.
- There will be a total of five laundry rooms which provide equal access to all residents of both projects.
- The cost of the shared improvements and all maintenance costs will be governed by joint use and maintenance agreements between the separate developers and the County, as applicable. All costs will be shared in the same percentages as shown above. The estimated costs will be capitalized annually out of operations through a reserve account. Construction loan closing is subject to review and acceptance of all use, access and maintenance agreements.

**Residential Improvements**

- The residential improvements on top of the podium consist of 130 apartments with a mix of 1, 2 and 3 bedrooms in four garden style walk-up buildings.
- The reinforced concrete podium is built over a semi-submerged parking structure containing 222 parking spaces (193 enclosed podium parking and 29 exterior) dedicated to the HACSC project. Access to the garage is from the east side of the building and is gated.
- Two elevators provide access from the garage to podium level. On-street access to the podium is via an entry intercom system.
- The buildings will be wood frame type V construction with stucco exterior, concrete tile pitched roofs and ample landscaped areas on the podium. The buildings will be designed as separate clustered areas to give a feeling of a smaller residential environment.
- The units will have air conditioning, a deck or patio and washer/dryer hook-ups.
- There will be one large laundry room on the ground floor of the HACSC project and four laundry rooms located throughout the ROEM buildings.

### Off-site improvements

- As a part of construction of the health clinic, the County has completed offsite improvements that are common to the clinic and also serve the 300 unit family project. These improvements include installation of storm, sanitary, water and electrical systems.
- There will be a main entry road from Tully Road providing access to the health clinic and connecting to a loop road. The loop road provides access to the residential uses only (the subject property, the 200 unit senior project and 43-unit for sale homes).
- The cost of the installation of the off-site improvements. The main entry road will be shared between the County and the developers and the percentage of shared cost varies from between 20% to 50%, depending on the scope of work. The cost split between HACSC and ROEM for these improvements is as follows: HACSC Family project 23%, HACSC Senior project 28%, ROEM Family project 33%, ROEM for sale project 16%.
- A reciprocal easement agreement between the County, ROEM and HACSC which describes the rights and obligations for maintenance, installation, use and access of the private streets, utilities, lighting and common landscape improvements will be executed prior to closing the construction loan. Closing of the CalHFA construction loan is subject to review and acceptance by CalHFA of all easement agreements.
- In addition to ample common area open space on site, a two-acre open space area is accessible to the residents on the adjacent school site owned by the Franklin McKinley School District. This recreation area will be available after school hours and is currently unimproved. The developers of the subject property will pay $300,000 for improvements including a soccer field, a baseball field, a picnic area and a walkway connecting the projects to the recreational area. The cost will be split between HACSC and ROEM as 45% HACSC, 55% ROEM. An agreement between HACSC, ROEM and the school district will be executed prior to the construction loan closing. As a condition of closing, CalHFA will review and approve this agreement and the cost of improvements is to be capped at a maximum of $300,000. The term of the agreement is not to exceed 20 years and ongoing operating costs are not to exceed the amount reflected in the operating budget. The ongoing maintenance costs are to be reviewed and approved by CalHFA prior to construction loan closing.

## MARKET

### Market Overview

- The rental markets in the Bay Area and Santa Clara County have historically been among the strongest markets in the country. Due to recent slowdown in the national and local economies there has been a softening of the rental market, resulting in stagnation and a 10% decline in market rents over 2001/2002 levels. During the same time, the median priced home in Santa Clara County has continued to increase annually by 15% to 18% per year. Only 22% of San Jose residents can afford a median priced home in San Jose, which as of June 2004, is $642,000.

- There are currently 4,000 households in the City of San Jose that are on a waiting list for the Section 8 program.
- The Primary Market Area (PMA) is defined as the corridor bordered by Capitol Expressway, I-680 and Highway 87. The population within this PMA in 2003 was 142,947 people, comprising 33,677 households. The population in Santa Clara County was 1,741,667.
- The average household size in the PMA was 4.81 persons in comparison with 2.95 in the County. The average household size in the PMA is nearly 1 ½ times the size of the County, indicating a higher demand for larger apartments. Therefore, 55% of the units in this project are two and three bedroom units.
- Of the households in the PMA, 38% were renters, which compares favorably to the County, where 40% of the residents are renters.
- According to the market study, the median household income in the PMA in 2003 was $64,021 and in the County, it was $86,127. The PMA median income is nearly $22,000 less than that of the County, indicating more demand for affordable housing in the PMA.

**Housing Supply and Demand**

- The market study reviewed eight comparable market rate projects totaling 1,843 units which are within a 3 mile range and were similar in size and amenities to the subject such as covered parking, gated entry, pool dishwashers, air conditioning and washer/dryer hook-ups. Vacancy rates ranged from 2% to 5% and rents for 1, 2 and 3 bedroom units ranged between 21% and 25% above the subject rents.
- Within a 5 mile range, four market rate projects representing 49% of market rate units contained three stories. Of these four projects, three projects totaling 44% of market rate units had no elevator access. Rents for these three story projects were in the upper range for those market rate projects and vacancy rates did not exceed 5%. Staff concluded from this analysis that in market rate projects, the lack of an elevator in three story walk-up apartments was not a detriment to rents or vacancies.
- The market study reviewed eleven comparable affordable projects totaling 1,864 units which were within a 3 mile range of the subject. Of the 11 projects, two of the projects are over 25 years old and one is in the leasing stages. Excluding the project being leased, the vacancy rates ranged from 93% to 98% and there are waiting lists for five of the projects.
- Of the affordable projects surveyed, 52% of the units were offered at rents of 60% of median and 41% were at 50% of median. The balance of 8% was offered at 30% to 45% of median.
- The market study concludes there is greater demand for units that have deeper affordability of 50% or less. The majority of the subject units, 92%, are offered at 45% and 50% of median. Less than 1% of the units are at 60% of median.
- The market study indicated that rents for the subject units at 60% should be offered below the maximum allowable TCAC rent levels. Therefore, the 9 units at 60% are actually 51% of median, which is well below the maximum allowable rents.
- There are currently 7 affordable and market rate projects under construction totaling 1,443 units, including the Branham Lane project, a 175 unit project with a commitment for permanent financing provided by CalHFA. Of the projects under construction, only 35% of the units will be affordable and most of these units are restricted to 60% of median. All of the projects are scheduled to be completed and leased up prior to completion of the subject.

## PROJECT FEASIBILITY

### Estimated Lease-up Period

- The project is expected to take 21 months to build and reach stabilized occupancy at 95% in fifteen months, assuming 15 units leased per month, per the market study. The construction and lease up period would, therefore, be 29 months.
- Although the market study anticipates renting the project at 15 units per month, a rent-up reserve of $483,734 has been capitalized in the construction budget in the event projections are not met prior to closing the permanent loan. In addition, construction period rental income is assumed to accrue and is considered a source of funds, but at a more conservative rate of 10 units leased up per month.

## ENVIRONMENTAL

A Phase I Environmental Assessment report was completed on June 4, 2004. The report concludes that some additional testing is required due to previous agricultural uses. An updated Phase 1 will be required prior to close of the construction loan. Closing of the construction loan is also subject to compliance with recommendations made by the updated Phase I.

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

### Geotechnical report

The Geotechnical Study dated February 2003 indicates that the project is not located in an earthquake zone and has no subsurface conditions requiring more than Uniform Building Code Requirements for structural design.

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.

## DEVELOPMENT TEAM

### Borrower

<u>HACSC Fairgrounds Family Housing Associates LP</u>

- HACSC Fairgrounds Family Housing Associates LP was formed in May 2002 for the purpose of developing the Fairgrounds property. The initial limited partner is the Housing Authority of the County of Santa Clara and the general partner is Pinmore HDC Inc., a nonprofit corporation and an affiliate of the Housing Authority.
- The Housing Authority of the County of Santa Clara was created in 1967 and is the Housing Authority for the City of San Jose as well as for the County of Santa Clara. The

Housing Authority has assisted more than 200,000 low income households through development and operation of public housing, Section 8 rental subsidy program and development of all levels of affordable housing projects. The tenant based Section 8 program currently assists 13,000 low income households.

- For over 20 years, the Housing Authority has also developed 27 affordable housing projects totaling 2,243 units which serve seniors, families, persons with disabilities, migrant farm workers and homeless populations. The Housing Authority has also acted as consultant for three projects totaling 328 units for farm worker, homeless and transitional housing uses.
- Currently, the Housing Authority has 1 other project under construction, which is an 89-unit transitional and permanent housing center with a 7,991 square foot homeless services center in Palo Alto.
- Construction Security required from the borrower is shown as a corporate guarantee by the Housing Authority in lieu of a letter of credit. This guarantee remains subject to review and approval of the financial information provided by the borrower and compliance with the Agency's underwriting standards.

**Management Agent**

FPI Management Inc.

- FPI Management Inc. (FPI) will be the property manager for both the ROEM and HACSC projects. FPI has been in business for over 30 years and current inventory is just under 27,000 units located in California, Nevada and Arizona. Properties managed include luxury and conventional apartment projects, senior housing and affordable housing.
- FPI manages one affordable housing project for ROEM which is newly-completed and upon completion, is scheduled to manage two more affordable projects by FPI.
- FPI also manages a project financed by CalHFA, which is Cinnamon Village.
- The entire project is to be managed by FPI under two separate management agreements which are subject to CalHFA review and approval.

**Architect**

The Steinberg Group/MIRO Design

The Steinberg Group (TSG) is an 85-person architectural group established in 1953, with offices in San Jose and Los Angeles. TSG has extensive expertise in designing hundreds of multi-family market rate and affordable housing projects, as well as single family projects on urban, in-fill sites. Projects range from lofts, family and senior high density projects, mixed use residential urban projects located throughout California and primarily in the Bay Area.

TSG is designing the residential structures beginning at podium level and is the lead architect relative to the residential design.

MIRO Design

MIRO Design is the architectural group charged with the overall design of the on-site, grading, garage and podium for this project. MIRO Design is a company in which ROEM Development

Corporation is a general partner. MIRO Design's principals Anthony Ho and Debbie Hill, both formerly principal architects with the Steinberg Group, have collectively nearly 40 years of architectural experience. Together they have designed several hundred multifamily, senior, mixed use, single family subdivisions and custom homes, both affordable and market rate. Currently, MIRO Design has ten projects under various stages of planning and design that are being developed by ROEM.

MIRO Design will be the leading architect for the on-site, grading, garage and podium scope of work.

**Contractor**

ROEM Builders Inc./L & D Construction

- There will be two construction contracts for this project. The contractor for the onsite improvements, the community center and garage/podium structure (up to top of podium slab, including utility stub-ins) is ROEM Builders Inc. (RBI). The contractor for the residential improvements is L & D Construction Company (L & D).
- RBI is the general contracting firm for ROEM Development Corporation and has been in business for over 20 years. During that time, RBI has built high-end single family tract homes, townhomes, condominiums and multifamily apartments in Santa Clara County. In addition, RBI has built ROEM's affordable projects, also of a similar quality, which include 6 completed family and senior projects and five projects currently under construction totaling 401 units and 2,500 square feet of retail. ROEM also has five projects in predevelopment totaling an estimated 1,227 units and 33,600 square feet of office/retail which will be built by RBI.
- 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 11 affordable housing projects with over 1,250 units during the past twenty years and has over 452 units in three projects currently under construction, one of which is Murphy Ranch Phase II in Morgan Hill.
- The contract between HACSC and RBI will be in an amount that is not to exceed 45% of the cost of the improvements noted above plus the cost of constructing the community area. Both ROEM Builders Inc. and L & D Construction will post performance and payment bonds in a format acceptable to CalHFA.

# Project Summary

Date: 20-Aug-04

## Project Profile:

| | | | | |
|---|---|---|---|---|
| *Project :* | Fairgrounds Family Housing-HACSC | *Cap Rate:* | 10.00% | |
| *Location:* | 500 Tully Road | Construction | $18,690,000 | |
| | San Jose, CA 95111 | Market | $19,700,000 | |
| *County:* | Santa Clara | | | |
| *Borrower:* | HACSC Fairgrounds Family Assoc., LP | ***LTC/LTV:*** | Construction | Permanent |
| *GP:* | Pinmore HDC, an affiliate of HACSC | *Loan/Cost* | 64.8% | 29.0% |
| *LP:* | County of Santa Clara Housing Authority | *Loan/Value* | 87.5% | 43.7% |
| *Program:* | Tax-Exempt | | | |
| *CalHFA # :* | 03-064 | | | |

## Project Description:

| | |
|---|---|
| *Units* | 130 |
| *Handicap Units* | 7 |
| *Bldge Type* | 0 |
| *Buildings* | 5 |
| *Stories* | 3 |
| *Gross Sq Ft* | 0 |
| *Land Sq Ft* | 112,820 |
| *Units/Acre* | 50 |
| *Total Parking* | 222 |
| *Covered Parking* | 193 |

## Financing Summary:

| | Amount | Per Unit | Rate | Term |
|---|---|---|---|---|
| CalHFA First Mortgage | $8,605,000 | $66,192 | 5.70% | **40** |
| City of San Jose(prin.+const.int.) | $8,997,431 | $69,211 | 4.00% | **55** |
| Rental income during construction | $288,881 | $2,222 | 0.00% | **55** |
| Deferred Developer Fee | $902,307 | $6,941 | 3.00% | **55** |
| LP Equity | $3,000 | $23 | | |
| Tax Credit Equity | $10,834,313 | $83,341 | | |
| CalHFA Construction Loan | $17,240,000 | $132,615 | 3.00% | 30 mos. |

## Unit Mix:

| Type | Manager | | 45% AMI | | 50% AMI | | 60% AMI | | 0% | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | number | rent | number | rent* | number | rent | number | rent* | number | rent* | |
| 1 bedroom | | | 59 | 851 | 0 | 0 | 0 | 0 | | | 59 |
| 2 bedroom | 1 | 1,085 | 4 | 1,011 | 54 | 1,085 | 0 | 0 | | | 59 |
| 3 bedroom | | | 0 | 0 | 3 | 1,301 | 9 | 1,333 | | | 12 |
| 4 bedroom | | | 0 | 0 | 0 | 0 | 0 | 0 | | | 0 |
| **subtotal** | **1** | | **63** | | **57** | | **9** | | **0** | | |
| | | | | | | | | | | | **130** |

**PERMANENT LOAN**

| **Fees** | **Basis of Requirements** | | **Amount** | **Security** |
|---|---|---|---|---|
| CalHFA Permanent Loan | 0.50% | Permanent Loan | $43,025 | Cash |
| CalHFA Bridge Loan | 0.50% | Bridge Loan | 0 | Cash |
| **Escrows** | | | | |
| Construction Defect | 2.50% | of Hard Costs | $461,656 | LOC |
| **Reserves** | | | | |
| Operating Expense Reserve | 10.00% | of Gross Income | $157,342 | Cash |
| Rent Up Reserve | | | $483,734 | Cash |
| Annual Replacement Reserve | $350 | per unit, years 1-5. | $45,150 | Operations |
| | $450 | per unit years 5-40 | $58,500 | |
| | | 10% increase every five years. | | |

**CONSTRUCTION LOAN**

| **Fees** | | | | |
|---|---|---|---|---|
| CalHFA Construction Loan | 1.00% | Total Construction Loan | $172,400 | Cash |
| Inspection fee | $1,500 | 21 mos. Of construction | $31,500 | Cash |
| **Guarantees** | | | | |
| Completion Guarantee-Borrower | 100% | of Construction Contract | $18,466,226 | guarantee |
| Performance Bond-contractor | 100% | of Total Hard Costs | $18,466,226 | Bond |
| Payment Bond-contractor | 100% | of Total Hard Costs | $18,466,226 | Bond |

## UNIT MIX AND RENT SUMMARY

### Unit Mix

| # of Units | Unit Type | # of Baths | Average Sq. Ft. |
|---|---|---|---|
| 59 | 1 Bedroom Flat | 1 | 680 |
| 59 | 2 Bedroom Flat | 2 | 922 |
| 12 | 3 Bedroom Flat | 2 | 1133 |
| 0 | 2 Bedroom Townhome | 2 | |
| 0 | 3 Bedroom Townhome | 2 | |
| 130 | | | |

### Occupancy Restrictions

| Regulating Agency | Percent of Area Median Income | | | | | | TOTALS |
|---|---|---|---|---|---|---|---|
| | 35% | 45% | 50% | 60% | | | |
| CalHFA | | | 26 | | | | 26 |
| City of San Jose | | 62 | 55 | 13 | | | 130 |
| County of Santa Clara | | 62 | 55 | 13 | | | 130 |
| | | | | | | | 0 |
| | | | | | | | 0 |
| | | | | | | | |

### Rent Differential (Market versus Restricted Rents)

| Median Income Rent Levels | Subject Rents | Avg. Market Rate Rents | Dollars Difference | % of Market |
|---|---|---|---|---|
| STUDIO | | $0 | | |
| 35% | $0 | | $0 | 0% |
| 45% | $0 | | $0 | 0% |
| 50% | $0 | | $0 | 0% |
| 60% | $0 | | $0 | 0% |
| Unrestricted | | | $0 | 0% |
| One Bedroom | | $1,059 | | |
| 35% | $0 | | $0 | 0% |
| 45% | $851 | | $208 | 80% |
| 50% | $0 | | $0 | 0% |
| 60% | $0 | | $0 | 0% |
| Unrestricted | $0 | | $0 | 0% |
| Two Bedroom | | $1,348 | | |
| 35% | $0 | | $0 | 0% |
| 45% | $1,011 | | $337 | 75% |
| 50% | $1,085 | | $263 | 80% |
| 60% | $0 | | $0 | 0% |
| Unrestricted | $0 | | $263 | 0% |
| Three Bedroom | | $1,679 | | |
| 35% | $0 | | $0 | 0% |
| 45% | $0 | | $0 | 0% |
| 50% | $1,301 | | $378 | 77% |
| 60% | $1,333 | | $346 | 79% |
| Unrestricted | $0 | | $0 | 0% |
| Four Bedroom | | $0 | | |
| 35% | $0 | | $0 | 0% |
| 45% | $0 | | $0 | 0% |
| 50% | $0 | | $0 | 0% |
| 60% | $0 | | $0 | 0% |
| Unrestricted | $0 | | $0 | 0% |

## SOURCES AND USES WORKSHEET — Fairgrounds Family Housing-HACSC

### SOURCES:

| | Permanent Dollars | Construction | % of Total Sources | Interest Rate |
|---|---|---|---|---|
| CalHFA First Mortgage | 8,605,000 | | 29.0% | 5.70% |
| CalHFA Construction Loan | | 17,240,000 | 0.0% | 3.00% |
| City of San Jose(prin.+const.int.) | 8,997,431 | 8,997,431 | 30.4% | 0.00% |
| Rental income during construction | 288,881 | 88,882 | 1.0% | 0.00% |
| Deferred Developer Fee | 902,307 | | 3.0% | 0.00% |
| Developer Equity | 3,000 | 3,000 | | |
| Tax Credit Equity | 10,831,313 | 280,000 | 36.6% | 0.00% |
| Total Sources | **29,627,932** | **26,609,313** | **100.0%** | |
| (Gap)/Surplus | 0 | 0 | | |

| *ACQUISITION* | Permanent Budget | Construction Budget | per unit | pct of total |
|---|---|---|---|---|
| Total Land Cost or Value | 199,999 | 199,999 | 1,538 | 0.7% |
| Off-Site Improvements | 683,145 | 683,145 | 5,255 | 2.3% |
| **Total Acquisition Cost** | **883,144** | **883,144** | **6,793** | **3.0%** |
| *NEW CONSTRUCTION* | | | | |
| Site Work | | 0 | | |
| Structures, community space, utilities | 14,058,668 | 14,058,668 | 108,144 | 47.5% |
| Podium | 2,842,286 | 2,842,286 | 21,864 | 9.6% |
| General Requirements | 820,772 | 820,772 | 6,314 | 2.8% |
| Contractor Overhead & Profit | 694,500 | 694,500 | 5,342 | 2.3% |
| Furnishings | 50,000 | 50,000 | 385 | 0.2% |
| **Total New Const. Costs** | **18,466,226** | **18,466,226** | **142,048** | **62.3%** |
| *ARCHITECTURAL FEES* | | | | |
| Design | 634,900 | 634,900 | 4,884 | 2.1% |
| Supervision | 118,175 | 118,175 | 909 | 0.4% |
| **Total Architectural Costs** | **753,075** | **753,075** | **5,793** | **2.5%** |
| **SURVEY & ENGINEERING** | **32,843** | **32,843** | **253** | **0.1%** |
| *CONST. INTEREST & FEES* | | | | |
| Const. Loan Interest | 1,250,000 | 1,250,000 | 9,615 | 4.2% |
| Construction Loan Fee | 172,400 | 172,400 | 1,326 | 0.6% |
| City Loan Const. Period Interest | 619,226 | 619,226 | 4,763 | 2.1% |
| Other Lender's Fees & Interest | 41,479 | 41,479 | 319 | 0.1% |
| Taxes | 75,000 | 75,000 | 577 | 0.3% |
| Insurance | 40,000 | 40,000 | 308 | 0.1% |
| Title and Recording | 20,000 | 20,000 | 154 | 0.1% |
| CalHFA Construction Inspection Fee | 31,500 | 31,500 | 242 | 0.1% |
| Seismic | 10,000 | 10,000 | 77 | 0.0% |
| | **2,259,605** | **2,259,605** | **17,382** | **7.6%** |
| *PERMANENT FINANCING* | | | | |
| Finance Fee-Permanent Loan | 43,025 | 43,025 | 331 | 0.1% |
| Application Fee | 500 | 500 | 4 | 0.0% |
| Title and Recording | 15,000 | | 115 | 0.1% |
| **Total Perm. Financing Costs** | **58,525** | **43,525** | **450** | **0.2%** |

| | | | | |
|---|---|---|---|---|
| ***LEGAL FEES*** | | | | |
| Borrower Legal | 100,000 | 75,000 | 769 | 0.3% |
| Other-const.loan closing | 10,000 | 10,000 | 77 | 0.0% |
| Legal-Organization & Syndication | 34,000 | 34,000 | 262 | 0.1% |
| **Total Attorney Costs** | **144,000** | **119,000** | **1,108** | **0.5%** |
| ***RESERVES*** | | | | |
| Operating Expense Reserve | 157,342 | 0 | 1,210 | 0.5% |
| Construction Defect Reserve | | 0 | - | 0.0% |
| Rent Up Reserve | 483,734 | 0 | 3,721 | 1.6% |
| Letter of Credit Costs | 4,617 | 0 | 36 | 0.0% |
| **Total Reserve Costs** | **645,692** | **-** | **4,967** | **2.2%** |
| ***CONTRACT COSTS*** | | | | |
| **Appraisal** | 12,500 | 12,500 | 96 | 0.0% |
| **Market Study** | 2,500 | 2,500 | 19 | 0.0% |
| **Total Contract Costs** | **15,000** | **15,000** | **115** | **0.1%** |
| ***CONTINGENCY*** | | | | |
| Hard Cost Contingency | 1,519,950 | 1,519,950 | 11,692 | 5.1% |
| Soft Cost Contingency | 25,000 | 25,000 | 192 | 0.1% |
| **Total Contingency Costs** | **1,544,950** | **1,544,950** | **11,884** | **5.2%** |
| ***OTHER*** | | | | |
| TCAC App/Alloc/Monitor Fees | 72,676 | 54,507 | 559 | 0.2% |
| Environmental Audit | 21,840 | 21,840 | 168 | 0.1% |
| Soils, Survey, Testing | 100,000 | 100,000 | 769 | 0.3% |
| Permit Processing Fees | 1,507,678 | 1,507,678 | 11,598 | 5.1% |
| Impact fees | 327,678 | 327,678 | 2,521 | 1.1% |
| Marketing/Furnishings | 240,000 | 240,000 | 1,846 | 0.8% |
| Other-Audit | 15,000 | 0 | 115 | 0.1% |
| **Total Other Costs** | **2,284,872** | **2,251,703** | **17,576** | **7.7%** |
| ***DEVELOPER COSTS*** | | | | |
| Developer Overhead/Profit | 2,500,000 | 200,242 | 19,231 | 8.4% |
| Consultant/Processing Agent | 40,000 | 40,000 | 308 | 0.1% |
| **Total Developer Costs** | **2,540,000** | **240,242** | **19,538** | **8.6%** |
| **TOTAL PROJECT COST** | **29,627,932** | **26,609,313** | **227,907** | **100.0%** |

# Annual Operating Budget Fairgrounds Family Housing-HACSC

| INCOME: | | $ per unit | % of Total |
|---|---|---|---|
| Total Rental Income | 1,557,936 | 11,984 | 99.02% |
| Laundry | 15,480 | 119 | 0.98% |
| Other Income | 0 | - | |
| **Gross Potential Income (GPI)** | **1,573,416** | **12,103** | **100.00%** |
| **Less:** | | | |
| Vacancy Loss | 78,931 | 607 | |
| **Total Net Revenue** | **1,494,485** | **11,496** | |

| EXPENSES: | | $ Per Unit | % of Total |
|---|---|---|---|
| Payroll | 158,874 | 1,222 | 11.03% |
| Administrative | 126,485 | 973 | 8.78% |
| Utilities | 82,399 | 634 | 5.72% |
| Operating and Maintenance | 201,420 | 1,549 | 13.99% |
| Insurance and Business Taxes | 36,912 | 284 | 2.56% |
| Taxes and Assessments | 242,050 | 1,862 | 16.81% |
| Reserve for Replacement Deposits | 45,150 | 347 | 3.14% |
| **Subtotal Operating Expenses** | **893,290** | **6,871** | **62.03%** |
| **Financial Expenses** | | | |
| Mortgage Payments (1st loan) | 546,707 | 4,205 | |
| **Total Financial** | **546,707** | **4,205** | **37.97%** |
| **Total Project Expenses** | **1,439,997** | **11,077** | **100%** |

## Cash Flow — Fairgrounds Family Housing-HACS CalHFA Development Number: 03-064

| RENTAL INCOME | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| *Market Rent Increase* | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| Market Rents | 13,020 | 13,346 | 13,679 | 14,021 | 14,372 | 14,731 | 15,099 | 15,477 | 15,864 | 16,260 |
| *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 | 1,544,916 | 1,583,539 | 1,623,127 | 1,663,706 | 1,705,298 | 1,747,931 | 1,791,629 | 1,836,420 | 1,882,330 | 1,929,388 |
| **TOTAL RENTAL INCOME** | **1,557,936** | **1,596,884** | **1,636,807** | **1,677,727** | **1,719,670** | **1,762,662** | **1,806,728** | **1,851,896** | **1,898,194** | **1,945,649** |
| **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 | 15,480 | 15,867 | 16,264 | 16,670 | 17,087 | 17,514 | 17,952 | 18,401 | 18,861 | 19,332 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | **15,480** | **15,867** | **16,264** | **16,670** | **17,087** | **17,514** | **17,952** | **18,401** | **18,861** | **19,332** |
| **GROSS INCOME** | **1,573,416** | **1,612,751** | **1,653,070** | **1,694,397** | **1,736,757** | **1,780,176** | **1,824,680** | **1,870,297** | **1,917,055** | **1,964,981** |
| *Vacancy Rate : Market* | 7.00% | 7.00% | 7.00% | 7.00% | 7.00% | 7.00% | 7.00% | 7.00% | 7.00% | 7.00% |
| *Vacancy Rate : Affordable* | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Less: Vacancy Loss | 78,931 | 80,904 | 82,927 | 85,000 | 87,125 | 89,303 | 91,536 | 93,824 | 96,170 | 98,574 |
| **EFFECTIVE GROSS INCOME** | **1,494,485** | **1,531,847** | **1,570,143** | **1,609,397** | **1,649,632** | **1,690,872** | **1,733,144** | **1,776,473** | **1,820,885** | **1,866,407** |
| **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 | 609,978 | 634,377 | 659,752 | 686,142 | 713,588 | 742,132 | 771,817 | 802,689 | 834,797 | 868,189 |
| Replacement Reserve | 45,150 | 45,150 | 45,150 | 45,150 | 45,150 | 58,500 | 58,500 | 58,500 | 58,500 | 58,500 |
| Ground Lease Payment | 236,250 | 236,250 | 236,250 | 236,250 | 236,250 | 236,250 | 236,250 | 236,250 | 236,250 | 236,250 |
| *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 | 1,912 | 1,950 | 1,989 | 2,029 | 2,070 | 2,111 | 2,153 | 2,196 | 2,240 | 2,285 |
| **TOTAL EXPENSES** | **893,290** | **917,727** | **943,141** | **969,571** | **997,058** | **1,038,993** | **1,068,720** | **1,099,636** | **1,131,787** | **1,165,224** |
| **NET OPERATING INCOME** | **601,195** | **614,120** | **627,002** | **639,825** | **652,574** | **651,880** | **664,424** | **676,837** | **689,097** | **701,183** |
| **DEBT SERVICE** | | | | | | | | | | |
| CalHFA - 1st Mortgage | 546,707 | 546,707 | 546,707 | 546,707 | 546,707 | 546,707 | 546,707 | 546,707 | 546,707 | 546,707 |
| **CASH FLOW after 1st Mortgage** | **54,488** | **67,412** | **80,294** | **93,118** | **105,867** | **105,173** | **117,717** | **130,130** | **142,390** | **154,476** |
| **DEBT COVERAGE RATIO** | **1.10** | **1.12** | **1.15** | **1.17** | **1.19** | **1.19** | **1.22** | **1.24** | **1.26** | **1.28** |

## Cash Flow

| RENTAL INCOME | Year 11 | Year 12 | Year 13 | Year 14 | Year 15 | Year 16 | Year 17 | Year 18 | Year 19 | Year 20 | Year 21 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *Market Rent Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Market Rents | 16,667 | 17,083 | 17,510 | 17,948 | 18,397 | 18,857 | 19,328 | 19,811 | 20,307 | 20,814 | 21,335 |
| *Affordable Rent Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Affordable Rents | 1,977,623 | 2,027,064 | 2,077,740 | 2,129,684 | 2,182,926 | 2,237,499 | 2,293,436 | 2,350,772 | 2,409,542 | 2,469,780 | 2,531,525 |
| **TOTAL RENTAL INCOME** | **1,994,290** | **2,044,147** | **2,095,251** | **2,147,632** | **2,201,323** | **2,256,356** | **2,312,765** | **2,370,584** | **2,429,848** | **2,490,595** | **2,552,860** |
| | | | | | | | | | | | |
| **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%* | *2.50%* |
| Laundry | 19,816 | 20,311 | 20,819 | 21,339 | 21,873 | 22,420 | 22,980 | 23,555 | 24,144 | 24,747 | 25,366 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | **19,816** | **20,311** | **20,819** | **21,339** | **21,873** | **22,420** | **22,980** | **23,555** | **24,144** | **24,747** | **25,366** |
| | | | | | | | | | | | |
| **GROSS INCOME** | **2,014,106** | **2,064,458** | **2,116,070** | **2,168,971** | **2,223,196** | **2,278,776** | **2,335,745** | **2,394,139** | **2,453,992** | **2,515,342** | **2,578,225** |
| | | | | | | | | | | | |
| *Vacancy Rate : Market* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* |
| *Vacancy Rate : Affordable* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| Less: Vacancy Loss | 101,039 | 103,565 | 106,154 | 108,808 | 111,528 | 114,316 | 117,174 | 120,103 | 123,106 | 126,183 | 129,338 |
| **EFFECTIVE GROSS INCOME** | **1,913,067** | **1,960,894** | **2,009,916** | **2,060,164** | **2,111,668** | **2,164,460** | **2,218,571** | **2,274,035** | **2,330,886** | **2,389,158** | **2,448,887** |
| | | | | | | | | | | | |
| **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%* | *4.00%* |
| Expenses | 902,916 | 939,033 | 976,594 | 1,015,658 | 1,056,285 | 1,098,536 | 1,142,477 | 1,188,176 | 1,235,704 | 1,285,132 | 1,336,537 |
| Replacement Reserve | 64,350 | 64,350 | 64,350 | 64,350 | 64,350 | 70,785 | 70,785 | 70,785 | 70,785 | 70,785 | 77,864 |
| Ground Lease Payment | 236,250 | 236,250 | 236,250 | 236,250 | 236,250 | 236,250 | 236,250 | 236,250 | 236,250 | 236,250 | 236,250 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| Taxes and Assessments | 2,331 | 2,377 | 2,425 | 2,473 | 2,523 | 2,573 | 2,625 | 2,677 | 2,731 | 2,785 | 2,841 |
| **TOTAL EXPENSES** | **1,205,847** | **1,242,010** | **1,279,619** | **1,318,732** | **1,359,407** | **1,408,144** | **1,452,137** | **1,497,889** | **1,545,469** | **1,594,952** | **1,653,492** |
| | | | | | | | | | | | |
| **NET OPERATING INCOME** | **707,220** | **718,883** | **730,297** | **741,432** | **752,261** | **756,315** | **766,434** | **776,147** | **785,417** | **794,206** | **795,396** |
| | | | | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | | | | |
| CalHFA - 1st Mortgage | 546,707 | 546,707 | 546,707 | 546,707 | 546,707 | 546,707 | 546,707 | 546,707 | 546,707 | 546,707 | 546,707 |
| | | | | | | | | | | | |
| **CASH FLOW after 1st Mortgage** | **160,513** | **172,176** | **183,589** | **194,725** | **205,553** | **209,608** | **219,727** | **229,439** | **238,710** | **247,499** | **248,689** |
| **DEBT COVERAGE RATIO** | **1.29** | **1.31** | **1.34** | **1.36** | **1.38** | **1.38** | **1.40** | **1.42** | **1.44** | **1.45** | **1.45** |

## Cash Flow

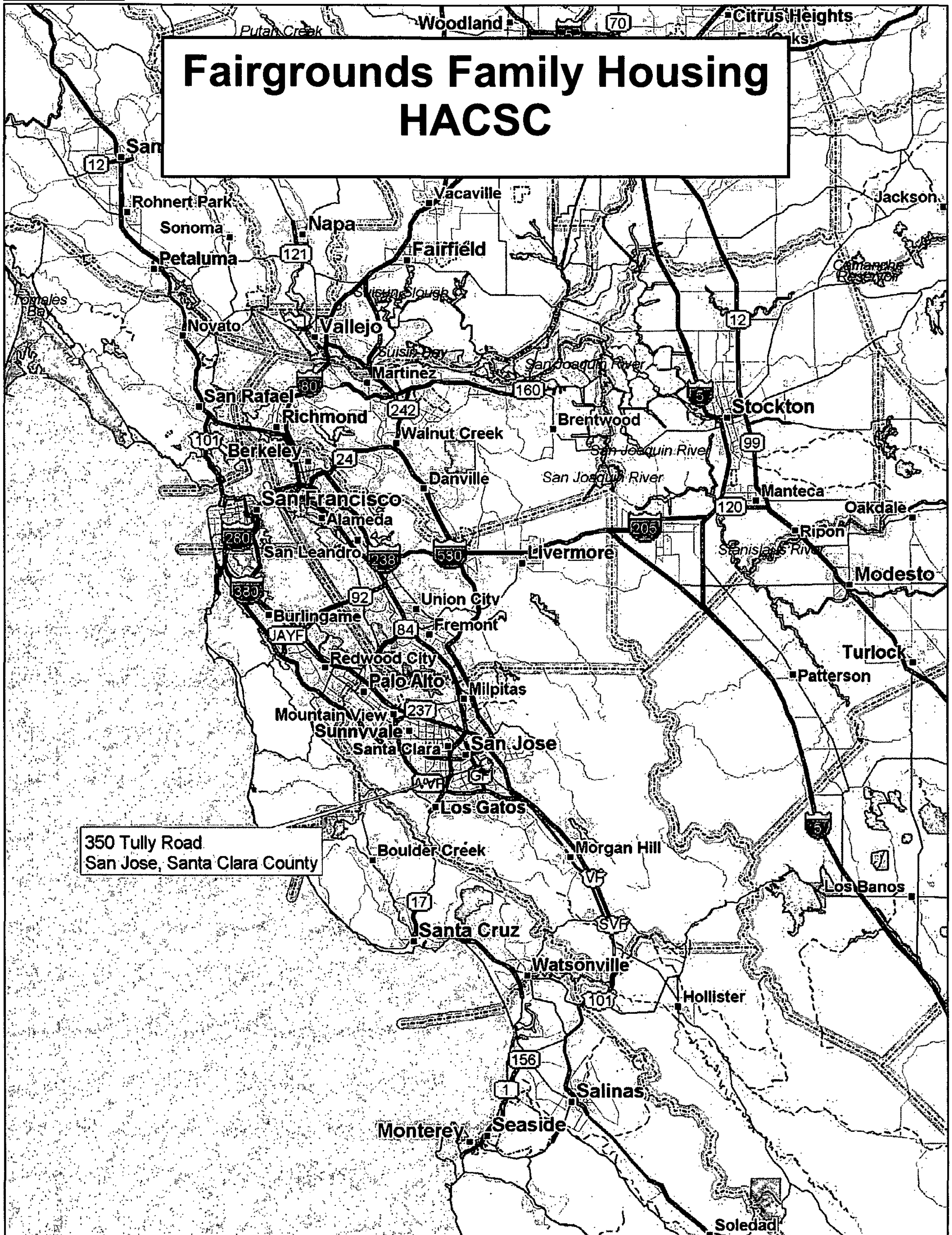
| RENTAL INCOME | Year 22 | Year 23 | Year 24 | Year 25 | Year 26 | Year 27 | Year 28 | Year 29 | Year 30 | Year 31 | Year 32 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *Market Rent Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Market Rents | 21,868 | 22,415 | 22,975 | 23,550 | 24,138 | 24,742 | 25,360 | 25,994 | 26,644 | 27,310 | 27,993 |
| *Affordable Rent Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Affordable Rents | 2,594,813 | 2,659,683 | 2,726,175 | 2,794,330 | 2,864,188 | 2,935,793 | 3,009,187 | 3,084,417 | 3,161,528 | 3,240,566 | 3,321,580 |
| **TOTAL RENTAL INCOME** | **2,616,681** | **2,682,098** | **2,749,151** | **2,817,879** | **2,888,326** | **2,960,534** | **3,034,548** | **3,110,411** | **3,188,172** | **3,267,876** | **3,349,573** |
| **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%* | *2.50%* |
| Laundry | 26,000 | 26,650 | 27,316 | 27,999 | 28,699 | 29,417 | 30,152 | 30,906 | 31,678 | 32,470 | 33,282 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | **26,000** | **26,650** | **27,316** | **27,999** | **28,699** | **29,417** | **30,152** | **30,906** | **31,678** | **32,470** | **33,282** |
| **GROSS INCOME** | **2,642,681** | **2,708,748** | **2,776,467** | **2,845,878** | **2,917,025** | **2,989,951** | **3,064,700** | **3,141,317** | **3,219,850** | **3,300,346** | **3,382,855** |
| *Vacancy Rate : Market* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* |
| *Vacancy Rate : Affordable* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| Less: Vacancy Loss | 132,571 | 135,886 | 139,283 | 142,765 | 146,334 | 149,992 | 153,742 | 157,586 | 161,525 | 165,564 | 169,703 |
| **EFFECTIVE GROSS INCOME** | **2,510,110** | **2,572,862** | **2,637,184** | **2,703,113** | **2,770,691** | **2,839,959** | **2,910,958** | **2,983,731** | **3,058,325** | **3,134,783** | **3,213,152** |
| **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%* | *4.00%* |
| Expenses | 1,389,998 | 1,445,598 | 1,503,422 | 1,563,559 | 1,626,102 | 1,691,146 | 1,758,791 | 1,829,143 | 1,902,309 | 1,978,401 | 2,057,537 |
| Replacement Reserve | 77,864 | 77,864 | 77,864 | 77,864 | 85,650 | 85,650 | 85,650 | 85,650 | 85,650 | 94,215 | 94,215 |
| Ground Lease Payment | 236,250 | 236,250 | 236,250 | 236,250 | 236,250 | 236,250 | 236,250 | 236,250 | 236,250 | 236,250 | 236,250 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| Taxes and Assessments | 2,898 | 2,956 | 3,015 | 3,075 | 3,137 | 3,200 | 3,264 | 3,329 | 3,395 | 3,463 | 3,533 |
| **TOTAL EXPENSES** | **1,707,010** | **1,762,668** | **1,820,551** | **1,880,748** | **1,951,138** | **2,016,245** | **2,083,955** | **2,154,372** | **2,227,604** | **2,312,329** | **2,391,535** |
| **NET OPERATING INCOME** | **803,100** | **810,195** | **816,633** | **822,365** | **819,553** | **823,714** | **827,003** | **829,360** | **830,721** | **822,454** | **821,618** |
| **DEBT SERVICE** | | | | | | | | | | | |
| CalHFA - 1st Mortgage | 546,707 | 546,707 | 546,707 | 546,707 | 546,707 | 546,707 | 546,707 | 546,707 | 546,707 | 546,707 | 546,707 |
| **CASH FLOW after 1st Mortgage** | **256,393** | **263,487** | **269,926** | **275,658** | **272,846** | **277,006** | **280,296** | **282,653** | **284,014** | **275,746** | **274,911** |
| **DEBT COVERAGE RATIO** | **1.47** | **1.48** | **1.49** | **1.50** | **1.50** | **1.51** | **1.51** | **1.52** | **1.52** | **1.50** | **1.50** |

## Cash Flow

| RENTAL INCOME | Year 33 | Year 34 | Year 35 | Year 36 | Year 37 | Year 38 | Year 39 | Year 40 |
|---|---|---|---|---|---|---|---|---|
| *Market Rent Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Market Rents | 28,693 | 29,410 | 30,145 | 30,899 | 31,672 | 32,463 | 33,275 | 34,107 |
| *Affordable Rent Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Affordable Rents | 3,404,619 | 3,489,735 | 3,576,978 | 3,666,403 | 3,758,063 | 3,852,014 | 3,948,315 | 4,047,023 |
| **TOTAL RENTAL INCOME** | **3,433,312** | **3,519,145** | **3,607,124** | **3,697,302** | **3,789,734** | **3,884,478** | **3,981,590** | **4,081,129** |
| | | | | | | | | |
| **OTHER INCOME** | | | | | | | | |
| *Other Income Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Laundry | 34,114 | 34,967 | 35,841 | 36,737 | 37,656 | 38,597 | 39,562 | 40,551 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | **34,114** | **34,967** | **35,841** | **36,737** | **37,656** | **38,597** | **39,562** | **40,551** |
| | | | | | | | | |
| **GROSS INCOME** | **3,467,426** | **3,554,112** | **3,642,965** | **3,734,039** | **3,827,390** | **3,923,075** | **4,021,152** | **4,121,680** |
| | | | | | | | | |
| *Vacancy Rate : Market* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* |
| *Vacancy Rate : Affordable* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| Less: Vacancy Loss | 173,945 | 178,294 | 182,751 | 187,320 | 192,003 | 196,803 | 201,723 | 206,766 |
| **EFFECTIVE GROSS INCOME** | **3,293,481** | **3,375,818** | **3,460,214** | **3,546,719** | **3,635,387** | **3,726,272** | **3,819,429** | **3,914,914** |
| | | | | | | | | |
| **OPERATING EXPENSES** | | | | | | | | |
| *Annual Expense Increase* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* |
| Expenses | 2,139,839 | 2,225,432 | 2,314,449 | 2,407,027 | 2,503,309 | 2,603,441 | 2,707,579 | 2,815,882 |
| Replacement Reserve | 94,215 | 94,215 | 94,215 | 103,636 | 103,636 | 103,636 | 103,636 | 103,636 |
| Ground Lease Payment | 236,250 | 236,250 | 236,250 | 236,250 | 236,250 | 236,250 | 236,250 | 236,250 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| Taxes and Assessments | 3,603 | 3,675 | 3,749 | 3,824 | 3,900 | 3,978 | 4,058 | 4,139 |
| **TOTAL EXPENSES** | **2,473,907** | **2,559,572** | **2,648,663** | **2,750,738** | **2,847,095** | **2,947,306** | **3,051,523** | **3,159,907** |
| | | | | | | | | |
| **NET OPERATING INCOME** | **819,575** | **816,246** | **811,551** | **795,981** | **788,292** | **778,966** | **767,906** | **755,007** |
| | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | |
| CalHFA - 1st Mortgage | 546,707 | 546,707 | 546,707 | 546,707 | 546,707 | 546,707 | 546,707 | 546,707 |
| | | | | | | | | |
| **CASH FLOW after 1st Mortgage** | **272,867** | **269,539** | **264,843** | **249,274** | **241,585** | **232,259** | **221,199** | **208,300** |
| **DEBT COVERAGE RATIO** | **1.50** | **1.49** | **1.48** | **1.46** | **1.44** | **1.42** | **1.40** | **1.38** |

THIS PAGE
INTENTIONALLY
LEFT BLANK

# Fairgrounds Family Housing
# HACSC





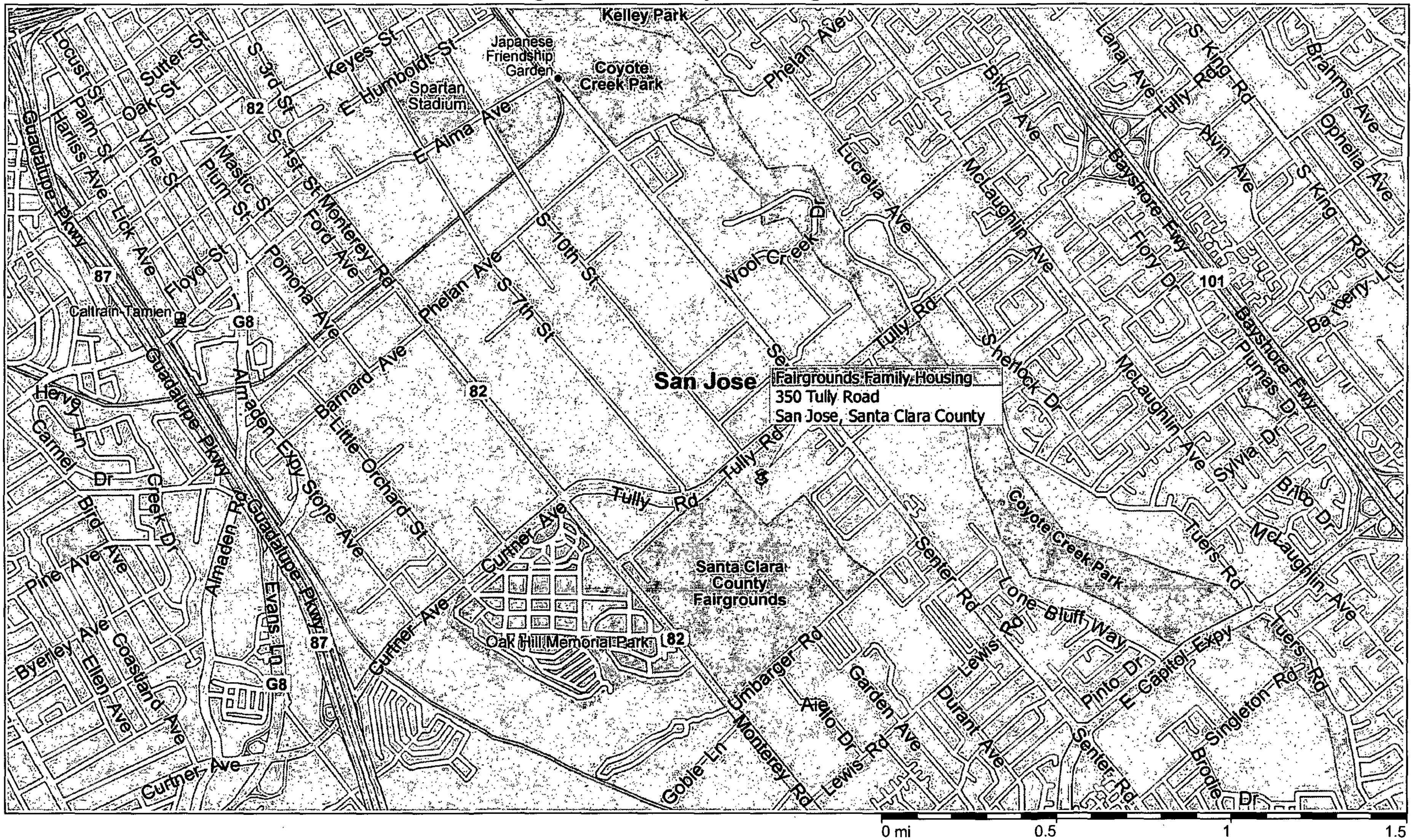

TN
MN (15.2°E)

Scale 1 : 1,066,667
1" = 16.8 mi

THIS PAGE INTENTIONALLY LEFT BLANK

183

# Fairgrounds Family Housing-HACSC



THIS PAGE
INTENTIONALLY
LEFT BLANK

RESOLUTION 04-24

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of HACSC Fairgrounds Family Associates, L.P., a California limited partnership (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amounts described herein, the proceeds of which are to be used to provide construction and permanent mortgage loans on a 130-unit multifamily housing development located in the City of San Jose to be known as Fairgrounds Family Housing – HACSC (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated August 20, 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 1, 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 |
|---|---|---|---|
| 03-064-C/N | Fairgrounds Family Housing - HACSC San Jose/Santa Clara | 130 | |

Construction First Mortgage: $17,240,000
Permanent First Mortgage: $ 8,605,000

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 04-24 adopted at a duly constituted meeting of the Board of the Agency held on September 8, 2004, at Burbank, California.

ATTEST: ________________________
Secretary

# CALIFORNIA HOUSING FINANCE AGENCY
## Final Commitment
## Fairgrounds Family Housing-ROEM
## San Jose, Santa Clara County, CA
## CalHFA # 04-014-C/N

### SUMMARY

This is a final commitment request for construction and permanent loans to finance a 170 unit family housing project located at 350 Tully Road, San Jose (the "ROEM project"). The ROEM project will be developed by Fairgrounds Luxury Family Apartments, LP, limited partnership, (ROEM) whose general partner is Foundation for Affordable Housing V.

The ROEM project is being developed in conjunction with an affiliate of the Housing Authority of the County of Santa Clara (HACSC) on top of a podium with shared parking beneath. On the podium there will be two affordable housing projects totaling 300 units, owned separately by ROEM (170 units in two buildings) and HACSC (130 units in four buildings, defined as the "HACSC project"). The separate interests in the ROEM and HACSC projects consist of building airspace units, to be described on a condominium plan placed on the fee owned by the County of Santa Clara and leased to the developers.

Although there are separate ownership entities, both the ROEM and HACSC projects will be operated by a single property management firm as one 300 unit family apartment property with two building types, providing equal access of common facilities to residents of both projects.

### LOAN TERMS

**Construction**

| | |
|---|---|
| **First Mortgage** | $23,165,000 |
| Interest Rate | 3.00%, variable |
| Term | 30 Months, interest only |
| Financing | Tax-exempt |

**Permanent**

| | |
|---|---|
| **First Mortgage** | $15,920,000 |
| Interest Rate | 5.70% |
| Term | 40 year fixed, fully amortized |
| Financing | Tax-exempt |

**OTHER FINANCING**

| Source | Type | Loan Amount | Term | Interest Rate | Repayment |
|---|---|---|---|---|---|
| City of San Jose | Loan | $10,856,767 | 55 | 4.00% | 50% of Residual Receipts |
| City of San Jose Park Fee Waiver | waiver | $1,242,150 | n/a | n/a | n/a |

The County of Santa Clara (County) will execute a 75 year ground lease with ROEM at construction loan closing. The lease is in final draft form and requires that REOM pay an up-front payment option payment of $199,999, which will be applied towards the cost of installing common area roads, lighting and utilities to serve the entire project. Commencing at permanent loan closing, ROEM is obligated to pay monthly lease payments totaling $128,400 annually. Contingent ground lease payments in the form of 50% of annual net residual receipts will also become due annually, commencing the completion of the first full year of operations.

CalHFA's Regulatory Agreement will be secured against the County's fee interest during the construction and permanent loan periods. The deed of trust is to be secured against ROEM's leasehold interest, subject to satisfactory review and approval of the final ground lease and all other agreements as further described below.

Residual receipts payment of the City of San Jose loan is calculated based on net operating income after the contingent ground lease payment is made to the County of Santa Clara.

**PROJECT DESCRIPTION**

**Project Location**

- The project is located on Tully Road in central San Jose and is bordered by Highway 87 to the west, Senter Road to the east and Lewis Road to the south. The location is approximately four miles from downtown San Jose and 1.25 miles from Highway 101.
- Adjacent to the site is the remainder of the County Fairgrounds property to the south, an elementary school to the west and a fire department and single family homes to the east. The Valley Health Center is being constructed on the parcel, west of the subject.
- The neighborhood is a mix of older residential, commercial and industrial uses with some newer residential infill. Plans are underway to re-zone several properties in the area from industrial to single-family residential and retail uses. A zoning change is currently being considered for the redevelopment of a large industrial parcel, the former GE plant, one block away. This parcel will be developed as a "town center" retail facility with a grocery and drug store and other large retail users.
- A large grocery store is 1.5 miles away and several smaller grocery stores and a Costco are within two blocks. A regional mall and a full service medical facility are 3 miles away. An elementary school is adjacent to the site and a middle and high school are within ½ mile.

## Site/Common Improvements

- This development is part of an 11.98 acre parcel owned by Santa Clara County and to be leased to ROEM and HACSC under two separate ground leases. Other uses of the site include a proposed 200 unit senior project (to be developed by HACSC by 2006) and a proposed 43-unit single-family project also being developed by ROEM.
- The land to be leased to ROEM and HACSC is 5.88 acre parcel, described as an airspace commercial condominium project. HACSC and ROEM will hold a fee interest in the buildings within each airspace condominium "shoe box." As a commercial condominium project, there will be an unincorporated association comprised of the two developers as its sole members.
- A leasehold interest in on-site common areas is to be held by the developers as tenants in common and governed by Covenants, Conditions and Restrictions. These common interest improvements, or shared use areas, include the parking garage, podium areas, pool, spa, landscape areas and access roads. ROEM will hold a 55% interest in common areas and HACSC will hold a 45% interest. Closing of the construction loan is subject to CalHFA review and acceptance of the final map, CC & R's and condominium plan.
- The shared use area also includes the 2,435 square foot community center for both projects, which is located in building F owned by ROEM. The community center contains the management offices, a computer room, and fitness and meeting rooms. This space is described as a sub-condominium unit and will also be leased as tenants in common.
- There will be a total of five laundry rooms which provide equal access to all residents of both projects.
- The cost of the shared improvements and all maintenance costs will be governed by joint use and maintenance agreements between the separate developers and the County, as applicable. All costs will be shared in the same percentages as shown above. The estimated costs will be capitalized annually out of operations through a reserve account. Construction loan closing is subject to review and acceptance of all use, access and maintenance agreements.

## Residential Improvements

- The residential improvements on top of the podium consist of 170 apartments with a mix of 1, 2 and 3 bedrooms in two buildings which are double-loaded, four-story buildings.
- The reinforced concrete podium is built over a semi-submerged parking structure containing 297 parking spaces (258 enclosed podium parking and 39 exterior) dedicated to the ROEM project. Access to the garage is from the east side of the building and is gated.
- There will be three elevators providing access from the garage to the podium level and all four residential floors. On-street access to the podium is via an entry intercom system.
- The buildings will be wood frame type V construction with stucco exterior, concrete tile pitched roofs and ample landscaped areas on the podium.
- The units will have air conditioning, a deck or patio and washer/dryer hook-ups.
- There will be four laundry rooms located in the ROEM buildings and one additional laundry room located in the HACSC building.

**Off-site improvements**

- As a part of construction of the health clinic, the County has completed offsite improvements that are common to the clinic and also serve the 300 unit residential project. These improvements include installation of storm, sanitary, water and electrical systems.
- There will be a private entry road from Tully Road providing access to the health clinic and connecting to a loop road. The loop road provides access to the residential uses only (the subject property, the 200 unit senior project and 43-unit for sale homes).
- The cost of the installation of the off-site improvements and the main entry road will be shared between the County and the developers. The percentage of shared cost varies from between 20% to 50%, depending on the scope of work. The cost split between HACSC and ROEM for these improvements is as follows: ROEM Family project 33%, ROEM for sale project 16%, HACSC Family project 23%, HACSC Senior project 28%.
- A reciprocal easement agreement between the County, ROEM and HACSC which describes the rights and obligations for maintenance, installation, use and access of the private streets, utilities, lighting and common landscape improvements will be executed prior to closing the construction loan. Closing of the CalHFA construction loan is subject to review and acceptance by CalHFA of all easement agreements.
- In addition to ample common area open space on site, a two-acre open space area is accessible to the residents on the adjacent school site owned by the Franklin McKinley School District. This recreation area will be available after school hours and is currently unimproved. The developers of the subject property will pay $300,000 for improvements including a soccer field, a baseball field, a picnic area and a walkway connecting the projects to the recreational area. The cost will be split between ROEM and HACSC as 55% ROEM and 45% HACSC. An agreement between HACSC, ROEM and the school district will be executed prior to the construction loan closing. As a condition of closing, CalHFA will review and approve this agreement and the cost of improvements is to be capped at a maximum of $300,000. The term of the agreement is not to exceed 20 years and ongoing operating costs are not to exceed the amount reflected in the operating budget. The ongoing maintenance costs are to be reviewed and approved by CalHFA prior to construction loan closing.

**MARKET**

**Market Overview**

- The rental markets in the Bay Area and Santa Clara County have historically been among the strongest markets in the country. Due to recent slowdown in the national and local economies there has been a softening of the rental market, resulting in stagnation and a 10% decline in market rents over 2001/2002 levels. During the same time, the median priced home in Santa Clara County has continued to increase annually by 15% to 18% per year. Only 22% of san Jose residents can afford a median priced home in San Jose, which as of June 2004, is $642,000.
- There are currently 4,000 households in the City of San Jose that are on a waiting list for the Section 8 program.
- The Primary Market Area (PMA) is defined as the corridor bordered by Capitol Expressway, I-680 and Highway 87. The population within this PMA in 2003 was

142,947 people, comprising 33,677 households. The population in Santa Clara County was 1,741,667.

- The average household size in the PMA was 4.81 persons in comparison with 2.95 in the County. The average household size in the PMA is nearly 1½ times the size of the County, indicating a higher demand for larger apartments. Therefore, 67% of the units in this project are two and three bedroom units.
- Of the households in the PMA, 38% were renters, which compares favorably to the County, where 40% of the residents are renters.
- According to the market study, the median household income in the PMA in 2003 was $64,021 and in the County, it was $86,127. The PMA median income is nearly $22,000 less than that of the County, indicating more demand for affordable housing in the PMA.

**Housing Supply and Demand**

- The market study reviewed eight comparable market rate projects totaling 1,843 units which were within a 3 mile range and were similar in size and amenities to the subject, such as covered parking, gated entry, pool dishwashers, air conditioning and washer/dryer hook-ups. Vacancy rates ranged from 2% to 5% and rents for 1, 2 and 3 *bedroom units ranged between 21% and 25% above the subject rents.*
- The market study utilized eleven comparable affordable projects totaling 1,864 units which are within a 3 mile range of the subject. Of the 11 projects, two of the projects are over 25 years old and one is in the leasing stages. Excluding the project being leased, the vacancy rates ranged from 93% to 98% and there are waiting lists for five of the projects.
- Of the affordable projects surveyed, 52% of the units were offered at rents of 60% of median and 41% were at 50% of median. The balance of 8% was offered at 30% to 45% of median.
- The market study concludes there is greater demand for units that have deeper affordability of 50% or less. The majority of the subject units, 92%, are offered at 45% and 50% of median. Less than 1% of the units are at 60% of median.
- The market study indicated that rents for the subject units at 60% should be offered below the maximum allowable TCAC rent levels. Therefore, the 9 units at 60% are actually 51% of median, which is well below the maximum allowable rents.
- There are currently 7 affordable and market rate projects under construction totaling 1,443 units, including the Branham Lane project, a 175 unit project with a commitment for permanent financing provided by CalHFA. Of the projects under construction, only 35% of the units will be affordable and most of these units are restricted to 60% of median. All of the projects are scheduled to be completed and leased up prior to completion of the subject.

**PROJECT FEASIBILITY**

**Estimated Lease-up Period**

- The project is expected to take 21 months to build and reach stabilized occupancy at 95% in fifteen months, assuming 15 units leased per month, per the market study. The construction and lease up period would, therefore, be 29 months.

- Although the market study anticipates renting the project at 15 units per month, a rent-up reserve of $313,864 has been capitalized in the construction budget in the event projections are not met prior to closing the permanent loan. In addition, construction period rental income is assumed to accrue and is considered a source of funds, but at a more conservative rate of 10 units leased up per month.

**ENVIRONMENTAL**

A Phase I Environmental Assessment report was completed on June 4, 2004. The report concludes that some additional testing is required due to previous agricultural uses. An updated Phase 1 will be required prior to close of the construction loan. Closing of the construction loan is also subject to compliance with recommendations made by the updated Phase I.

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

**Geotechnical report**

The Geotechnical Study dated February 2003 indicates that the project is not located in an earthquake zone and has no subsurface conditions requiring more than Uniform Building Code Requirements for structural design.

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.

**DEVELOPMENT TEAM**

**Borrower**

<u>Fairgrounds Luxury Family Apartments, L.P.</u>

- Fairgrounds Luxury Family Apartments, L.P. was formed in January 2003 for the purpose of developing the Fairgrounds property. The partnership was formed with ROEM Fairgrounds Family LLC as the initial General Partner and Robert Emami as the initial limited Partner. Prior to closing the construction loan, the partnership will be admitting Foundation for Affordable Housing V, a nonprofit corporation as the managing general partner and the equity investor as limited partner. ROEM Fairgrounds LLC will be a .05% co-general partner, Foundation for Affordable Housing V will be a .05% managing general partner and the equity investor will be the 99.9% limited partner.
- ROEM Development Corporation (ROEM) was created in 1978 and initially specialized in developing and building high-end single family tract homes, townhomes, condominiums and high end multifamily apartments, primarily in Santa Clara County.
- In 1999 ROEM started an affordable housing division and has developed six affordable housing projects totaling 810 units. Of these 6 projects, two are family, four are senior

and all are 95 to 98% occupied. All of these projects are located in the City of San Jose and are financed in part by the City of San Jose's Housing Department.

- In addition to the subject project, ROEM has five projects under construction totaling 401 units and 2,500 square feet of retail, and five projects in predevelopment totaling an estimated 1,227 units and 33,600 square feet of office/retail.
- Construction Security required from the borrower is shown as a corporate guarantee by ROEM in lieu of a letter of credit. This guarantee remains subject to review and approval of the financial information provided by the borrower and compliance with the Agency's underwriting standards.

**Management Agent**

FPI Management Inc.

- FPI Management Inc. (FPI) will be the property manager for both the ROEM and HACSC projects. FPI has been in business for over 30 years and current inventory is just under 27,000 units located in California, Nevada and Arizona. Properties managed include luxury and conventional apartment projects, senior housing and affordable housing.
- FPI manages one affordable housing project for ROEM which is newly-completed and upon completion, is scheduled to manage two more affordable projects by FPI.
- FPI also manages a project financed by CalHFA, which is Cinnamon Village.
- The entire project is to be managed by FPI under two separate management agreements which are subject to CalHFA review and approval.

**Architect**

MIRO Design
MIRO Design is the architectural group charged with the overall design of the on-site, grading, garage and podium for this project. MIRO Design is a company in which ROEM Development Corporation is a general partner. MIRO Design's principals Anthony Ho and Debbie Hill, both formerly principal architects with the Steinberg Group, have collectively nearly 40 years of architectural experience. Together they have designed several hundred multifamily, senior, mixed use, single family subdivisions and custom homes, both affordable and market rate. Currently, MIRO Design has ten projects under various stages of planning and design that are being developed by ROEM.

MIRO Design will be the leading architect for the on-site, grading, garage and podium scope of work.

**Contractor**

ROEM Builders Inc./L & D Construction

- ROEM Builders Inc. (RBI) will be the contractor for the on-site, garage, podium, community area and residential improvements for ROEM. The on-site, garage, podium and community area costs will be shared with HACSC (55% ROEM, 45% HACSC). The contract between ROEM and RBI will include the cost of the residential buildings and an amount that is not to exceed 55% of the cost of the common improvements. RBI will post performance and payment bonds or other acceptable performance and payment guarantees in a format that is acceptable to CalHFA.

- RBI is the general contracting firm for ROEM Development Corporation and has built all of ROEM's projects.

# Project Summary

Date: 20-Aug-04

## Project Profile:

| | | | | |
|---|---|---|---|---|
| *Project:* | Fairgrounds Family Apts.-ROEM | | | |
| *Location:* | 500 Tully Road | | | |
| | San Jose, CA 95111 | *Cap Rate:* | 10.00% | |
| *County:* | Santa Clara | *Market:* | $34,020,000 | |
| *Borrower:* | Fairgrounds Luxury Family Apart | Construction | $32,320,000 | |
| *GP:* | ROEM Fairgrounds Family LLC | | | |
| *LP:* | ROEM Development Corporation | | | |
| *Program:* | Tax-Exempt | ***LTC/LTV*** | Construction | Permanent |
| *CalHFA #:* | 04-014 | *Loan/Cost* | 54% | 36% |
| | | *Loan/Value* | 72% | 47% |

## Project Description:

| | |
|---|---|
| *Units* | 170 |
| *Handicap Units* | 8 |
| *Bldge Type* | New Const. |
| *Buildings* | 4 |
| *Stories* | 3 |
| *Gross Sq Ft* | 155,485 |
| *Land Sq Ft* | 143,312 |
| *Units/Acre* | 52 |
| *Total Parking* | 297 |
| *Covered Parking* | 258 |

## Financing Summary:

| | Budget | Per Unit | Rate | Term |
|---|---|---|---|---|
| CalHFA First Mortgage | $15,920,000 | $93,647 | 5.70% | 40 |
| City of San Jose-Const/Perm | $10,856,767 | $63,863 | 4.00% | 55 |
| Other City Loans | $0 | $0 | 0.00% | - |
| Lease up income during construction | $0 | $0 | 3.00% | - |
| Tax Credit Equity | $16,511,090 | $97,124 | 0.00% | - |
| Deferred Developer Fee | $0 | $0 | 0.00% | - |
| CalHFA Construction Loan-tax-exempt | $23,165,000 | $136,265 | 3.00% | 30 months |
| CalHFA Construction Loan-taxable | $0 | | | |

## Unit Mix:

| Type | Manager | | 25% AMI | | 45% AMI | | 50% AMI | | 60% | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | number | rent | number | rent* | number | rent* | number | rent* | number | rent* | |
| 1 bedroom | | | 0 | $0 | 56 | $851 | 0 | $0 | 0 | $0 | 56 |
| 2 bedroom | 1 | 1,600 | 0 | $0 | 18 | $1,011 | 79 | $1,085 | 0 | $0 | 98 |
| 3 bedroom | 0 | | 0 | $0 | 0 | $0 | 3 | $1,252 | 13 | $1,343 | 16 |
| 4 bedroom | | | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 | 0 |
| **subtotal** | **1** | | **0** | | **74** | | **82** | | **13** | | |
| | | | | * net rent | | | | | | | **170** |

## Fees, Escrows, and Reserves:

| **PERMANENT LOAN** | | | | |
|---|---|---|---|---|
| **Fees** | | **Basis of Requirements** | **Amount** | **Security** |
| CalHFA Permanent Loan | 0.50% | Permanent Loan | $79,600 | Cash |
| CalHFA Bridge Loan | 0.50% | Bridge Loan | 0 | Cash |
| **Escrows** | | | | |
| Construction Defect-revised | 2.50% | of Hard Costs | $767,060 | Letter of Credit |
| **Reserves** | | | | |
| Operating Expense Reserve | 10.00% | of Gross Income | $211,301 | Cash |
| Rent Up Reserve | | | $313,864 | Cash |
| Annual Replacement Reserve Deposit - New Coı | $350 | per unit | $59,500 | Operations |
| **CONSTRUCTION LOAN** | | | | |
| **Fees** | | | | |
| CalHFA Construction Loan | 1.00% | Total Construction Loan | $231,650 | Cash |
| Inspection fee | $1,500 | x 28 months of construction | $42,000 | Cash |
| **Guarantees** | | | | |
| Completion Guarantee-Borrower | 100.00% | of Construction Contract | 31,467,086 | Corporate Guarantee |
| Performance Bond-contractor (revised) | 100.00% | of Total Hard Costs | 31,467,086 | |
| Payment Bond-contractor (revised) | 100.00% | of Total Hard Costs | 31,467,086 | |

## Total Unit Mix

| # of Units | Unit Type | # of Baths | Average Sq. Ft. |
|---|---|---|---|
| **56** | 1 Bedroom Flat | 1 | 680 |
| **98** | 2 Bedroom Flat | 1 | 922 |
| **16** | 3 Bedroom Flat | 2 | 1133 |
| | | | |
| | | | |
| | | | |
| **170** | | | |

## Occupancy Restrictions by Agency

| Regulating Agency | Percent of Area Median Income 35% | 45% | 50% | 60% | 80% | | TOTAL UNITS |
|---|---|---|---|---|---|---|---|
| CalHFA | | | 34 | | | | 34 |
| City of San Jose | | 76 | 77 | 16 | | | 169 |
| County of Santa Clara | | 76 | 77 | 16 | | | 169 |
| TCAC | | | | | | | |
| | | | | | | | |
| | | | | | | | |

## Restricted Rents Compared to Market Area Rents

| Median Income Rent Levels | Subject Rents | Avg. Market Rate Rents | Dollars Difference | % of Market |
|---|---|---|---|---|
| **STUDIO** | | $0 | | |
| 35% | $0 | | $0 | 0% |
| 45% | $0 | | $0 | 0% |
| 50% | $0 | | $0 | 0% |
| 60% | $0 | | $0 | 0% |
| $1 | $0 | | $0 | 0% |
| **One Bedroom** | | $1,059 | | |
| 35% | $0 | | $0 | 0% |
| 45% | $851 | | $208 | 80% |
| 50% | $0 | | $0 | 0% |
| 60% | $0 | | $0 | 0% |
| 80% | $0 | | $0 | 0% |
| **Two Bedroom** | | $1,348 | | |
| 35% | $0 | | $0 | 0% |
| 45% | $1,011 | | $337 | 75% |
| 50% | $1,085 | | $263 | 80% |
| 60% | $0 | | $0 | 0% |
| 80% | $0 | | $0 | 0% |
| **Three Bedroom** | | $1,679 | | |
| 35% | $0 | | $0 | 0% |
| 45% | $0 | | $0 | 0% |
| 50% | $1,252 | | $427 | 75% |
| 60% | $1,343 | | $336 | 80% |
| 80% | $0 | | $0 | 0% |
| **Four Bedroom** | | $0 | | |
| 35% | $0 | | $0 | 0% |
| 45% | $0 | | $0 | 0% |
| 50% | $0 | | $0 | 0% |
| 60% | $0 | | $0 | 0% |
| 80% | $0 | | $0 | 0% |

## SOURCES AND USES WORKSHEET — Fairgrounds Family Apts.-ROEM

### SOURCES:

| | Permanent Budget | Construction Budget | % of Total Sources | Interest Rate |
|---|---|---|---|---|
| CalHFA First Mortgage | 15,920,000 | 23,165,000 | 35.9% | 5.70% |
| City of San Jose-Const/Perm | 11,881,431 | 11,881,431 | 26.8% | 3.00% |
| Other City Loans | 0 | 0 | 0.0% | 3.00% |
| Lease up income during construction | | | 0.0% | 0.00% |
| Deferred Developer Fee | | | 0.0% | 0.00% |
| Tax Credit Equity | 16,511,090 | 7,951,040 | 37.3% | 0.00% |
| Total Sources | **44,312,521** | **42,997,471** | **100.00%** | |
| (Gap)/Surplus | 0 | 0 | | |

### USES:

| | Permanent Budget | Construction Budget | **Permanent Cost Per Unit** | **% of total** |
|---|---|---|---|---|
| *ACQUISITION* | | | | |
| Prepaid ground rent | 199,999 | 199,999 | 1,176 | 0.5% |
| Predevelopment legal | | 0 | - | 0.0% |
| Demolition | | 0 | - | 0.0% |
| Off-Site Improvements | 584,701 | 584,701 | 3,439 | 1.3% |
| Existing Improvements Value | | | - | 0.0% |
| Predevelopment interest-City loan | | | - | 0.0% |
| **Total Acquisition Cost** | **784,700** | **784,700** | **4,616** | **1.8%** |
| *NEW CONSTRUCTION* | | | | |
| Site Work | 2,058,217 | 2,058,217 | 12,107 | 4.6% |
| Structures | 21,756,984 | 21,756,984 | 127,982 | 49.1% |
| Podium | 3,789,714 | 3,789,714 | 22,292 | 8.6% |
| General Requirements | 1,104,197 | 1,104,197 | 6,495 | 2.5% |
| Contractor Overhead | 986,637 | 986,637 | 5,804 | 2.2% |
| Contractor Profit | 986,637 | 986,637 | 5,804 | 2.2% |
| Furnishings | | 0 | - | 0.0% |
| Contractor's insurance | 1,413,000 | 1,413,000 | 8,312 | 3.2% |
| **Total New Const. Costs** | **32,095,386** | **32,095,386** | **189,914** | **72.4%** |
| *ARCHITECTURAL FEES* | | | | |
| Design | 620,000 | 620,000 | 3,647 | 1.4% |
| Supervision | | 0 | - | 0.0% |
| **Total Architectural Costs** | **620,000** | **620,000** | **3,669** | **1.4%** |
| **SURVEY & ENGINEERING** | **351,953** | **351,953** | **2,083** | **0.8%** |
| *CONST. INTEREST & FEES* | | | | |
| Const. Loan Interest | 1,926,155 | 1,926,155 | 11,330 | 4.3% |
| Construction Loan Fee | 231,650 | 231,650 | 1,363 | 0.5% |
| COSJ Construction-period interest | 1,024,664 | 1,024,664 | 6,027 | 2.3% |
| Taxes | | 0 | - | 0.0% |
| Insurance | 414,074 | 414,074 | 2,436 | 0.9% |
| Contractor's insurance bond | 0 | 0 | - | 0.0% |
| Title,escrow,const.closing | 129,022 | 129,022 | 759 | 0.3% |
| CalHFA Construction Inspection Fee | 42,000 | 42,000 | 247 | 0.1% |
| | **3,767,565** | **3,767,565** | **21,915** | **8.4%** |
| *PERMANENT FINANCING* | | | | |
| Finance Fee-Permanent Loan | 79,600 | 79,600 | 468 | 0.2% |

| | | | | |
|---|---|---|---|---|
| Application Fee | 500 | 500 | 3 | 0.0% |
| Title and Recording | 23,750 | 0 | 140 | 0.1% |
| Other lender fees | | 0 | - | 0.0% |
| **Total Perm. Financing Costs** | **103,850** | **80,100** | **611** | **0.2%** |
| *LEGAL FEES* | | | | |
| Legal-Borrower Council | 250,000 | 250,000 | 1,471 | 0.6% |
| Legal-Construction lender | 10,000 | 10,000 | 59 | 0.0% |
| Legal-Organization | | 0 | - | 0.0% |
| Legal-Syndication | | 0 | - | 0.0% |
| **Total Attorney Costs** | **260,000** | **260,000** | **1,538** | **0.6%** |
| *RESERVES* | | | | |
| Operating Expense Reserve | 211,301 | | 329 | 0.5% |
| Bond Origination Guarantee | | | - | 0.0% |
| Letter of Credit Costs | 7,671 | 7,671 | 12 | 0.0% |
| Rent Up Reserve | 313,864 | 313,864 | 489 | 0.7% |
| Misc. Reserve | | | - | 0.0% |
| **Total Reserve Costs** | **532,835** | **321,535** | **830** | **1.2%** |
| *CONTRACT COSTS* | | | | |
| **Appraisal** | 12,500 | 12,500 | 19 | 0.0% |
| **Market Study** | 2,500 | 2,500 | 4 | 0.0% |
| **PNA** | | | - | 0.0% |
| **Total Contract Costs** | **15,000** | **15,000** | **23** | **0.0%** |
| *CONTINGENCY* | | | | |
| Hard Cost Contingency | 1,917,245 | 1,917,245 | 2,986 | 4.3% |
| Soft Cost Contingency | 192,565 | 192,565 | 300 | 0.4% |
| **Total Contingency Costs** | **2,109,810** | **2,109,810** | **3,286** | **4.8%** |
| *OTHER* | | | | |
| TCAC App/Alloc/Monitor Fees | 101,951 | 101,951 | 159 | 0.2% |
| Environmental Audit | | 0 | - | 0.0% |
| Soils, Survey, Testing | | 0 | - | 0.0% |
| Asbestos/Lead-based Paint Report | | 0 | - | 0.0% |
| Seismic Study Expense | 10,000 | 10,000 | 16 | 0.0% |
| Permit Processing Fees | 908,179 | 908,179 | 1,414 | 2.0% |
| Impact fees | 1,152,049 | 1,152,049 | 1,794 | 2.6% |
| Relocation Expenses | | 0 | - | 0.0% |
| Furnishings | 50,000 | 50,000 | 78 | 0.1% |
| Marketing | 209,243 | 209,243 | 326 | 0.5% |
| Other-Audit/accounting | 40,000 | 40,000 | 62 | 0.1% |
| **Total Other Costs** | **2,471,422** | **2,471,422** | **3,849** | **5.6%** |
| **PROJECT COSTS** | **43,112,521** | **42,877,471** | **232,333** | **97.2%** |
| *DEVELOPER COSTS* | | | | |
| Developer Overhead/Profit | 1,200,000 | 120,000 | 1,869 | 2.7% |
| Consultant/Processing Agent | | | - | 0.0% |
| Project Administration | | | - | 0.0% |
| Consultant/Processing Agent | | 0 | - | 0.0% |
| **Total Developer Costs** | **1,200,000** | **120,000** | **1,869** | **2.7%** |
| **TOTAL PROJECT COST** | **44,312,521** | **42,997,471** | **252,926** | **99.9%** |

## Annual Operating Budget — Fairgrounds Family Apts.-ROEM

| | | $ per unit | % of total |
|---|---|---|---|
| **INCOME:** | | | |
| Total Rental Income | 2,092,608 | 12,309 | 99.03% |
| Laundry | 20,400 | 120 | 0.97% |
| Other Income | 0 | - | 0.00% |
| Commercial/Retail | 0 | - | 0.00% |
| **Gross Potential Income (GPI)** | **2,113,008** | **12,429** | **100.00%** |
| **Less:** | | | |
| Vacancy Loss | 105,650 | 621 | 5.00% |
| **Total Net Revenue** | **2,007,358** | **11,808** | **5.00%** |
| **EXPENSES:** | | | |
| | | **$ Per Unit** | **% of total** |
| Payroll | 225,420 | 1,326 | 12.68% |
| Administrative | 140,722 | 828 | 7.92% |
| Utilities | 99,500 | 585 | 5.60% |
| Operating and Maintenance | 203,397 | 1,196 | 11.44% |
| Insurance and Business Taxes | 37,500 | 221 | 2.11% |
| Taxes and Assessments | 0 | - | 0.00% |
| Reserve for Replacement Deposits | 59,500 | 350 | 3.35% |
| **Subtotal Operating Expenses** | **766,039** | **4,506** | **43.10%** |
| **Financial Expenses** | | | |
| Mortgage Payments (1st loan) | 1,011,456 | 5,950 | 56.90% |
| **Total Financial** | **1,011,456** | **5,950** | |
| **Total Project Expenses** | **1,777,495** | **10,456** | **100.00%** |

**Cash Flow** Fairgrounds Family Apts.-ROEM CalHFA Development Number: 04-014 C/N

| RENTAL INCOME | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| *Market Rent Increase* | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| Market Rents-mgr.unit | 19,200 | 19,680 | 20,172 | 20,676 | 21,193 | 21,723 | 22,266 | 22,823 | 23,393 | 23,978 |
| *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 | 2,073,408 | 2,125,243 | 2,178,374 | 2,232,834 | 2,288,654 | 2,345,871 | 2,404,518 | 2,464,631 | 2,526,246 | 2,589,402 |
| **TOTAL RENTAL INCOME** | **2,092,608** | **2,144,923** | **2,198,546** | **2,253,510** | **2,309,848** | **2,367,594** | **2,426,784** | **2,487,453** | **2,549,640** | **2,613,381** |
| | | | | | | | | | | |
| **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 | 20,400 | 20,910 | 21,433 | 21,969 | 22,518 | 23,081 | 23,658 | 24,249 | 24,855 | 25,477 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | **20,400** | **20,910** | **21,433** | **21,969** | **22,518** | **23,081** | **23,658** | **24,249** | **24,855** | **25,477** |
| | | | | | | | | | | |
| **GROSS INCOME** | **2,113,008** | **2,165,833** | **2,219,979** | **2,275,479** | **2,332,365** | **2,390,675** | **2,450,441** | **2,511,703** | **2,574,495** | **2,638,857** |
| | | | | | | | | | | |
| *Vacancy Rate : Market* | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| *Vacancy Rate : Affordable* | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Less: Vacancy Loss | 105,650 | 108,292 | 110,999 | 113,774 | 116,618 | 119,534 | 122,522 | 125,585 | 128,725 | 131,943 |
| **EFFECTIVE GROSS INCOME** | **2,007,358** | **2,057,542** | **2,108,980** | **2,161,705** | **2,215,747** | **2,271,141** | **2,327,919** | **2,386,117** | **2,445,770** | **2,506,915** |
| | | | | | | | | | | |
| **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 | 706,539 | 734,801 | 764,193 | 794,760 | 826,551 | 859,613 | 893,997 | 929,757 | 966,947 | 1,005,625 |
| Replacement Reserve | 59,500 | 59,500 | 59,500 | 59,500 | 59,500 | 62,475 | 62,475 | 62,475 | 62,475 | 65,599 |
| Ground Lease | 128,400 | 128,400 | 128,400 | 128,400 | 128,400 | 128,400 | 128,400 | 128,400 | 128,400 | 128,400 |
| *Annual Tax Increase* | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| Taxes and Assessments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL EXPENSES** | **894,439** | **922,701** | **952,093** | **982,660** | **1,014,451** | **1,050,488** | **1,084,872** | **1,120,632** | **1,157,822** | **1,199,624** |
| | | | | | | | | | | |
| **NET OPERATING INCOME** | **1,112,919** | **1,134,841** | **1,156,887** | **1,179,044** | **1,201,296** | **1,220,653** | **1,243,047** | **1,265,485** | **1,287,948** | **1,307,291** |
| | | | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | | | |
| CalHFA - 1st Mortgage | 1,011,456 | 1,011,456 | 1,011,456 | 1,011,456 | 1,011,456 | 1,011,456 | 1,011,456 | 1,011,456 | 1,011,456 | 1,011,456 |
| CalHFA - Bridge Loan | 0 | 0 | 0 | | | | | | | |
| | | | | | | | | | | |
| **CASH FLOW after 1st Mortgage & Lease** | **101,463** | **123,385** | **145,432** | **167,588** | **189,841** | **209,197** | **231,591** | **254,029** | **276,492** | **295,835** |
| **DEBT COVERAGE RATIO** | **1.10** | **1.12** | **1.14** | **1.17** | **1.19** | **1.21** | **1.23** | **1.25** | **1.27** | **1.29** |

## Cash Flow

| RENTAL INCOME | Year 11 | Year 12 | Year 13 | Year 14 | Year 15 | Year 16 | Year 17 | Year 18 | Year 19 | Year 20 | Year 21 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *Market Rent Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Market Rents-mgr.unit | 24,578 | 25,192 | 25,822 | 26,467 | 27,129 | 27,807 | 28,503 | 29,215 | 29,945 | 30,694 | 31,461 |
| *Affordable Rent Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Affordable Rents | 2,654,138 | 2,720,491 | 2,788,503 | 2,858,216 | 2,929,671 | 3,002,913 | 3,077,986 | 3,154,935 | 3,233,809 | 3,314,654 | 3,397,520 |
| **TOTAL RENTAL INCOME** | **2,678,715** | **2,745,683** | **2,814,325** | **2,884,683** | **2,956,800** | **3,030,720** | **3,106,488** | **3,184,151** | **3,263,754** | **3,345,348** | **3,428,982** |
| | | | | | | | | | | | |
| **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%* | *2.50%* |
| Laundry | 26,114 | 26,767 | 27,436 | 28,122 | 28,825 | 29,545 | 30,284 | 31,041 | 31,817 | 32,612 | 33,428 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | **26,114** | **26,767** | **27,436** | **28,122** | **28,825** | **29,545** | **30,284** | **31,041** | **31,817** | **32,612** | **33,428** |
| | | | | | | | | | | | |
| **GROSS INCOME** | **2,704,829** | **2,772,450** | **2,841,761** | **2,912,805** | **2,985,625** | **3,060,266** | **3,136,772** | **3,215,192** | **3,295,571** | **3,377,961** | **3,462,410** |
| | | | | | | | | | | | |
| *Vacancy Rate : Market* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| *Vacancy Rate : Affordable* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| Less: Vacancy Loss | 135,241 | 138,622 | 142,088 | 145,640 | 149,281 | 153,013 | 156,839 | 160,760 | 164,779 | 168,898 | 173,120 |
| **EFFECTIVE GROSS INCOME** | **2,569,587** | **2,633,827** | **2,699,673** | **2,767,165** | **2,836,344** | **2,907,252** | **2,979,934** | **3,054,432** | **3,130,793** | **3,209,063** | **3,289,289** |
| | | | | | | | | | | | |
| **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%* | *4.00%* |
| Expenses | 1,045,850 | 1,087,684 | 1,131,192 | 1,176,439 | 1,223,497 | 1,272,437 | 1,323,334 | 1,376,268 | 1,431,318 | 1,488,571 | 1,548,114 |
| Replacement Reserve | 65,599 | 65,599 | 65,599 | 65,599 | 68,879 | 68,879 | 68,879 | 68,879 | 68,879 | 72,323 | 72,323 |
| Ground Lease | 128,400 | 128,400 | 128,400 | 128,400 | 128,400 | 128,400 | 128,400 | 128,400 | 128,400 | 128,400 | 128,400 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| Taxes and Assessments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL EXPENSES** | **1,239,849** | **1,281,683** | **1,325,190** | **1,370,438** | **1,420,776** | **1,469,716** | **1,520,613** | **1,573,546** | **1,628,597** | **1,689,294** | **1,748,837** |
| | | | | | | | | | | | |
| **NET OPERATING INCOME** | **1,329,738** | **1,352,144** | **1,374,482** | **1,396,727** | **1,415,568** | **1,437,537** | **1,459,321** | **1,480,886** | **1,502,196** | **1,519,769** | **1,540,453** |
| | | | | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | | | | |
| CalHFA - 1st Mortgage | 1,011,456 | 1,011,456 | 1,011,456 | 1,011,456 | 1,011,456 | 1,011,456 | 1,011,456 | 1,011,456 | 1,011,456 | 1,011,456 | 1,011,456 |
| CalHFA - Bridge Loan | | | | | | | | | | | |
| | | | | | | | | | | | |
| **CASH FLOW after 1st Mortgage & Lease** | **318,282** | **340,688** | **363,026** | **385,271** | **404,112** | **426,081** | **447,865** | **469,430** | **490,740** | **508,313** | **528,997** |
| **DEBT COVERAGE RATIO** | **1.31** | **1.34** | **1.36** | **1.38** | **1.40** | **1.42** | **1.44** | **1.46** | **1.49** | **1.50** | **1.52** |

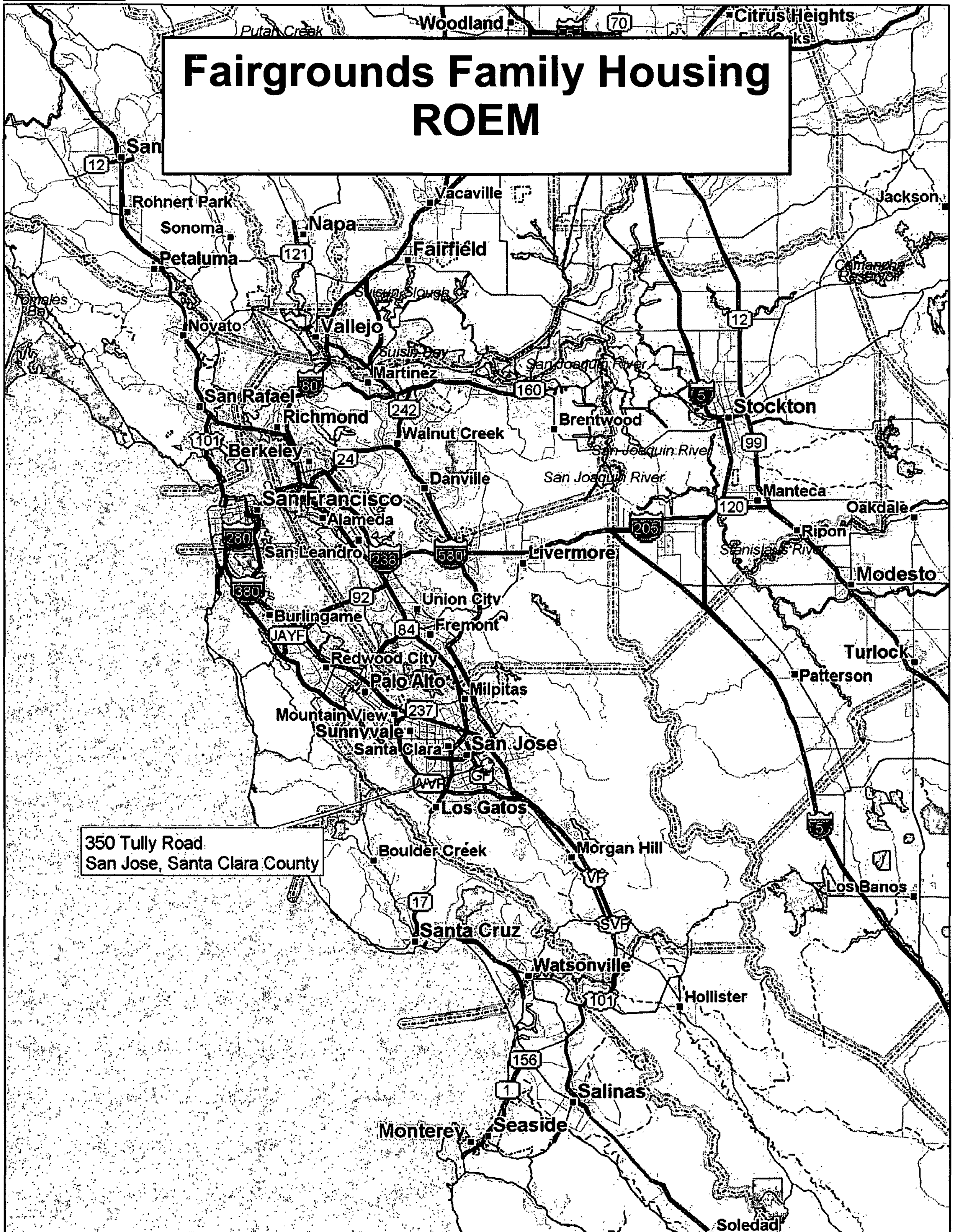
## Cash Flow

| RENTAL INCOME | Year 22 | Year 23 | Year 24 | Year 25 | Year 26 | Year 27 | Year 28 | Year 29 | Year 30 | Year 31 | Year 32 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *Market Rent Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Market Rents-mgr.unit | 32,248 | 33,054 | 33,881 | 34,728 | 35,596 | 36,486 | 37,398 | 38,333 | 39,291 | 40,273 | 41,280 |
| *Affordable Rent Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Affordable Rents | 3,482,458 | 3,569,520 | 3,658,758 | 3,750,227 | 3,843,983 | 3,940,082 | 4,038,584 | 4,139,549 | 4,243,037 | 4,349,113 | 4,457,841 |
| **TOTAL RENTAL INCOME** | **3,514,706** | **3,602,574** | **3,692,638** | **3,784,954** | **3,879,578** | **3,976,568** | **4,075,982** | **4,177,881** | **4,282,328** | **4,389,387** | **4,499,121** |
| | | | | | | | | | | | |
| **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%* | *2.50%* |
| Laundry | 34,263 | 35,120 | 35,998 | 36,898 | 37,820 | 38,766 | 39,735 | 40,728 | 41,747 | 42,790 | 43,860 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | **34,263** | **35,120** | **35,998** | **36,898** | **37,820** | **38,766** | **39,735** | **40,728** | **41,747** | **42,790** | **43,860** |
| | | | | | | | | | | | |
| **GROSS INCOME** | **3,548,970** | **3,637,694** | **3,728,636** | **3,821,852** | **3,917,399** | **4,015,334** | **4,115,717** | **4,218,610** | **4,324,075** | **4,432,177** | **4,542,982** |
| | | | | | | | | | | | |
| *Vacancy Rate : Market* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| *Vacancy Rate : Affordable* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| Less: Vacancy Loss | 177,448 | 181,885 | 186,432 | 191,093 | 195,870 | 200,767 | 205,786 | 210,930 | 216,204 | 221,609 | 227,149 |
| **EFFECTIVE GROSS INCOME** | **3,371,521** | **3,455,809** | **3,542,205** | **3,630,760** | **3,721,529** | **3,814,567** | **3,909,931** | **4,007,679** | **4,107,871** | **4,210,568** | **4,315,832** |
| | | | | | | | | | | | |
| **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%* | *4.00%* |
| Expenses | 1,610,039 | 1,674,440 | 1,741,418 | 1,811,074 | 1,883,517 | 1,958,858 | 2,037,212 | 2,118,701 | 2,203,449 | 2,291,587 | 2,383,250 |
| Replacement Reserve | 72,323 | 72,323 | 72,323 | 75,939 | 75,939 | 75,939 | 75,939 | 75,939 | 75,939 | 75,939 | 75,939 |
| Ground Lease | 128,400 | 128,400 | 128,400 | 128,400 | 128,400 | 128,400 | 128,400 | 128,400 | 128,400 | 128,400 | 128,400 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| Taxes and Assessments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL EXPENSES** | **1,810,761** | **1,875,163** | **1,942,140** | **2,015,413** | **2,087,856** | **2,163,197** | **2,241,551** | **2,323,040** | **2,407,788** | **2,495,926** | **2,587,589** |
| | | | | | | | | | | | |
| **NET OPERATING INCOME** | **1,560,760** | **1,580,647** | **1,600,064** | **1,615,347** | **1,633,673** | **1,651,370** | **1,668,380** | **1,684,640** | **1,700,084** | **1,714,643** | **1,728,243** |
| | | | | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | | | | |
| CalHFA - 1st Mortgage | 1,011,456 | 1,011,456 | 1,011,456 | 1,011,456 | 1,011,456 | 1,011,456 | 1,011,456 | 1,011,456 | 1,011,456 | 1,011,456 | 1,011,456 |
| CalHFA - Bridge Loan | | | | | | | | | | | |
| | | | | | | | | | | | |
| **CASH FLOW after 1st Mortgage & Lease** | **549,304** | **569,191** | **588,608** | **603,891** | **622,217** | **639,914** | **656,924** | **673,184** | **688,628** | **703,187** | **716,787** |
| **DEBT COVERAGE RATIO** | **1.54** | **1.56** | **1.58** | **1.60** | **1.62** | **1.63** | **1.65** | **1.67** | **1.68** | **1.70** | **1.71** |

## Cash Flow

| RENTAL INCOME | Year 33 | Year 34 | Year 35 | Year 36 | Year 37 | Year 38 | Year 39 | Year 40 |
|---|---|---|---|---|---|---|---|---|
| *Market Rent Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Market Rents-mgr.unit | 42,312 | 43,370 | 44,454 | 45,566 | 46,705 | 47,872 | 49,069 | 50,296 |
| *Affordable Rent Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Affordable Rents | 4,569,287 | 4,683,519 | 4,800,607 | 4,920,623 | 5,043,638 | 5,169,729 | 5,298,972 | 5,431,447 |
| **TOTAL RENTAL INCOME** | **4,611,599** | **4,726,889** | **4,845,062** | **4,966,188** | **5,090,343** | **5,217,601** | **5,348,041** | **5,481,743** |
| | | | | | | | | |
| **OTHER INCOME** | | | | | | | | |
| *Other Income Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Laundry | 44,957 | 46,081 | 47,233 | 48,413 | 49,624 | 50,864 | 52,136 | 53,439 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | **44,957** | **46,081** | **47,233** | **48,413** | **49,624** | **50,864** | **52,136** | **53,439** |
| | | | | | | | | |
| **GROSS INCOME** | **4,656,556** | **4,772,970** | **4,892,294** | **5,014,602** | **5,139,967** | **5,268,466** | **5,400,177** | **5,535,182** |
| | | | | | | | | |
| *Vacancy Rate : Market* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| *Vacancy Rate : Affordable* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| Less: Vacancy Loss | 232,828 | 238,648 | 244,615 | 250,730 | 256,998 | 263,423 | 270,009 | 276,759 |
| **EFFECTIVE GROSS INCOME** | **4,423,728** | **4,534,321** | **4,647,679** | **4,763,871** | **4,882,968** | **5,005,042** | **5,130,169** | **5,258,423** |
| | | | | | | | | |
| **OPERATING EXPENSES** | | | | | | | | |
| *Annual Expense Increase* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* |
| Expenses | 2,478,580 | 2,577,724 | 2,680,832 | 2,788,066 | 2,899,588 | 3,015,572 | 3,136,195 | 3,261,643 |
| Replacement Reserve | 75,939 | 75,939 | 75,939 | 75,939 | 75,939 | 75,939 | 75,939 | 75,939 |
| Ground Lease | 128,400 | 128,400 | 128,400 | 128,400 | 128,400 | 128,400 | 128,400 | 128,400 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| Taxes and Assessments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL EXPENSES** | **2,682,919** | **2,782,062** | **2,885,171** | **2,992,405** | **3,103,927** | **3,219,911** | **3,340,534** | **3,465,981** |
| | | | | | | | | |
| **NET OPERATING INCOME** | **1,740,809** | **1,752,259** | **1,762,508** | **1,771,467** | **1,779,041** | **1,785,132** | **1,789,635** | **1,792,441** |
| | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | |
| CalHFA - 1st Mortgage | 1,011,456 | 1,011,456 | 1,011,456 | 1,011,456 | 1,011,456 | 1,011,456 | 1,011,456 | 1,011,456 |
| CalHFA - Bridge Loan | | | | | | | | |
| | | | | | | | | |
| **CASH FLOW after 1st Mortgage & Lease** | **729,353** | **740,803** | **751,052** | **760,011** | **767,585** | **773,676** | **778,179** | **780,985** |
| **DEBT COVERAGE RATIO** | **1.72** | **1.73** | **1.74** | **1.75** | **1.76** | **1.76** | **1.77** | **1.77** |

THIS PAGE INTENTIONALLY LEFT BLANK






TN

MN (15.2°E)

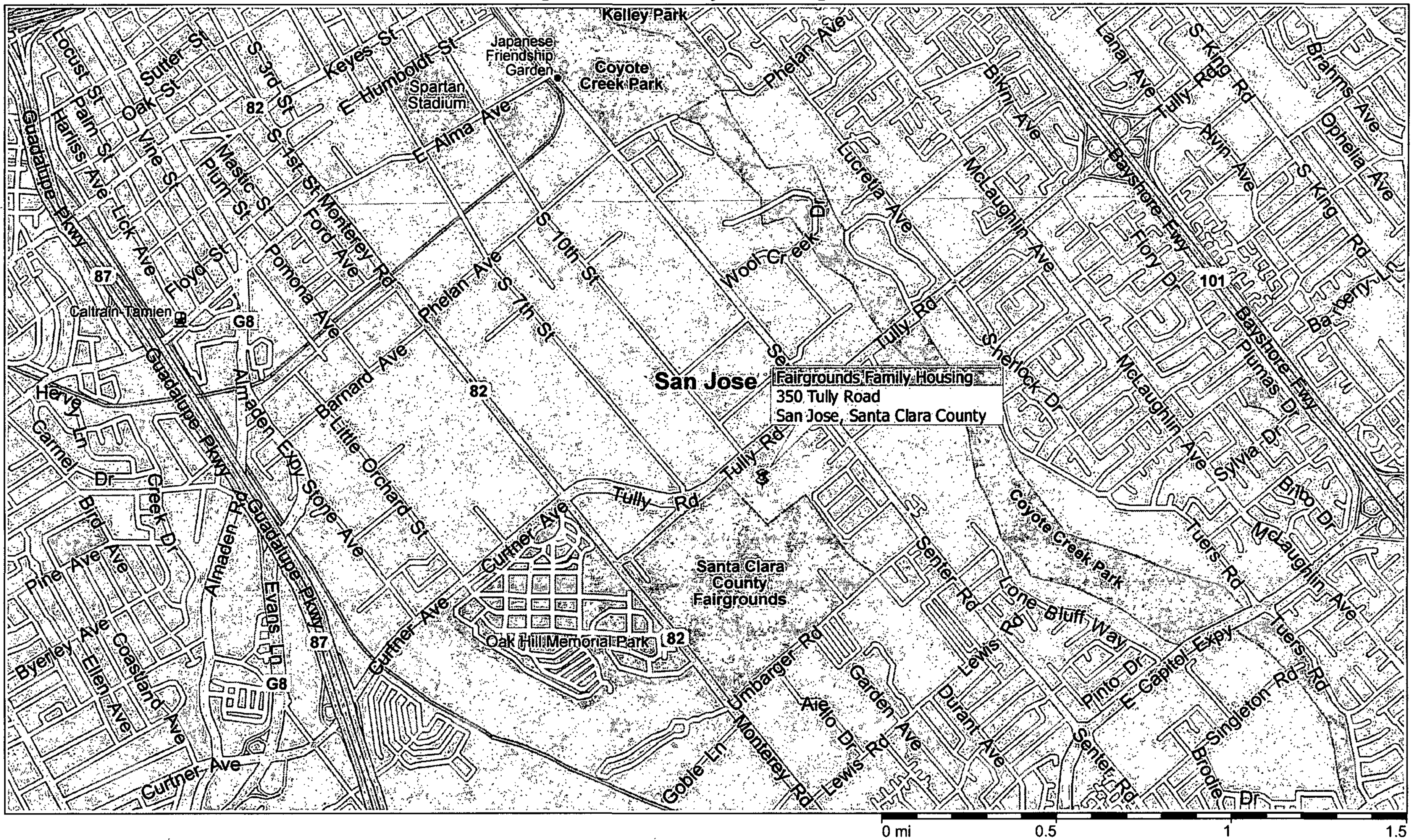
Scale 1 : 1,066,667

1" = 16.8 mi

THIS PAGE INTENTIONALLY LEFT BLANK

207

# Fairgrounds Family Housing-ROEM



THIS PAGE INTENTIONALLY LEFT BLANK

RESOLUTION 04-25

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Fairgrounds Luxury Family Apartments, L.P., a California limited partnership (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amounts described herein, the proceeds of which are to be used to provide construction and permanent mortgage loans on a 170-unit multifamily housing development located in the City of San Jose to be known as Fairgrounds Family Housing – ROEM (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated August 20, 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 June 28, 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 |
|---|---|---|---|
| 04-014-C/N | Fairgrounds Family Housing - ROEM San Jose/Santa Clara | 170 | |
| | | Construction First Mortgage: | $23,165,000 |
| | | Permanent First Mortgage: | $15,920,000 |

Resolution 04-25
Page 2

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

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

I hereby certify that this is a true and correct copy of Resolution 04-25 adopted at a duly constituted meeting of the Board of the Agency held on September 8, 2004, at Burbank, California.

ATTEST: ______________________
Secretary

# CALIFORNIA HOUSING FINANCE AGENCY
## Final Commitment
## Casitas Del Valle (Moreno Valley)
## Moreno Valley, Riverside County, CA
## CalHFA # 03-058-C/S

### SUMMARY

This is a final commitment request. The loans will be secured by Casitas Del Valle, a proposed 40 unit family apartment complex to be constructed on a 3.5 acre vacant site divided by Lamos Place and Oporto Drive. The property will be owned by Casitas Del Valle Housing Associates, a to be formed California limited partnership and the general partner will be Coachella Valley Housing Coalition, a California non-profit corporation.

### LOAN TERMS

**Construction**

| | |
|---|---|
| **First Mortgage** | $5,250,000 |
| Interest Rate | 3.50%, variable |
| Term | 18 Months, interest only |
| Financing | $4,800,000 tax-exempt |
| | $450,000 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** | $930,000 |
| Interest Rate | 5.50% |
| Term | 20 year fixed, fully amortized |
| Financing | Tax-exempt |

### OTHER FINANCING

| Source | Type | Loan Amount | Term | Interest Rate | Repayment |
|---|---|---|---|---|---|
| HCD – MHP | Loan | $1,700,000 | 55 | 3.00% | Residual receipts |
| HCD – MHP NSSS | Loan | $295,237 | 55 | 3.00% | Forgivable loan |
| FHLB – AHP | Grant | $200,000 | 55 | 0.00% | None |
| Moreno Valley RDA | Loan | $1,729,929 | 55 | 3.00% | Deferred until maturity |

## PROJECT DESCRIPTION

### Project Location

- Located at Los Lamos Place & Oporto Drive, Moreno Valley.
- 66 miles east of the Los Angeles and 100 miles north of San Diego.
- Single family housing to the North, West and East.
- Multifamily to the East and the 60 Freeway to the South.
- Nearest major cross street references are Interstate 215 and the State Highway 60.
- 2 Riverside Transit Agency bus stops are within 1500 feet.
- Parks, elementary schools, grocery store, medical clinic and pharmacy are within 1 mile.
- Library, middle school and high school are within 2 miles.
- The 8,000 acre Lake Perris State Park is nearby providing boating, fishing and camping.

### Site

- The proposed 3.5 acre vacant site is divided by Lamos Place and Oporto Drive.
- Zoning is R-10 (high density) and consistent with the proposed project.

### Improvements

- A one-story apartment building, 4 two-story apartment buildings, and 3 two-story townhouse buildings.
- Wood frame construction with concrete slab foundations.
- Exteriors will be painted stucco with clay tile roofs.
- 98 parking spaces (76 covered and 22 covered).
- Amenities included heating and air conditioning, dishwashers, garbage disposals, microwave ovens, picnic area, tot lot, patios and balconies.
- 2,000 square feet of one two-story apartment building is for the leasing office, maintenance room, computer room, laundry room and community room with kitchen.
- Free support services will be offered for educational training, after school programs, child care, computer training, tutoring, cultural programs and Boys and Girls Club.

### Off-site improvements

$44,785 was budgeted for ingress and egress off-site improvements.

## MARKET

### Market Overview

The Moreno Valley Market Area (Market Area) is located in the western part of Riverside County near the intersection of Interstate 215 and State Highway 60 and consists primarily of the City of Moreno and the surrounding unincorporated areas. The Market Area has a population of 172,000 or 9% of the Riverside County population.

For 2004, there were 14,000 renter households or 30% of the Market Area, which is an increase of 4,800 or 52% from 1990. Riverside County reported 185,000 renter households for 2004 or 31% of the total Riverside County households, which was an increase of 54,000 or 41% from

1990. For the Market Area, 24% of households are "very low income", 18% households are "low income" and 22% of households are moderate income.

The largest employment sectors are government (March Air Reserve Base), education (Moreno Valley Unified School District), medical (Riverside County Regional Medical Center) and the retail trades (Costo, Home Depot, Ralph's, etc).

**Housing Demand and Supply**

The Market Area overall vacancy rate is 1.5% and the income restricted complexes reported no vacancies and long waiting lists. There is estimated demand for 4,500 affordable housing units in the Market Area and demand is projected to increase to 6,800 affordable housing units by 2006 when the subject is projected to be completed.

| MARKET AREA SUMMARY OF COMPARABLE EXISTING, NEW CONSTRUCTION AND PROPOSED PROJECTS | | | | |
|---|---|---|---|---|
| **Project Status** | **Market Rate Projects** | **Market Rate Units** | **Affordable Housing Projects** | **Affordable Housing Units** |
| Existing projects | 13 | 1,956 | 2 | 168 |
| Projects under construction | 4 | 1,394 | 0 | 0 |
| Approved projects | 3 | 465 | 1 | 40 |
| Proposed projects | 5 | 1,342 | 1 | 60 |
| Totals | 25 | 5,182 | 4 | 268 |

## PROJECT FEASIBILITY

**Estimated Lease-up Period**

By September, 2006 (projected completion for construction), the Market Area will need an estimated 6,800 affordable housing units. Given the limited number of income affordable multifamily housing units within the Market Area (see above chart) and the long waiting lists at existing affordable multifamily complexes, full or 95% occupancy is estimated for the Subject within three months.

## ENVIRONMENTAL

Phase I Environmental Site Assessment (ESA) was completed on September 26, 2003 by R.M. Environmental and is an update of a previous ESA dated October 4, 1002. The purpose of this ESA was to determine the presence of or potential presence of hazardous materials. The environmental engineer reported no record of environmental issues or observations and no further action was required or recommended.

An updated Phase I ESA will be required prior construction loan closing. If remedial action is required, the cost of such remediation is not included in the attached proposed construction budget that must be completed before the start of construction. Upon completion of the any required cleanup or remediation, the Borrower must provide a "no further action" letter from the appropriate state or local agencies before construction loan closing.

## GEOTECHNICAL

The Geotechnical Engineering Report dated October 3, 2001 was prepared by Earth Systems Southwest. The site is suitable for the proposed development provided the recommendations contained in the report are implemented in the design and construction of the project.

The Borrower requested a waiver of CalHFA's earthquake insurance requirement and a seismic evaluation is underway. Any design modifications required as a condition of the earthquake insurance waiver will be incorporated in the final plans and specifications approved by CalHFA. If the earthquake insurance waiver request is denied, the additional cost of earthquake insurance premiums will reduce net operating cash flows and debt service coverage, which may require reducing or modifying the CalHFA permanent loan.

## DEVELOPMENT TEAM

### Borrower

<u>Casitas Del Valle Housing Associates, a California limited partnership to be formed</u>

The property will be owned by Casitas Del Valle Housing Associates, a California limited partnership to be formed and the general partner is Coachella Valley Housing Coalition (CVHC) a California non-profit 501(c)(3) corporation. The limited partner has not been determined.

CVHC was incorporated in 1982 and has developed nearly 2,300 units in Riverside County, including 900 homes through their Mutual Self-Help Program and approximately 1,400 apartment units for families, farmworkers and those with special needs. CVHC has also implemented 6 child care centers with 3 partners including the Palm Springs Unified School District. In addition, CVHC has created and operated several after-school tutoring and computer learning centers in Indio and Palm Springs, and offers educational programs for adults including English as a Second Language and Citizenship classes. CVHC received the "Non-Profit Developer of the Year" award from SCANPH in 2001, the "Best in America Living" award from the National Association of Home Builder in 2000 and HUD's "Award of Excellence" in 2000.

CVHC completed 5 affordable multifamily projects for a total of 259 units all with tax exempt financing from sources other than CalHFA. CalHFA has approved a construction/permanent loan for the 66 family unit Coyote Run II project scheduled to close by September 2004.

CalHFA requires the Borrower's Completion Guaranty to be secured by a letter of credit equal to 10% of the construction loan amount. Subject to review of the financial information provided by a guarantor other than the borrower in accordance with the CalHFA's underwriting standards, a Completion and Repayment Guaranty from that other guarantor may be acceptable in lieu the 10% letter of credit.

**Management Agent**

Hyder & Company (H&C)

H&C, founded in 1963, is a professional property management firm with 40 years of experience managing projects in New Mexico, Texas, Colorado, Arizona and California. H&C specializes in the management and operation of affordable housing apartments, and manages 34 projects in California with over 2,000 units.

H&C has been managing CVHC properties since March 1992, and currently manages eighteen projects for CVHC with 1,276 units, including Phase I of Coyote Run. H&C also manages 2 CalHFA-financed projects including: Montecito Village in Ramona (a non CVHC project), and Las Casas III in Coachella (a CVHC project).

**Architect**

Interactive Design Corporation (IDC)

IDC was incorporated in 1981. The Principal Architect, Reuel Yong, has been an architect in Palm Springs for 21 years. IDC has relationships of over 10 years with the City of Desert Hot Springs, City of Palm Springs, Cathedral City, City of Palm Desert, Marriott Corporation and Coachella Valley Housing Coalition.

Since 1993, IDC has designed 12 projects in Riverside County, totaling 694 units, including 8 affordable housing developments, 3 single family homes and an interim recovery housing project. Over the past 10 year period IDC has designed 8 projects for CVHC with a total of 466 units, including Coyote Run, Phase I.

**Contractor**

Wm. C. Buster, Inc. (WCB)

WCB was incorporated in 1959 and presently specializes in affordable residential construction, including HUD, HCD, and Farmers Home Administration projects. William C. Buster is the founder and president and is still active in current operations. His sons have been active in the company for over twenty years.

WCB currently has four projects under construction totaling 154 units, two of which are owned by CVHC. WCB has worked with CVHC since 1992, and has completed 17 affordable housing projects and two day care centers for CVHC, totaling nearly 1,000 units. Included in this total is the 140 unit Phase I of Coyote Run Apartments. In addition, WCB completed two CalHFA-financed projects in the early 1980's, Rancho Apartments and Silsby Garden Apartments, totaling 106 units.

WCB is posting a 100% performance and payment bond for this project, at approximately 1% of the contract price. WCB has the ability to bond up to twenty million per job and approximately 80% of their work is bonded.

# Project Summary: Construction

Date: 12-Aug-04

## Project Profile:

| | | | | |
|---|---|---|---|---|
| ***Project :*** | Casitas Del Valle (Moreno Valley) | | | |
| ***Location:*** | SE, SW & NE corners of Lamos Pl. & Oporto Dr. | | | |
| | Moreno Valley 92557 | *Cap Rate:* | 7.25% | |
| ***County:*** | Riverside | *Final Value:* | $1,375,000 | |
| ***Borrower:*** | Casitas Del Valle Housing Associates | *Construction:* | $5,975,000 | |
| ***GP:*** | Coachella Valley Housing Coalition | | | |
| ***GP:*** | | | | |
| ***LP:*** | To be determined | ***LTC/LTV:*** | **Construction** | **Permanent** |
| ***Program:*** | Tax-Exempt | *Loan/Cost* | 69% | 12% |
| ***CalHFA # :*** | 03-058-C/S | *Loan/Value* | 88% | 68% |

## Project Description:

| | |
|---|---|
| *Units* | 40 |
| *Handicap Units* | 2 |
| *Bldg Type* | New Const. |
| *Buildings* | 8 |
| *Stories* | 1 and 2 |
| *Gross Sq Ft* | 46,553 |
| *Land Sq Ft* | 152,460 |
| *Units/Acre* | 11 |
| *Total Parking* | 98 |
| *Covered Parking* | 76 |

| Financing Summary (Construction): | Amount | Per Unit | Rate | Term |
|---|---|---|---|---|
| CalHFA Construction Loan | 5,250,000 | 131,250 | 3.50% | 18 months |
| Moreno Valley RDA | 1,729,929 | 43,248 | 3.00% | 55 years |
| FHLB-AHP | 200,000 | 5,000 | 0.00% | 55 years |
| Deferred Developer Fee | 0 | 0 | NA | NA |
| Tax Credit Equity | 400,000 | 10,000 | NA | NA |
| **TOTAL** | 7,579,929 | 189,498 | | |

| Financing Summary (Permanent): | Amount | Per Unit | Rate | Term |
|---|---|---|---|---|
| CalHFA Permanent Loan | 930,000 | 23,250 | 5.50% | 20 years |
| Moreno Valley RDA | 1,729,929 | 43,248 | 3.00% | 55 years |
| FHLB-AHP | 200,000 | 5,000 | 0.00% | 55 years |
| HCD - MHP | 1,700,200 | 42,505 | 3.00% | 55 years |
| HCD - MHP - NSSS | 295,237 | 7,381 | 3.00% | 55 years |
| Deferred Developer Fee | 99,335 | 2,483 | | |
| Tax Credit Equity | 2,944,200 | 73,605 | | |
| **TOTAL** | 7,898,901 | 197,473 | | |

## Fees, Escrows, and Reserves:

| **Fees** | **Basis of Requirements** | **Amount** | **Security** |
|---|---|---|---|
| CalHFA Construction Loan Fee | 1.00% of construction loan amount | $52,500 | Cash |
| CalHFA Permanent Loan | 0.50% of permanent loan amount | $4,650 | Cash |
| Inspection fee | $1,500 per month | $27,000 | Cash |
| **Guarantees** | | | |
| Completion Guaranty--Borrower | 10.00% of CalHFA const. loan | $525,000 | Letter of Credit or Cash Escrow |
| Performance Bond--Contractor | 100.00% of construction costs | $4,891,154 | Bond |
| Payment Bond--Contractor | 100.00% of construction costs | $4,891,154 | Bond |
| **Reserves** | | | |
| Rent-up Reserve | HCD requirement | $54,389 | Cash |
| Operating Expense Reserve | 10% Gross income | $25,286 | Operations |
| Annual Replacement Reserve Deposit | 0.60% of Hard Costs | $26,050 | Cash |
| Annual Replacement Reserve | $350 per unit | $14,000 | Operations |
| **Escrows** | | | |
| Construction Defect | 2.50% of hard costs | $108,543 | Letter of Credit |

Casitas Del Valle

## Unit Mix:

| Type | Manager | | 30% AMI | | 40% AMI | | 50% AMI | | 60% AMI | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Rent | Number | Rent | Number | Rent | Number | Rent | Number | Rent | Number |
| 1 bedroom | | | 0 | 0 | 2 | 343 | 2 | 444 | 0 | 0 | 4 |
| 2 bedroom | | | 2 | 283 | 2 | 406 | 6 | 528 | 5 | 650 | 15 |
| 3 bedroom | 1 | 0 | 1 | 320 | 5 | 461 | 5 | 602 | 5 | 743 | 17 |
| 4 bedroom | | | 1 | 341 | 1 | 499 | 2 | 656 | 0 | 0 | 4 |
| **Subtotals** | **1** | | **4** | | **10** | | **15** | | **10** | | 40 |

## UNIT MIX AND RENT SUMMARY

**Casitas Del Valle (Moreno Valley)**

**03-358**

### Unit Mix

| # of Units | Unit Type | # of Baths | Average Sq. Ft. |
|---|---|---|---|
| 4 | 1 Bedroom Flat | 1 | 748 |
| 6 | 2 Bedroom Flat | 1 | 930 |
| 10 | 3 Bedroom Flat | 2 | 1,204 |
| 1 | 3 Bedroom Flat | 2 | 1,248 |
| 9 | 2 Bedroom Townhomes | 1.5 | 1,074 |
| 6 | 3 Bedroom Townhomes | 2 | 1,201 |
| 4 | 4 Bedroom Townhomes | 2 | 1,443 |
| 40 | | | |

### Occupancy Restrictions

| Regulating Agency | Percent of Area Median Income | | | | | |
|---|---|---|---|---|---|---|
| | 30% | 40% | 50% | 60% | 120% | Restricted |
| CalHFA | | | 8 | | | 8 |
| TCAC | 4 | 10 | 15 | 10 | | 39 |
| MHP | | 14 | 5 | | | 19 |
| AHP | | | 24 | | | 24 |
| RDA | | | | | 39 | 39 |

### Restricted Rents Compared to Market Area Rents

| Median Income Rent Levels | Subject Rents | Avg. Market Rate Rents | Dollars Difference | % of Market |
|---|---|---|---|---|
| **One Bedroom** | | $800 | | |
| 30% | $0 | | $0 | 0% |
| 40% | $343 | | $457 | 43% |
| 50% | $444 | | $356 | 56% |
| 60% | $0 | | $0 | 0% |
| 80% | $0 | | $0 | 0% |
| **Two Bedroom** | | $899 | | |
| 30% | $283 | | $616 | 31% |
| 40% | $406 | | $493 | 45% |
| 50% | $528 | | $371 | 59% |
| 60% | $650 | | $249 | 72% |
| 80% | $0 | | $0 | 0% |
| **Three Bedroom** | | $1,038 | | |
| 30% | $320 | | $718 | 31% |
| 40% | $461 | | $577 | 44% |
| 50% | $602 | | $436 | 58% |
| 60% | $743 | | $295 | 72% |
| 80% | $0 | | $0 | 0% |
| **Four Bedroom** | | $1,255 | | |
| 30% | $341 | | $914 | 27% |
| 40% | $499 | | $756 | 40% |
| 50% | $656 | | $599 | 52% |
| 60% | $0 | | $0 | 0% |
| 80% | $0 | | $0 | 0% |

## SOURCES AND USES OF FUNDS — Casitas Del Valle (Moreno Valley)

### SOURCES OF FUNDS:

| | Construction Loan | Per Unit | % of Sources | Permanent Loan | % of Sources |
|---|---|---|---|---|---|
| CalHFA First Mortgage | - | - | 0% | 930,000 | 12% |
| CalHFA Construction Loan | 5,250,000 | 131,250 | 69% | - | 0% |
| Moreno Valley RDA | 1,729,929 | 43,248 | 23% | 1,729,929 | 22% |
| FHLB-AHP | 200,000 | 5,000 | 3% | 200,000 | 3% |
| HCD - MHP | - | - | 0% | 1,700,200 | 22% |
| HCD - MHP - NSSS | - | - | 0% | 295,237 | 4% |
| Deferred Developer Fee | - | - | 0% | 99,335 | 1% |
| Tax Credit Equity | 400,000 | 10,000 | 5% | 2,944,200 | 37% |
| Total Sources | **7,579,929** | **189,498** | **100%** | **7,898,901** | **100%** |
| Surplus (Deficit) | - | | | - | |

### USES OF FUNDS:

| | Construction Loan | Per Unit | % of Uses | Permanent Loan | % of Uses |
|---|---|---|---|---|---|
| *LOAN PAYOFFS* | | | | | |
| CalHFA Construction | - | - | 0% | 5,250,000 | 66% |
| City of Moreno Valley loan | - | - | 0% | 1,729,929 | 22% |
| FHLB-AHP | - | - | 0% | 200,000 | 3% |
| **Total loan payoffs at closing** | **-** | **-** | **0%** | **7,179,929** | 91% |
| *ACQUISITION* | | | | | |
| Total Land Cost or Value | 381,178 | 9,529 | 5% | - | 0% |
| Legal/Broker Fees | 10,000 | 250 | 0% | - | 0% |
| Off-Site Improvements | 44,785 | 1,120 | 1% | - | 0% |
| Other | - | - | 0% | - | 0% |
| **Total Acquisition Cost** | **435,963** | **10,899** | **6%** | **-** | 0% |
| *NEW CONSTRUCTION* | | | | | |
| Site Work | 845,074 | 21,127 | 11% | - | 0% |
| Structures | 3,496,635 | 87,416 | 46% | - | 0% |
| General Requirements | 262,245 | 6,556 | 3% | - | 0% |
| Contractor Overhead | 54,200 | 1,355 | 1% | - | 0% |
| Contractor Profit | 233,000 | 5,825 | 3% | - | 0% |
| **Total New Const. Costs** | **4,891,154** | **122,279** | **65%** | **-** | 0% |
| *ARCHITECTURAL FEES* | | | | | |
| Design | 150,000 | 3,750 | 2% | - | 0% |
| Supervision | 50,000 | 1,250 | 1% | - | 0% |
| **Total Architectural Costs** | **200,000** | **5,000** | **3%** | **-** | 0% |
| **SURVEY & ENGINEERING** | 15,000 | 375 | 0% | - | 0% |
| *CONST. INTEREST & FEES* | | | | | |
| Construction Loan Interest | 190,000 | 4,750 | 3% | - | 0% |
| Construction Loan Fee | 52,500 | 1,313 | 1% | - | 0% |
| Legal fees & costs | 10,000 | 250 | 0% | - | 0% |
| Bond Premium | 49,800 | 1,245 | 1% | - | 0% |
| Taxes | 1,500 | 38 | 0% | - | 0% |
| Insurance | 43,000 | 1,075 | 1% | - | 0% |
| Title and Recording | 10,000 | 250 | 0% | - | 0% |
| Application Fee | 500 | 13 | 0% | - | 0% |
| Construction Inspection Fee | 27,000 | 675 | 0% | - | 0% |
| **Total Const. Interest & Fees** | **384,300** | **9,608** | **5%** | **-** | 0% |

## SOURCES AND USES FUNDS (continued) — Casitas Del Valle (Moreno Valley)

### USES OF FUNDS (continued):

| | Construction Uses | Per Unit | % of Uses | Permanent Uses | % of Uses |
|---|---|---|---|---|---|
| *PERMANENT FINANCING* | | | | | |
| Commitment Fee | - | - | 0% | - | 0% |
| Finance Fee | 4,650 | 116 | 0% | - | 0% |
| Title and Recording | - | - | 0% | 5,000 | 0% |
| Legal | - | - | 0% | 5,000 | 0% |
| **Total Perm. Financing Costs** | **4,650** | **116** | **0%** | **10,000** | 0% |
| *LEGAL FEES* | | | | | |
| Owner Legal | 15,000 | 375 | 0% | - | 0% |
| Other | | - | 0% | - | 0% |
| **Total Attorney Costs** | **15,000** | **375** | **0%** | **-** | 0% |
| *RESERVES* | | | | | |
| MHP Required Rent-up Reserves | - | - | 0% | 54,389 | 1% |
| Operating Expense Reserve | - | - | 0% | - | 0% |
| Letter of Credit Costs | 6,750 | 169 | #REF! | - | 0% |
| CalHFA Rent-up Reserve | - | - | 0% | - | 0% |
| **Total Reserve Costs** | **6,750** | **169** | **0%** | **54,389** | 1% |
| *CONTRACT COSTS* | | | | | |
| Appraisal | 7,000 | 175 | 0% | - | 0% |
| Market Study | 6,000 | 150 | 0% | - | 0% |
| Eq Ins. Waiver/Seismic Review | 10,000 | 250 | 0% | - | 0% |
| Environmental Review | 5,000 | 125 | 0% | - | 0% |
| **Total Contract Costs** | **28,000** | **700** | **0%** | **-** | 0% |
| *CONTINGENCY* | | | | | |
| Hard Cost Contingency | 489,115 | 12,228 | 6% | - | 0% |
| Soft Cost Contingency | 100,000 | 2,500 | 1% | - | 0% |
| **Total Contingency Costs** | **589,115** | **14,728** | **8%** | **-** | 0% |
| *OTHER* | | | | | |
| TCAC App/Alloc/Monitor Fees | 20,987 | 525 | 0% | - | 0% |
| Environmental Audit and Soil Report | 10,000 | 250 | 0% | - | 0% |
| Soils Report Expense | - | - | 0% | - | 0% |
| Permit Processing Fees | 295,000 | 7,375 | 4% | - | 0% |
| Local Impact Fees | 200,000 | 5,000 | 3% | - | 0% |
| Marketing Budget | 25,000 | 625 | 0% | - | 0% |
| Furnishings | 45,000 | 1,125 | 1% | - | 0% |
| Syndication costs | 85,000 | 2,125 | 1% | - | 0% |
| **Total Other Costs** | **680,987** | **17,025** | **9%** | **-** | 0% |
| **PROJECT COSTS** | **7,250,919** | **181,273** | **96%** | **7,244,318** | **92%** |
| *DEVELOPER COSTS* | | | | | |
| Developer Overhead/Profit | 329,010 | 8,225 | 4% | 654,583 | 8% |
| Project Administration | - | - | 0% | - | 0% |
| **Total Developer Costs** | **329,010** | **8,225** | **4%** | **654,583** | 8% |
| **TOTAL PROJECT COST** | **7,579,929** | **189,498** | **100%** | **7,898,901** | 100% |

## Annual Operating Budget

Casitas Del Valle (Moreno Valley)

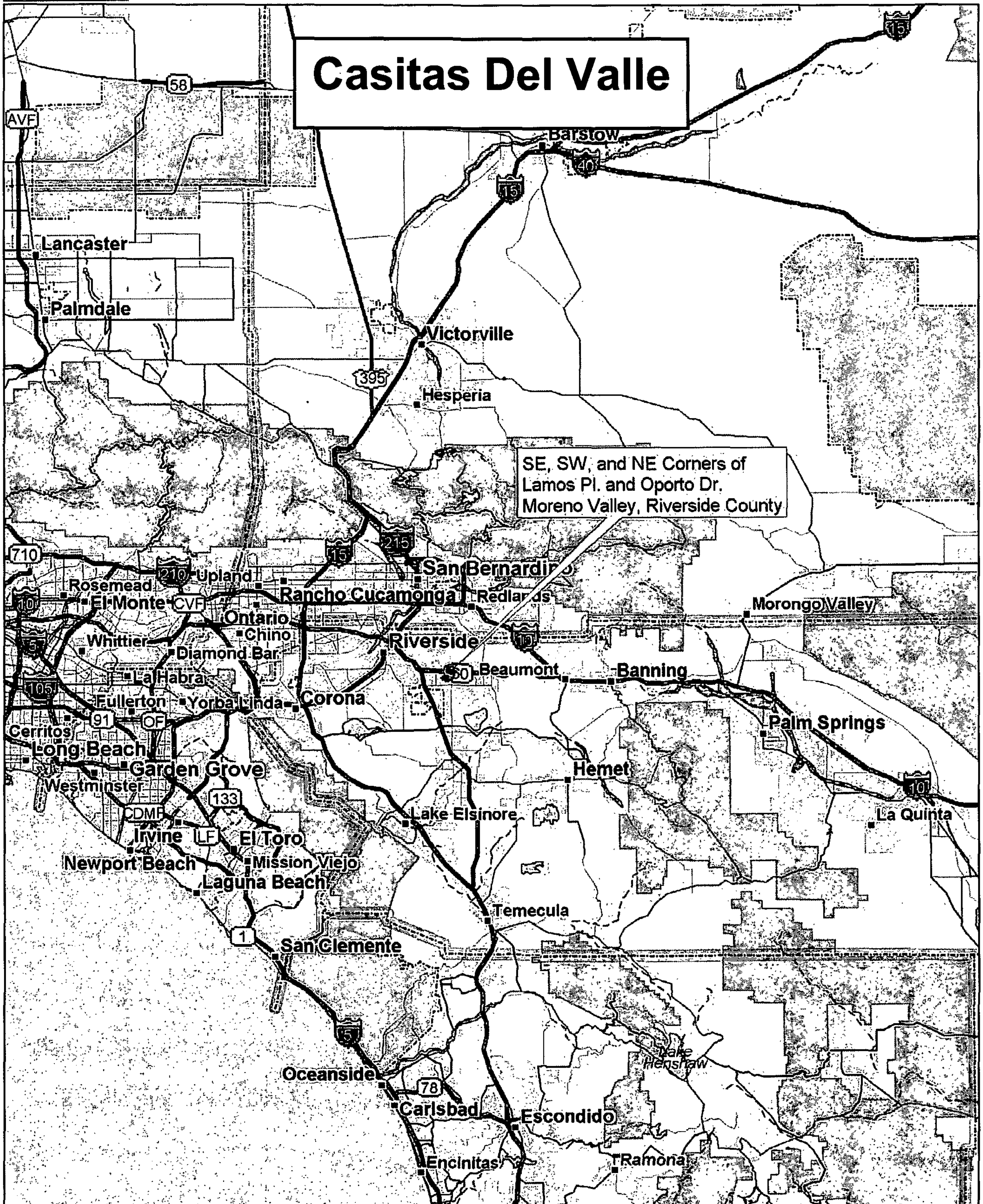
| | | $ per unit | % of Total |
|---|---|---|---|
| **INCOME:** | | | |
| Total Rental Income | 250,464 | 6,262 | 104% |
| Laundry | 2,400 | 60 | 1% |
| Other Income | 0 | - | 0% |
| Commercial/Retail | 0 | - | 0% |
| **Gross Potential Income (GPI)** | **252,864** | **6,322** | 105% |
| **Less:** | | | |
| Vacancy Loss | 12,643 | 316 | 5% |
| **Total Net Revenue** | **240,221** | **6,006** | **100%** |
| **EXPENSES:** | | | |
| Payroll | 51,713 | 1,293 | 22% |
| Administrative | 30,764 | 769 | 13% |
| Utilities | 19,400 | 485 | 8% |
| Operating and Maintenance | 22,500 | 563 | 9% |
| Insurance and Business Taxes | 7,500 | 188 | 3% |
| Taxes and Assessments | 2,290 | 57 | 1% |
| Reserve for Replacement Deposits | 14,000 | 350 | 6% |
| **Total Operating Expenses** | **148,167** | **3,704** | **62%** |
| **Financial Expenses** | | | |
| Mortgage Payments (1st loan) | 76,768 | 1,919 | 32% |
| **Total Financial** | **76,768** | **1,919** | **32%** |
| **TOTAL PROJECT EXPENSES** | **224,935** | **5,623** | **94%** |
| **Net Revenue or (Deficit)** | **15,286** | 382 | **6%** |

## Cash Flow — Casitas Del Valle (Moreno Valley) CalHFA Development No.: 03-058-C/S

| RENTAL INCOME | | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *Market Rent Increase* | | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Market Rents | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Affordable Rent Increase* | | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Affordable Rents | | 250,464 | 256,726 | 263,144 | 269,722 | 276,465 | 283,377 | 290,461 | 297,723 | 305,166 | 312,795 |
| **TOTAL RENTAL INCOME** | | **250,464** | **256,726** | **263,144** | **269,722** | **276,465** | **283,377** | **290,461** | **297,723** | **305,166** | **312,795** |
| | | | | | | | | | | | |
| **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 | | 2,400 | 2,460 | 2,522 | 2,585 | 2,649 | 2,715 | 2,783 | 2,853 | 2,924 | 2,997 |
| Other Income | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | | **2,400** | **2,460** | **2,522** | **2,585** | **2,649** | **2,715** | **2,783** | **2,853** | **2,924** | **2,997** |
| | | | | | | | | | | | |
| **GROSS INCOME** | | **252,864** | **259,186** | **265,665** | **272,307** | **279,115** | **286,092** | **293,245** | **300,576** | **308,090** | **315,792** |
| | | | | | | | | | | | |
| *Vacancy Rate : Market* | | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* |
| *Vacancy Rate : Affordable* | | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| Less: Vacancy Loss | | 12,643 | 12,959 | 13,283 | 13,615 | 13,956 | 14,305 | 14,662 | 15,029 | 15,405 | 15,790 |
| **EFFECTIVE GROSS INCOME** | | **240,221** | **246,226** | **252,382** | **258,692** | **265,159** | **271,788** | **278,582** | **285,547** | **292,686** | **300,003** |
| | | | | | | | | | | | |
| **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 | | 127,073 | 132,155 | 137,442 | 142,939 | 148,657 | 154,603 | 160,787 | 167,219 | 173,908 | 180,864 |
| Replacement Reserve | | 14,000 | 14,000 | 14,000 | 14,000 | 14,000 | 14,700 | 14,700 | 14,700 | 14,700 | 14,700 |
| Operating Reserve - 2% of EGI | | 4,804 | 4,925 | 5,048 | 5,174 | 5,303 | 5,436 | 5,572 | 5,711 | 5,854 | 6,000 |
| *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 | | 2,290 | 2,336 | 2,383 | 2,430 | 2,479 | 2,528 | 2,579 | 2,630 | 2,683 | 2,737 |
| **TOTAL EXPENSES** | | **148,167** | **153,416** | **158,872** | **164,543** | **170,439** | **177,267** | **183,638** | **190,260** | **197,144** | **204,301** |
| | | | | | | | | | | | |
| **NET OPERATING INCOME** | | **92,054** | **92,811** | **93,510** | **94,148** | **94,720** | **94,520** | **94,945** | **95,287** | **95,541** | **95,702** |
| | | | | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | | | | |
| CalHFA - 1st Mortgage | | 76,768 | 76,768 | 76,768 | 76,768 | 76,768 | 76,768 | 76,768 | 76,768 | 76,768 | 76,768 |
| | | | | | | | | | | | |
| **CASH FLOW after debt service** | | **15,286** | **16,042** | **16,742** | **17,380** | **17,952** | **17,752** | **18,176** | **18,519** | **18,773** | **18,934** |
| **DEBT COVERAGE RATIO** | | **1.20** | **1.21** | **1.22** | **1.23** | **1.23** | **1.23** | **1.24** | **1.24** | **1.24** | **1.25** |
| | | | | | | | | | | | |
| **MHP Payment** | **1,700,200** | **7,141** | **7,141** | **7,141** | **7,141** | **7,141** | **7,141** | **7,141** | **7,141** | **7,141** | **7,141** |
| **DEBT COVERAGE RATIO WITH MHP** | | **1.10** | **1.11** | **1.11** | **1.12** | **1.13** | **1.13** | **1.13** | **1.14** | **1.14** | **1.14** |

## Cash Flow

| RENTAL INCOME | Year 11 | Year 12 | Year 13 | Year 14 | Year 15 | Year 16 | Year 17 | Year 18 | Year 19 | Year 20 |
|---|---|---|---|---|---|---|---|---|---|---|
| *Market Rent Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Market Rents | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Affordable Rent Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Affordable Rents | 320,615 | 328,630 | 336,846 | 345,267 | 353,899 | 362,747 | 371,815 | 381,111 | 390,638 | 400,404 |
| **TOTAL RENTAL INCOME** | **320,615** | **328,630** | **336,846** | **345,267** | **353,899** | **362,747** | **371,815** | **381,111** | **390,638** | **400,404** |
| **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 | 3,072 | 3,149 | 3,228 | 3,308 | 3,391 | 3,476 | 3,563 | 3,652 | 3,743 | 3,837 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | **3,072** | **3,149** | **3,228** | **3,308** | **3,391** | **3,476** | **3,563** | **3,652** | **3,743** | **3,837** |
| **GROSS INCOME** | **323,687** | **331,779** | **340,074** | **348,576** | **357,290** | **366,222** | **375,378** | **384,762** | **394,382** | **404,241** |
| *Vacancy Rate : Market* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* |
| *Vacancy Rate : Affordable* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| Less: Vacancy Loss | 16,184 | 16,589 | 17,004 | 17,429 | 17,865 | 18,311 | 18,769 | 19,238 | 19,719 | 20,212 |
| **EFFECTIVE GROSS INCOME** | **307,503** | **315,191** | **323,070** | **331,147** | **339,426** | **347,911** | **356,609** | **365,524** | **374,662** | **384,029** |
| **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 | 188,098 | 195,622 | 203,447 | 211,585 | 220,049 | 228,851 | 238,005 | 247,525 | 257,426 | 267,723 |
| Replacement Reserve | 15,435 | 15,435 | 15,435 | 15,435 | 15,435 | 16,207 | 16,207 | 16,207 | 16,207 | 16,207 |
| Operating Reserve - 2% of EGI | 6,150 | 6,304 | 6,461 | 6,623 | 6,789 | 6,958 | 7,132 | 7,310 | 7,493 | 7,681 |
| *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 | 2,791 | 2,847 | 2,904 | 2,962 | 3,022 | 3,082 | 3,144 | 3,207 | 3,271 | 3,336 |
| **TOTAL EXPENSES** | **212,475** | **220,209** | **228,248** | **236,605** | **245,294** | **255,098** | **264,487** | **274,249** | **284,396** | **294,946** |
| **NET OPERATING INCOME** | **95,028** | **94,982** | **94,822** | **94,542** | **94,132** | **92,814** | **92,122** | **91,276** | **90,266** | **89,083** |
| **DEBT SERVICE** | | | | | | | | | | |
| CalHFA - 1st Mortgage | 76,768 | 76,768 | 76,768 | 76,768 | 76,768 | 76,768 | 76,768 | 76,768 | 76,768 | 76,768 |
| **CASH FLOW after debt service** | **18,260** | **18,214** | **18,054** | **17,773** | **17,364** | **16,046** | **15,354** | **14,508** | **13,498** | **12,315** |
| **DEBT COVERAGE RATIO** | **1.24** | **1.24** | **1.24** | **1.23** | **1.23** | **1.21** | **1.20** | **1.19** | **1.18** | **1.16** |
| **MHP Payment** | **7,141** | **7,141** | **7,141** | **7,141** | **7,141** | **7,141** | **7,141** | **7,141** | **7,141** | **7,141** |
| **DEBT COVERAGE RATIO WITH MH** | **1.13** | **1.13** | **1.13** | **1.13** | **1.12** | **1.11** | **1.10** | **1.09** | **1.08** | **1.06** |

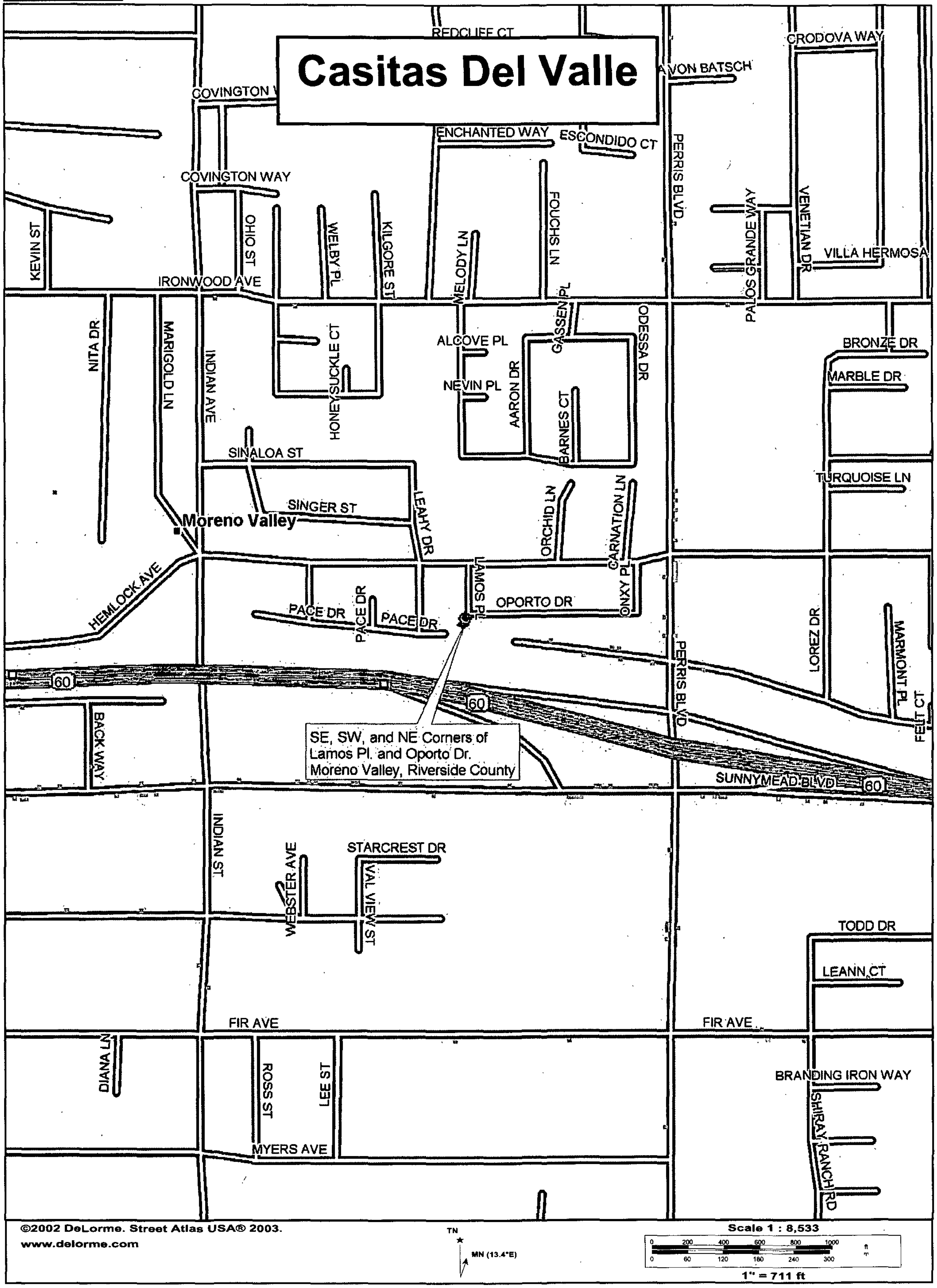





Scale 1 : 1,066,667

1" = 16.8 mi

THIS PAGE INTENTIONALLY LEFT BLANK


Casitas Del Valle
REDCLIFF CT
CRODOVA WAY
VON BATSCH
COVINGTON
ENCHANTED WAY
ESCONDIDO CT
PERRIS BLVD
COVINGTON WAY
FOUCHS LN
PALOS GRANDE WAY
VENETIAN DR
VILLA HERMOSA
KEVIN ST
OHIO ST
WELBY PL
KILGORE ST
MELODY LN
IRONWOOD AVE
GASSEN PL
ODESSA DR
BRONZE DR
NITA DR
MARIGOLD LN
INDIAN AVE
HONEYSUCKLE CT
ALCOVE PL
NEVIN PL
AARON DR
BARNES CT
MARBLE DR
SINALOA ST
TURQUOISE LN
SINGER ST
LEAHY DR
ORCHID LN
CARNATION LN
Moreno Valley
HEMLOCK AVE
LAMOS PL
OPORTO DR
ONXY PL
PACE DR
PACE DR
PACE DR
LOREZ DR
MARMONT PL
60
60
FELT CT
BACK WAY
SE, SW, and NE Corners of Lamos Pl. and Oporto Dr. Moreno Valley, Riverside County
SUNNYMEAD BLVD
60
INDIAN ST
WEBSTER AVE
STARCREST DR
VAL VIEW ST
TODD DR
LEANN CT
FIR AVE
FIR AVE
DIANA LN
ROSS ST
LEE ST
BRANDING IRON WAY
SHIRAY RANCH RD
MYERS AVE
Scale 1 : 8,533
1" = 711 ft
TN
MN (13.4°E)

THIS PAGE INTENTIONALLY LEFT BLANK

RESOLUTION 04-26

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Casitas Del Valle Housing Association, 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 Moreno Valley to be known as Casitas del Valle (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated August 18, 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 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 |
|---|---|---|---|
| 03-058-C/S | Casitas del Valle<br>Moreno Valley/Riverside | 40 | |
| | | Construction First Mortgage: | $5,250,000 |
| | | Permanent First Mortgage: | $ 930,000 |

Resolution 04-26
Page 2

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

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

I hereby certify that this is a true and correct copy of Resolution 04-26 adopted at a duly constituted meeting of the Board of the Agency held on September 8, 2004, at Burbank, California.

ATTEST: ______________________
Secretary

# CALIFORNIA HOUSING FINANCE AGENCY
## Final Commitment
## Dublin Transit Center
## Dublin, Alameda County, CA
## CalHFA # 04-002-C/N

### SUMMARY

This is a final commitment request for a construction loan in the amount of Twenty-three Million Four Hundred Twenty Thousand Dollars ($23,420,000), and a tax-exempt, first mortgage loan in the amount of Six Million Two Hundred Thousand Dollars ($6,200,000). Security for the loans will be a newly constructed, 112 unit family apartment community owned by Dublin Transit Site A-2, a limited partnership with an affiliate of EAH Inc. as the general partner.

The project will be located on a 2-acre lot in the City of Dublin at the corners of Dublin and DeMarcus Boulevards. This project is part of the overall 91-acre Planned Development of the Dublin Transit Center and is subject to the City of Dublin's Inclusionary Zoning requirements. The proposed development will consist of a four-story building with an on-grade enclosed garage and an interior courtyard. It is located a block from the East Dublin/Pleasanton BART station.

### LOAN TERMS

#### Construction

| | |
|---|---|
| **First Mortgage** | $23,420,000 |
| Interest Rate: | variable |
| Term: | 22 Months, interest only |
| Financing: | $19,315,000 Tax-exempt |
| | $ 4,105,000 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** | $6,200,000 |
| Interest Rate: | 5.70% |
| Term: | 30 year fixed, fully amortized |
| Financing: | Tax-exempt |

**OTHER FINANCING**

| Source | Type | Loan Amount | Term | Interest Rate | Repayment |
|---|---|---|---|---|---|
| MHP | Loan | $7,540,672 | 55 | 3.00% | Residual Receipts |
| MHP-NSSS | Loan | $254,611 | 55 | 3.00% | Residual Receipts |
| Alameda County | Loan | $4,000,000 | 55 | 3.00% | Residual Receipts |
| Alameda County - Land | Grant | $3,120,000 | | | |

EAH was selected by the owner of the overall 91-acre Planned Development, the Alameda County Surplus Property Authority (SPA) to develop affordable housing on this 2-acre site, which is Site A2 on the development plan. EAH has entered into a Purchase and Sale Agreement with the SPA. A to-be-formed Limited Partnership will take fee title of the ownership of the land at the close of all construction financing.

The City of Dublin's Inclusionary Zoning requirements state that 12.5% of all newly constructed units need to be affordable units at very low (30% of the units), low (20% of the units),and moderate (50% of the units), income levels. Half of the Inclusionary Zoning requirements for the 91 acre Transit Development Center are being met by this project, which will have 100% of its units restricted to incomes at 50% and 60% of Area Median Income.

**PROJECT DESCRIPTION**

**Project Location**

The proposed 112-unit affordable family rental housing development is new construction on a vacant 2-acre lot in the City of Dublin. This project is part of the overall 91-acre Planned Development of the Dublin Transit Center next to the East Dublin/Pleasanton BART station.

Currently an interim BART station parking lot is directly to the south of the subject. Vacant land lies to the east across DeMarcus Boulevard. To the west of the property, separated by the Iron Horse Trail, is a commercial/industrial zone, dominated by lumber yards, auto repair and automobile sales lots. Iron Horse Trail is a paved path used by cyclists and hikers; development of the Trail adjacent to and south of the project is planned for the future.

To the north of Dublin Boulevard is the 2,700+ acre Camp Parks U.S. Army Reserve Training Facility. While the main entrance to Camp Parks was recently relocated to the DeMarcus Boulevard/Dublin Boulevard intersection, most of the facility's structures are located one-half mile, (the administrative center) to one mile, (the outdoor military training area) north of Dublin Boulevard, with the area directly adjacent to Dublin Boulevard currently vacant. The Army is considering selling portions of these vacant areas for private development in exchange for improvements to the Camp Parks facility.

Future land uses surrounding the subject site include planned high-density residential development to the east, west and south. The 91 acre Dublin Transit Center project includes future development of 1,500 residential units on Sites A, B and C, two million square feet of campus office space on sites D and E, and 70,000 square feet of retail uses. Open space will include a 12.2 acre park located on site F and a one acre Village Green will be located between sites B and C. The project area also includes 8.65 acres to be occupied by a BART station parking garage, a PG&E substation and BART surface parking. Sybase recently constructed two six-story buildings on Site 15-B that serves as the company's new headquarters. In addition, the City recently approved the development of the major furniture store outlet, Ikea, at Site 16-A, at the corner of Dublin Boulevard and Hacienda Drive.

Outside the proposed development area, the neighborhood is built up with office buildings and newer shopping plazas which include Safeway, Target, Home Expo, and Babies R Us as well as some auto dealerships, parts sales and service facilities. The following amenities are within one mile from the proposed development: Dublin/Pleasanton BART station, Dougherty Elementary School, Iron Horse Trail, and the Dublin Sports Grounds. Additional amenities within two miles from the proposed development include: Wells Middle School, Dublin Public Library, Albertson's, Dublin Generics, Inc., a local pharmacy, Dublin Swim Center, Emerald Glen Park and the Tri-Valley One Stop Career Center. More family-serving retail and mixed-use developments will be built along with the rest of the Transit Center developments.

**Site**

The 1.99 acre vacant site is located at the southwest corner of Dublin and DeMarcus Boulevards. The site is level and is rectangular in shape with 372 feet of frontage along Dublin Boulevard and 189.5 feet of frontage along DeMarcus Boulevard. Two new streets will be built to surround the property along the west and south borders.

**Improvements**

The proposed development consists of a four-story Mediterranean style building with an on-grade enclosed garage of 160 parking stalls. The three residential stories will be wood-framed, and the exterior will be stucco with color plaster on the street-fronting walls. The walls facing the interior courtyard will have hardi-plank siding, and the walls on the ground floor garage will be structural shear walls. The full hip roof will be pitched with asphalt shingles, and decorative eyebrow roofs will be covered with sheet metal painted to look like oxidized copper. Two sides of the building will have units on the ground floor with entrances directly from the sidewalks, creating more of a sense of a community. Pedestrian circulation along DeMarcus Boulevard and the one-way private access road will be encouraged with step-up stoops to access the ground level units. The 112 residential units will include a mixture of flats and townhomes with individual hydronic heat and air-conditioning systems.

Architectural details will be enhanced at the street level by the patio gates to the ground floor units. The main entry plaza will be located at the southeast corner of the building facing DeMarcus and a private street. A fountain and a grandiose staircase will lead up to the podium deck where the leasing office, community center, laundry facilities and interior court/garden will be located. The courtyard will be landscaped with various types of native plants, small trees, trellises, sitting areas, and two tot lots with play structures.

The project will provide computer and internet classes, an after-school program, financial training, and other social services as needed. A half-time service coordinator, on-site property manager, and/or other local service provider groups will make these services available to the tenants free of charge. Other project amenities include the following:

- All units have private patio space
- Individual HVAC in all units with hydronic gas heat and electric condensers
- European kitchen cabinets and gas stove range

- 160 enclosed ground level parking spaces, including 4 handicap parking spaces
- 8 guest parking spaces on a private street
- Entry plaza and landscaped interior court at deck level
- BBQ area, 2 tot lots
- 1600 square foot community center including a kitchen, offices and a computer center
- 3 laundry rooms each with 5 washers and 8 dryers
- 2 elevators serving all floors, from the garage to the third floor of residential units
- Electronic security and monitoring system of all building accesses
- Wired for internet use and other cable services
- Energy Star rated refrigerator and dishwasher in all units
- Parking structure entrance from Street 'A', and service/freight access from the one-way private access road.
- Proximity of the BART station and multiple commute options

**SPECIAL NEEDS SERVICES**

The proposed project has allocated four one-bedroom units and one two-bedroom unit, for a total of 5 units for the developmentally disabled population. EAH is working with two local service providers who are designated to serve this special needs population to provide them with assistance for independent living. Service providers will have both on-site and off-site services that will include in-home personal skills training, use of public transit, money management, health services, nutritional counseling, and other referral services.

**MARKET**

**Market Overview**

In the market study completed by Laurin and Associates the Dublin Market Area is defined as the City of Dublin and a part of northern Pleasanton that borders the City of Dublin. The current population of the market area is 42,764, compared to the population of the City of Dublin which is 38,330 as of 2004. In the Dublin Market Area there are currently 14,778 households, 39.4% of which rent, and 60.6% of which own their homes.

The largest employment sectors in the County of Alameda and in the Dublin Market Area are services, trade and manufacturing. Major employers in Dublin include Sybase Corporation with 1,000 employees, Pacific Bell with over 600 employees and MicroDental Labratories with 550 employees. The unemployment rate in the County increased from 3.0% in 2000, to 6.8% in 2003, and decreased to 6.2% in 2004. The unemployment rate in Dublin increased from 1.7% in 2000, to 4.0% in 2003, and decreased to 3.3% in 2004.

**Housing Supply and Demand**

The market study states that there are no vacancies and the wait list is long at the one 57 unit affordable housing project in Dublin. In addition to the Dublin Transit Center, there is one other proposed affordable multifamily development, of 153 units, in the planning stages in Dublin. The market study estimated that the project would need to capture from 4.2% to 14.5% of the demand from a) existing households and b) additional demand generated from turnover and additional households created through 2006; depending on unit type and rent level.

**Estimated Lease-up Period**

According to the appraisal completed by Sturgis-Bright Associates the project is expected to absorb 25 units each month, with stabilization expected four and a half months after construction completion. A three month rent-up reserve of $125,000 has been set aside and is sufficient to cover the estimated four and a half month lease-up period. The permanent loan is expected to close four months after lease up begins.

**ENVIRONMENTAL**

CalHFA reviewed a Phase I Environmental Assessment Report and a Soil Sampling Report, both completed by ACC Environmental Consultants in December 2003 and January 2004 respectively. The Phase I Report revealed evidence of recognized environmental conditions at the subject property. During review of aerial photographs aboveground propane tanks and two buildings believed to be electricity generator buildings were identified. Also during review of aerial photographs, railroad spurs adjacent to the former aboveground propane tanks were identified. During the site reconnaissance, ACC observed one pad-mounted electrical transformer. In addition, there are several sites with documented releases of hazardous substances and/or petroleum products within one mile of the subject property.

ACC concluded the following: 1) Because the propane tanks were aboveground and because liquid propane is very volatile, any leaks would have quickly dissipated. Therefore, the potential to impact the environment is believed to be low. 2) Historically railroads have used herbicides and oils, including oils containing polychlorinated biphenyls (PCBs), for vegetation and dust control. ACC concludes that the former railroad spurs have potential to have impacted the environment. 3) ACC did not observe any evidence of leaks associated with the pad mounted transformer or any evidence that it had an impact on the environment. Based on their observations and the age of the transformer, the potential to impact the environment is considered low. 4) There is not documented evidence that constituent plumes originating from off-site sources have migrated to the subject property.

ACC analyzed 16 soil samples for organochlorine pesticides, TEPH, TPHg, BTEX, HVOC's LUFT metals, arsenic and total lead in its Soil Sampling Report. No detectable organochlorine pesticides, TPHg, BTEX, or HVOC's were reported in the soil samples analyzed. Minor concentrations of 5 LUFT metals and arsenic were reported in concentrations that are indicative of naturally occurring background levels, and minor concentrations of TEPH were reported. ACC concluded that there is no evidence of soil impact related to the historic site use and that no additional sampling or subsurface investigation is warranted. ACC also stated that any excess soil generated at the site will meet acceptance criteria for unrestricted residential use and can either be recycled, used for clean fill, or disposed at a Class III landfill.

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 conducted. A condition of the final commitment will be satisfactory review and approval of these documents and any additional reports or tests required as a result of the URS review and recommendations. If additional remedial action is recommended, the work will be required to be completed prior to construction start.

A Geotechnical Investigation completed in April 2004 by Robert Y. Chew Geotechnical, Inc. stated that the development is feasible from a geotechnical standpoint, provided the recommendations presented in the report are incorporated into the design and construction of the project. Chew Geotechnical, Inc. made numerous recommendations regarding seismic design, site preparation and grading, surface drainage, foundations, concrete slab-on-grade construction, and underground utility and service lines and in their report.

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.

## DEVELOPMENT TEAM

### Borrower

EAH, Inc.

EAH, Inc. (formerly Ecumenical Association for Housing) is a nonprofit corporation that has been developing, managing and advocating for quality affordable housing in Marin County since 1968. EAH has developed over 4,500 units of affordable housing in 50 projects, ranging from rural, low-density complexes to the 32 story Kukui Tower in Honolulu. EAH has approximately 1,700 units under construction or in the planning, acquisition or rehabilitation stages.

Construction security required from the borrower is shown as a letter of credit. Subject to review and approval of the financial information provided by the borrower and compliance with the Agency's underwriting standards, staff may approve a corporate completion and repayment guarantee from the general partner's parent corporation, (EAH, Inc.) in lieu of a letter of credit.

### Management Agent

EAH Property Management

EAH's Property Management Division manages over 6,000 units of affordable housing in 59 complexes located throughout the Bay Area, Central Valley and Honolulu, Hawaii, with regional offices located in San Rafael, San Jose, Fresno, and Honolulu. EAH's Property Management Division is a full services property and asset management firm.

### Architect

KTGY Group, Inc.

KTGY Group, Inc., was founded in 1991. KTGY provides planning and architectural design services for residential communities and related specialty projects throughout the western United States.

**Contractor**

<u>Segue Construction Inc.</u>

Segue, founded in 1992, is a service-oriented general contractor with an emphasis on construction of affordable multi-family apartment dwellings for Bay Area non-profit housing developers.

Segue is posting a 100% performance and payment bond for this project, at 1% of the contract price. Segue has the ability to bond up to forty million per job with an aggregate up to one hundred million; approximately 70% of their work is bonded. Other CalHFA projects constructed by Segue include Capital Avenue Apartments for JSM Enterprises, and Monte Vista Apartments and Grayson Creek Apartments for BRIDGE Housing. Segue is the contractor for two other CalHFA projects: Oak Court in Palo Alto which is currently under construction, and Bayport in Alameda which has not yet started construction.

# Project Summary

Date: 22-Jun-04

## Project Profile:

| | | | | |
|---|---|---|---|---|
| *Project :* | Dublin Transit Center | | | |
| *Location:* | Dublin Transit Center | **Appraisal:** | | |
| | Dublin | Cap Rate: | 6.50% | |
| *County:* | Alameda | Final Value: | $7,900,000 | |
| *Borrower:* | EAH | Construction: | $24,800,000 | |
| *GP:* | EAH | | | |
| *GP:* | | | | |
| *LP:* | not yet determined | **LTC/LTV:** | **Construction** | **Permanent** |
| *Program:* | Tax-Exempt | Loan/Cost | 73% | 18% |
| *CalHFA # :* | 04-002-C/N | Loan/Value | 94% | 78% |

## Project Description:

| | |
|---|---|
| *Units* | 112 |
| *Handicap Units* | 4 |
| *Bldge Type* | New Const. |
| *Buildings* | 1 |
| *Stories* | 4 |
| *Gross Sq Ft* | 198,823 |
| *Land Sq Ft* | 86,684 |
| *Units/Acre* | 56 |
| *Total Parking* | 168 |
| *Covered Parking* | 160 |

## Financing Summary:

| | | | Rate | Term |
|---|---|---|---|---|
| CalHFA First Mortgage | $6,200,000 | $55,357 | 5.70% | 30 |
| HCD - MHP | $7,540,672 | $67,327 | 3.00% | 55 |
| Alameda County | $4,000,000 | $35,714 | 3.00% | 55 |
| Alameda County Land Donation | $3,120,000 | $27,857 | | |
| HCD - MHP- NSSS | $254,611 | $2,273 | 3.00% | 55 |
| Deferred Developer Equity | $1,181,818 | $10,552 | | - |
| Tax Credit Equity | $11,569,260 | $103,297 | | |
| CalHFA Construction Loan | $23,420,000 | $209,107 | 3.00% | 22 months |
| Tax-exempt Portion | $19,315,000 | $172,455 | | |
| Taxable Portion | $4,105,000 | $36,652 | | - |

## Unit Mix:

| Type | 20% AMI | | 30% AMI | | 35% AMI | |
|---|---|---|---|---|---|---|
| | number | rent | number | rent | number | rent |
| 1 bedroom | 4 | 270 | 4 | 425 | 5 | 503 |
| 2 bedroom | | | 9 | 503 | 9 | 596 |
| 3 bedroom | | | 5 | 578 | 6 | 686 |
| 4 bedroom | | | | | | |
| **subtotal** | **4** | | **18** | | **20** | |

| Type | 50% AMI | | 55% AMI | | 60% AMI | | Manager | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | number | rent | number | rent | number | rent | number | rent | |
| 1 bedroom | 6 | 736 | 5 | 813 | | | | | **24** |
| 2 bedroom | 12 | 876 | 11 | 969 | 11 | 1062 | 1 | 0 | **53** |
| 3 bedroom | 7 | 1009 | 9 | 1116 | 8 | 1224 | | | **35** |
| 4 bedroom | | | | | | | | | |
| **subtotal** | **25** | | **25** | | **19** | | **1** | | **112** |

## Fees, Escrows, and Reserves:

| **Permanent** | | **Basis of Requirements** | **Amount** | **Security** |
|---|---|---|---|---|
| **Fees** | CalHFA Permanent Loan | 0.50% Total Loans | $31,000 | Cash |
| **Escrows** | Construction Defect | 2.50% of Hard Costs | $436,366 | Letter of Credit |
| **Reserves** | Operating Expense Reserve | 10.00% of Gross Income | $109,316 | Letter of credit |
| | Initial Deposit to Replacement R | 0.00% of Gross Income | $0 | Cash |
| | Annual Replacement Reserve D | $350 per unit | $39,200 | Operations |

| **Construction** | | **Basis of Requirements** | **Amount** | **Security** |
|---|---|---|---|---|
| **Fees** | CalHFA Construction Loan | 1.00% of Total Loans | $234,200 | Cash |
| | Inspection fee | $1,500 x months of construction | $33,000 | Cash |
| **Guarantees** | Bond Origination Guaranty | 1.00% of tax exempt portion | $193,150 | Not required |
| | Completion Guaranty--Borrower | 10.00% of construction contract | $1,981,737 | Letter of Credit or Cash Escrow |
| | Performance Bond--Contractor | 100.00% of construction contract | $19,817,372 | Bond |
| | Payment Bond--Contractor | 100.00% of construction contract | $19,817,372 | Bond |
| **Reserves** | Rent-up Reserve | 0.25 Year Operating Expense | $125,004 | Cash |

## UNIT MIX AND RENT SUMMARY

Dublin Transit Center

22-Jun-04

### Total Unit Mix

| # of Units | Unit Type | # of Baths | Average Sq. Ft. |
|---|---|---|---|
| **24** | 1 Bedroom Flat | 1 | 600 |
| **27** | 2 Bedroom Flat | 1 | 888 |
| **26** | 2 Bedroom Townhome | 1.5 | 1060 |
| | 2 Bedroom Townhome | 2 | |
| **35** | 3 Bedroom Flat | 2 | 1155 |
| | 4 Bedroom Townhome | 2.5 | |
| **112** | | | |

### Occupancy Restrictions by Agency

| Regulating Agency | Percent of Area Median Income | | | | | | TOTAL UNITS |
|---|---|---|---|---|---|---|---|
| | 20% | 30% | 35% | 50% | 55% | 60% | |
| CalHFA | | | | 22 | | | 22 |
| TCAC | | | | | | 111 | 111 |
| City | | | | 67 | | 44 | 111 |
| HCD | 2 | 8 | 11 | 12 | 12 | 9 | 54 |
| | | | | | | | |
| | | | | | | | |

### Restricted Rents Compared to Market Area Rents

| Median Income Rent Levels | Subject Rents | Avg. Market Rate Rents | Dollars Difference | % of Market |
|---|---|---|---|---|
| One Bedroom | | $1,050 | | |
| 20% | $270 | | $780 | 26% |
| 30% | $425 | | $625 | 40% |
| 25% | $503 | | $547 | 48% |
| 50% | $736 | | $314 | 70% |
| 55% | $813 | | $237 | 77% |
| Two Bedroom | | $1,250 | | |
| 30% | $503 | | $747 | 40% |
| 35% | $596 | | $654 | 48% |
| 50% | $876 | | $374 | 70% |
| 55% | $969 | | $281 | 78% |
| 60% | $1,062 | | $188 | 85% |
| Three Bedroom | | $1,650 | | |
| 30% | $578 | | $1,072 | 35% |
| 35% | $686 | | $964 | 42% |
| 50% | $1,009 | | $641 | 61% |
| 55% | $1,116 | | $534 | 68% |
| 60% | $1,224 | | $426 | 74% |

## SOURCES AND USES WORKSHEET



### SOURCES:

| | Permanent Dollars | Construction | Percent of Total Perm Sources | Interest Rate |
|---|---|---|---|---|
| CalHFA First Mortgage | 6,200,000 | | 18.3% | 5.70% |
| CalHFA Construction Loan | | 23,420,000 | | 3.00% |
| HCD - MHP | 7,540,672 | - | 22.3% | 3.00% |
| Alameda County | 4,000,000 | 4,000,000 | 11.8% | 3.00% |
| Alameda County Land Donation | 3,120,000 | 3,120,000 | 9.2% | |
| HCD - MHP- NSSS | 254,611 | - | 0.8% | 3.00% |
| Deferred Developer Equity | 1,181,818 | - | 3.5% | |
| Tax Credit Equity | 11,569,260 | 1,600,000 | 34.2% | |
| Total Sources | **33,866,361** | **32,140,000** | 100.0% | |
| (Gap)/Surplus | 0 | 0 | | |

### USES:

| | **Total Cost** | **Construction Budget** | **per unit** | **pct of total** |
|---|---|---|---|---|
| *ACQUISITION* | | | | |
| Total Land Cost or Value | 3,120,000 | 3,120,000 | 27,857 | 9% |
| Legal/Broker Fees | | | - | 0% |
| Demolition | - | | - | 0% |
| Off-Site Improvements | 250,000 | 250,000 | 2,232 | 1% |
| Existing Improvements Value | - | | - | 0% |
| Other | - | | - | 0% |
| **Total Acquisition Cost** | **3,370,000** | **3,370,000** | 30,089 | 10% |
| *NEW CONSTRUCTION* | | | | |
| Site Work | 841,788 | 841,788 | 7,516 | 2% |
| Structures | 16,612,843 | 16,612,843 | 148,329 | 49% |
| General Requirements | 762,774 | 762,774 | 6,810 | 2% |
| Contractor Overhead | 406,283 | 406,283 | 3,628 | 1% |
| Contractor Profit | 943,684 | 943,684 | 8,426 | 3% |
| Other | - | - | - | 0% |
| **Total New Const. Costs** | **19,567,372** | **19,567,372** | 174,709 | 58% |
| *ARCHITECTURAL FEES* | | | | |
| Design | 624,470 | 624,470 | 5,576 | 2% |
| Supervision | 186,530 | 186,530 | 1,665 | 1% |
| **Total Architectural Costs** | **811,000** | **811,000** | 7,241 | 2% |
| | - | | - | 0% |
| **SURVEY & ENGINEERING** | **150,000** | **150,000** | 1,339 | 0% |
| *CONST. INTEREST & FEES* | | | | |
| Const. Loan Interest | 1,100,000 | 1,100,000 | 9,821 | 3% |
| Construction Loan Fee | 234,200 | 234,200 | 2,091 | 1% |
| Legal | 10,000 | 10,000 | 89 | 0% |
| Bond Premium | - | - | - | 0% |
| Taxes | 20,000 | 20,000 | 179 | 0% |
| Insurance | 200,000 | 200,000 | 1,786 | 1% |
| Title and Recording | 30,000 | 30,000 | 268 | 0% |
| Construction Inspection Fee | 33,000 | 33,000 | 295 | 0% |
| **Total Const. Interest & Fees** | **1,627,200** | **1,627,200** | 14,529 | 5% |
| *PERMANENT FINANCING* | | | | |
| Commitment Fee | | | - | 0% |
| Finance Fee | 31,000 | 31,000 | 277 | 0% |
| Application Fee | 500 | 500 | 4 | 0% |

| | | | | |
|---|---|---|---|---|
| Title and Recording | 10,000 | | 89 | 0% |
| MHP Construction Loan Interest | - | - | - | 0% |
| HAT Bridge Loan | - | | - | 0% |
| HUD Environ. Review | - | | - | 0% |
| Legal | 20,000 | | 179 | 0% |
| **Total Perm. Financing Costs** | **61,500** | **31,500** | 549 | 0% |
| *LEGAL FEES* | | | | |
| Lender Legal Fee | | | - | 0% |
| Owner Legal | 60,000 | 60,000 | 536 | 0% |
| Other | | | - | 0% |
| **Total Attorney Costs** | **60,000** | **60,000** | 536 | 0% |
| *RESERVES* | | | | |
| CalHFA Required Rent-up Reserves | 125,004 | 125,004 | 1,116 | 0% |
| Construction Loan Interest Reserve | - | - | - | 0% |
| Letter of Credit Costs | 38,500 | 38,500 | 344 | 0% |
| | - | - | - | 0% |
| **Total Reserve Costs** | **163,504** | **163,504** | 1,460 | 0% |
| *CONTRACT COSTS* | | | | |
| Appraisal | 10,000 | 10,000 | 89 | 0% |
| Market Study | 7,500 | 7,500 | 67 | 0% |
| PNA | | - | - | 0% |
| Eq Ins. Waiver/Seismic Review | 10,000 | 10,000 | 89 | 0% |
| Environmental Review | 5,000 | 5,000 | 45 | 0% |
| **Total Contract Costs** | **32,500** | **32,500** | 290 | 0% |
| *CONTINGENCY* | | | | |
| Hard Cost Contingency | 1,496,333 | 1,496,333 | 13,360 | 4% |
| Soft Cost Contingency | 100,000 | 100,000 | 893 | 0% |
| **Total Contingency Costs** | **1,596,333** | **1,596,333** | 14,253 | 5% |
| *OTHER* | | | | |
| TCAC App/Alloc/Monitor Fees | 61,373 | 61,373 | 548 | 0% |
| Environmental Audit and Soil Report | 60,000 | 60,000 | 536 | 0% |
| Predevelopment loan int and fees | 65,000 | 65,000 | 580 | 0% |
| Asbestos/Lead-based Paint Report | - | - | - | 0% |
| Permit Processing Fees | 200,533 | 200,533 | 1,790 | 1% |
| Local Impact Fees | 3,605,228 | 3,605,228 | 32,190 | 11% |
| Construction Testing | | - | - | 0% |
| Marketing Budget | 112,000 | 112,000 | 1,000 | 0% |
| Furnishings | 56,000 | 56,000 | 500 | 0% |
| Syndication costs | 85,000 | 85,000 | 759 | 0% |
| **Total Other Costs** | **4,245,134** | **4,245,134** | 37,903 | 13% |
| **PROJECT COSTS** | **31,684,543** | **31,654,543** | 282,898 | 94% |
| *DEVELOPER COSTS* | | | | |
| Developer Overhead/Profit | 2,181,818 | 485,457 | 19,481 | 6% |
| Consultant/Processing Agent | - | | - | 0% |
| Project Administration | - | | - | 0% |
| **Total Developer Costs** | **2,181,818** | **485,457** | 19,481 | 6% |
| **TOTAL PROJECT COST** | **33,866,361** | **32,140,000** | 302,378 | 100% |

## Annual Operating Budget — Dublin Transit Center

| | | $ per unit | % of Total |
|---|---|---|---|
| **INCOME:** | | | |
| Total Rental Income | 1,085,100 | 9,688 | 99% |
| Laundry | 8,064 | 72 | 1% |
| Other Income | 0 | - | |
| Commercial/Retail | 0 | - | |
| **Gross Potential Income (GPI)** | **1,093,164** | **9,760** | **100%** |
| **Less:** | | | |
| Vacancy Loss | 54,658 | 488 | 5% |
| **Total Net Revenue** | **1,038,506** | **9,272** | **95%** |
| **EXPENSES:** | | | |
| Payroll | 175,248 | 1,565 | 18% |
| Administrative | 118,580 | 1,059 | 12% |
| Utilities | 55,323 | 494 | 6% |
| Operating and Maintenance | 90,426 | 807 | 9% |
| Insurance and Business Taxes | 55,440 | 495 | 6% |
| Taxes and Assessments | 5,000 | 45 | 1% |
| Reserve for Replacement Deposits | 39,200 | 350 | 4% |
| **Subtotal Operating Expenses** | **539,217** | **4,814** | **56%** |
| **Financial Expenses** | | | |
| Mortgage Payments (1st loan) | 431,818 | 3,856 | 44% |
| **Total Financial** | **431,818** | **3,856** | **44%** |
| **Total Project Expenses** | **971,035** | **8,670** | **100%** |

## Cash Flow — Dublin Transit Center — CalHFA Development Number: 04-002-C/N

| RENTAL INCOME | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 | Year 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *Market Rent Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Market Rents | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Affordable Rent Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Affordable Rents | 1,085,100 | 1,112,228 | 1,140,033 | 1,168,534 | 1,197,747 | 1,227,691 | 1,258,383 | 1,289,843 | 1,322,089 | 1,355,141 | 1,389,020 |
| **TOTAL RENTAL INCOME** | **1,085,100** | **1,112,228** | **1,140,033** | **1,168,534** | **1,197,747** | **1,227,691** | **1,258,383** | **1,289,843** | **1,322,089** | **1,355,141** | **1,389,020** |
| **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%* | *2.50%* |
| Laundry | 8,064 | 8,266 | 8,472 | 8,684 | 8,901 | 9,124 | 9,352 | 9,586 | 9,825 | 10,071 | 10,323 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | **8,064** | **8,266** | **8,472** | **8,684** | **8,901** | **9,124** | **9,352** | **9,586** | **9,825** | **10,071** | **10,323** |
| **GROSS INCOME** | **1,093,164** | **1,120,493** | **1,148,505** | **1,177,218** | **1,206,649** | **1,236,815** | **1,267,735** | **1,299,428** | **1,331,914** | **1,365,212** | **1,399,342** |
| *Vacancy Rate : Market* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* |
| *Vacancy Rate : Affordable* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| Less: Vacancy Loss | 54,658 | 56,025 | 57,425 | 58,861 | 60,332 | 61,841 | 63,387 | 64,971 | 66,596 | 68,261 | 69,967 |
| **EFFECTIVE GROSS INCOME** | **1,038,506** | **1,064,468** | **1,091,080** | **1,118,357** | **1,146,316** | **1,174,974** | **1,204,348** | **1,234,457** | **1,265,318** | **1,296,951** | **1,329,375** |
| **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%* | *4.00%* |
| Expenses | 495,017 | 514,818 | 535,410 | 556,827 | 579,100 | 602,264 | 626,354 | 651,409 | 677,465 | 704,564 | 732,746 |
| Replacement Reserve | 39,200 | 39,200 | 39,200 | 39,200 | 39,200 | 41,160 | 41,160 | 41,160 | 41,160 | 41,160 | 43,218 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *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 | 5,743 | 5,858 | 5,975 | 6,095 |
| **TOTAL EXPENSES** | **539,217** | **559,118** | **579,812** | **601,333** | **623,712** | **648,944** | **673,145** | **698,312** | **724,483** | **751,699** | **782,059** |
| **NET OPERATING INCOME** | **499,289** | **505,351** | **511,268** | **517,024** | **522,604** | **526,030** | **531,203** | **536,145** | **540,835** | **545,252** | **547,316** |
| **DEBT SERVICE** | | | | | | | | | | | |
| CalHFA - 1st Mortgage | 431,818 | 431,818 | 431,818 | 431,818 | 431,818 | 431,818 | 431,818 | 431,818 | 431,818 | 431,818 | 431,818 |
| **CASH FLOW after debt service** | **67,471** | **73,533** | **79,450** | **85,206** | **90,786** | **94,212** | **99,385** | **104,327** | **109,017** | **113,435** | **115,498** |
| **DEBT COVERAGE RATIO** | **1.16** | **1.17** | **1.18** | **1.20** | **1.21** | **1.22** | **1.23** | **1.24** | **1.25** | **1.26** | **1.27** |
| **MHP Payment** | **31,671** | **31,671** | **31,671** | **31,671** | **31,671** | **31,671** | **31,671** | **31,671** | **31,671** | **31,671** | **31,671** |
| **DEBT COVERAGE RATIO WITH MHP** | **1.08** | **1.09** | **1.10** | **1.12** | **1.13** | **1.13** | **1.15** | **1.16** | **1.17** | **1.18** | **1.18** |

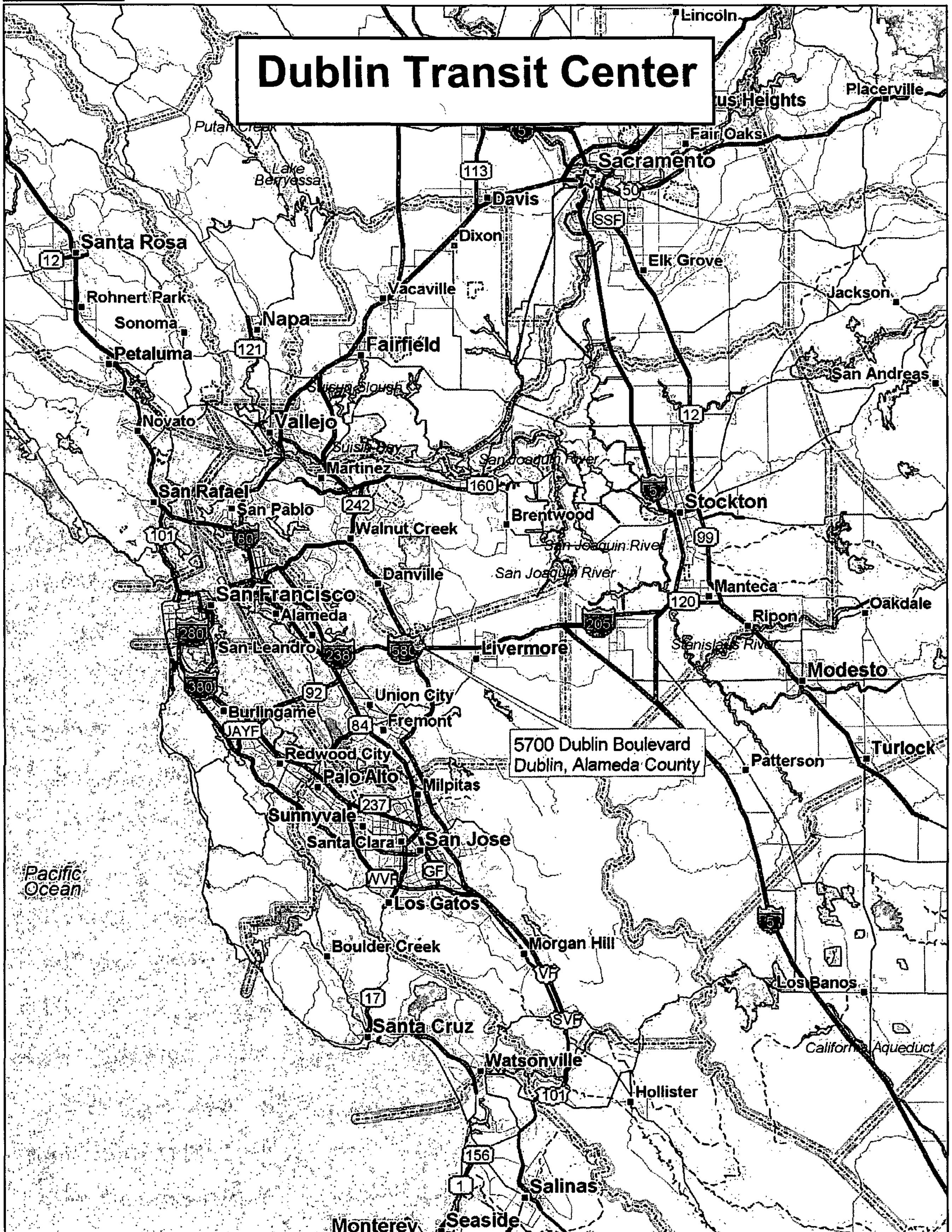
## Cash Flow

| RENTAL INCOME | Year 12 | Year 13 | Year 14 | Year 15 | Year 16 | Year 17 | Year 18 | Year 19 | Year 20 | Year 21 | Year 22 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *Market Rent Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Market Rents | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Affordable Rent Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Affordable Rents | 1,423,745 | 1,459,339 | 1,495,822 | 1,533,218 | 1,571,548 | 1,610,837 | 1,651,108 | 1,692,386 | 1,734,695 | 1,778,063 | 1,822,514 |
| **TOTAL RENTAL INCOME** | **1,423,745** | **1,459,339** | **1,495,822** | **1,533,218** | **1,571,548** | **1,610,837** | **1,651,108** | **1,692,386** | **1,734,695** | **1,778,063** | **1,822,514** |
| **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%* | *2.50%* |
| Laundry | 10,581 | 10,845 | 11,116 | 11,394 | 11,679 | 11,971 | 12,270 | 12,577 | 12,892 | 13,214 | 13,544 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | **10,581** | **10,845** | **11,116** | **11,394** | **11,679** | **11,971** | **12,270** | **12,577** | **12,892** | **13,214** | **13,544** |
| **GROSS INCOME** | **1,434,326** | **1,470,184** | **1,506,939** | **1,544,612** | **1,583,227** | **1,622,808** | **1,663,378** | **1,704,963** | **1,747,587** | **1,791,277** | **1,836,058** |
| *Vacancy Rate : Market* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* |
| *Vacancy Rate : Affordable* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| Less: Vacancy Loss | 71,716 | 73,509 | 75,347 | 77,231 | 79,161 | 81,140 | 83,169 | 85,248 | 87,379 | 89,564 | 91,803 |
| **EFFECTIVE GROSS INCOME** | **1,362,610** | **1,396,675** | **1,431,592** | **1,467,382** | **1,504,066** | **1,541,668** | **1,580,209** | **1,619,715** | **1,660,207** | **1,701,713** | **1,744,255** |
| **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%* | *4.00%* |
| Expenses | 762,056 | 792,538 | 824,240 | 857,209 | 891,498 | 927,158 | 964,244 | 1,002,814 | 1,042,926 | 1,084,643 | 1,128,029 |
| Replacement Reserve | 43,218 | 43,218 | 43,218 | 43,218 | 45,379 | 45,379 | 45,379 | 45,379 | 45,379 | 47,648 | 47,648 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| Taxes and Assessments | 6,217 | 6,341 | 6,468 | 6,597 | 6,729 | 6,864 | 7,001 | 7,141 | 7,284 | 7,430 | 7,578 |
| **TOTAL EXPENSES** | **811,491** | **842,097** | **873,926** | **907,025** | **943,606** | **979,400** | **1,016,624** | **1,055,334** | **1,095,589** | **1,173,755** | **1,218,140** |
| **NET OPERATING INCOME** | **551,119** | **554,577** | **557,666** | **560,357** | **560,460** | **562,267** | **563,585** | **564,381** | **564,618** | **527,958** | **526,115** |
| **DEBT SERVICE** | | | | | | | | | | | |
| CalHFA - 1st Mortgage | 431,818 | 431,818 | 431,818 | 431,818 | 431,818 | 431,818 | 431,818 | 431,818 | 431,818 | 431,818 | 431,818 |
| **CASH FLOW after debt service** | **119,301** | **122,760** | **125,848** | **128,539** | **128,642** | **130,449** | **131,768** | **132,563** | **132,800** | **96,140** | **94,297** |
| **DEBT COVERAGE RATIO** | **1.28** | **1.28** | **1.29** | **1.30** | **1.30** | **1.30** | **1.31** | **1.31** | **1.31** | **1.22** | **1.22** |
| **MHP Payment** | **31,671** | **31,671** | **31,671** | **31,671** | **31,671** | **31,671** | **31,671** | **31,671** | **31,671** | **31,671** | **31,671** |
| **DEBT COVERAGE RATIO WITH MHP** | **1.19** | **1.20** | **1.20** | **1.21** | **1.21** | **1.21** | **1.22** | **1.22** | **1.22** | **1.14** | **1.14** |

## Cash Flow

| RENTAL INCOME | Year 23 | Year 24 | Year 25 | Year 26 | Year 27 | Year 28 | Year 29 | Year 30 |
|---|---|---|---|---|---|---|---|---|
| *Market Rent Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Market Rents | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Affordable Rent Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Affordable Rents | 1,868,077 | 1,914,779 | 1,962,649 | 2,011,715 | 2,062,008 | 2,113,558 | 2,166,397 | 2,220,557 |
| **TOTAL RENTAL INCOME** | **1,868,077** | **1,914,779** | **1,962,649** | **2,011,715** | **2,062,008** | **2,113,558** | **2,166,397** | **2,220,557** |
| | | | | | | | | |
| **OTHER INCOME** | | | | | | | | |
| *Other Income Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Laundry | 13,883 | 14,230 | 14,586 | 14,950 | 15,324 | 15,707 | 16,100 | 16,502 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | **13,883** | **14,230** | **14,586** | **14,950** | **15,324** | **15,707** | **16,100** | **16,502** |
| | | | | | | | | |
| **GROSS INCOME** | **1,881,960** | **1,929,009** | **1,977,234** | **2,026,665** | **2,077,332** | **2,129,265** | **2,182,496** | **2,237,059** |
| | | | | | | | | |
| *Vacancy Rate : Market* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* | *7.00%* |
| *Vacancy Rate : Affordable* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| Less: Vacancy Loss | 94,098 | 96,450 | 98,862 | 101,333 | 103,867 | 106,463 | 109,125 | 111,853 |
| **EFFECTIVE GROSS INCOME** | **1,787,862** | **1,832,558** | **1,878,372** | **1,925,332** | **1,973,465** | **2,022,802** | **2,073,372** | **2,125,206** |
| | | | | | | | | |
| **OPERATING EXPENSES** | | | | | | | | |
| *Annual Expense Increase* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* | *4.00%* |
| Expenses | 1,173,150 | 1,220,076 | 1,268,879 | 1,319,634 | 1,372,420 | 1,427,316 | 1,484,409 | 1,543,785 |
| Replacement Reserve | 47,648 | 47,648 | 47,648 | 50,030 | 50,030 | 50,030 | 50,030 | 50,030 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| Taxes and Assessments | 7,730 | 7,884 | 8,042 | 8,203 | 8,367 | 8,534 | 8,705 | 8,879 |
| **TOTAL EXPENSES** | **1,264,285** | **1,312,260** | **1,362,137** | **1,416,374** | **1,470,286** | **1,526,337** | **1,584,612** | **1,645,199** |
| | | | | | | | | |
| **NET OPERATING INCOME** | **523,577** | **520,299** | **516,236** | **508,957** | **503,179** | **496,464** | **488,760** | **480,007** |
| | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | |
| CalHFA - 1st Mortgage | 431,818 | 431,818 | 431,818 | 431,818 | 431,818 | 431,818 | 431,818 | 431,818 |
| | | | | | | | | |
| **CASH FLOW after debt service** | **91,759** | **88,481** | **84,418** | **77,140** | **71,361** | **64,647** | **56,942** | **48,189** |
| **DEBT COVERAGE RATIO** | **1.21** | **1.20** | **1.20** | **1.18** | **1.17** | **1.15** | **1.13** | **1.11** |
| | | | | | | | | |
| **MHP Payment** | **31,671** | **31,671** | **31,671** | **31,671** | **31,671** | **31,671** | **31,671** | **31,671** |
| **DEBT COVERAGE RATIO WITH MHP** | **1.13** | **1.12** | **1.11** | **1.10** | **1.09** | **1.07** | **1.05** | **1.04** |

THIS PAGE INTENTIONALLY LEFT BLANK

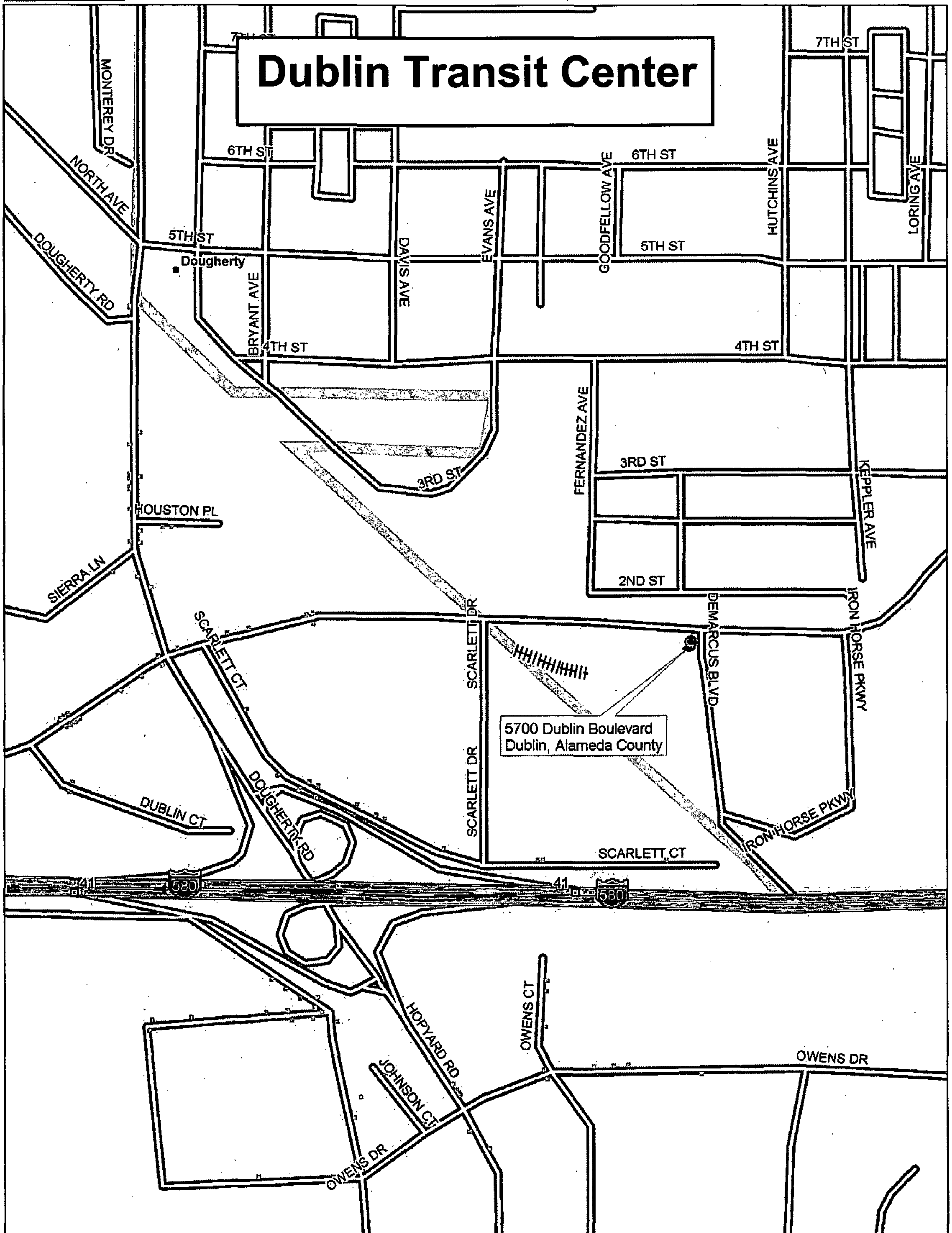





TN
MN (15.2°E)

Scale 1 : 1,066,667
1" = 16.8 mi

THIS PAGE INTENTIONALLY LEFT BLANK






TN
MN (15.2°E)

Scale 1 : 8,533
1" = 711 ft

THIS PAGE
INTENTIONALLY
LEFT BLANK

RESOLUTION 04-27

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of EAH, Inc., a California nonprofit public benefit corporation (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt and Taxable Loan Programs in the mortgage amounts described herein, the proceeds of which are to be used to provide construction and permanent mortgage loans on a 112-unit multifamily housing development located in the City of Dublin to be known as Dublin Transit Center (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated June 22, 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 June 22, 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 |
|---|---|---|---|
| 04-002-C/N | Dublin Transit Center<br>Dublin/Alameda | 112 | |
| | | Construction First Mortgage: | $23,420,000 |
| | | Permanent First Mortgage: | $ 6,200,000 |

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 04-27 adopted at a duly constituted meeting of the Board of the Agency held on September 8, 2004, at Burbank, California.

ATTEST: ______________________
Secretary

# CALIFORNIA HOUSING FINANCE AGENCY
## Loan Modification to Final Commitment
## Mission Gateway Apartments
## Union City, Alameda County, CA
## CalHFA # 03-035-L/N

### SUMMARY

This Loan Modification is a request for approval of a $3,000,000 increase to a lender loan and a $155,000 increase to the tax-exempt, first mortgage loan in the amount of $6,575,000. The CalHFA Board of Directors previously approved the project financing at its May 2003 meeting, a copy of which is attached.

Mission Gateway will provide 121 units of affordable housing, plus 3,000 square feet of neighborhood commercial space on a 4.3 acre site. The property will be owned by MP Mission Associates, a limited partnership, whose general partner is Mid-Peninsula Coastside, Inc., a wholly owned non-profit affiliate of Mid-Peninsula Housing Coalition (MPHC). Mission Gateway will be located at the north end of the Union City border along Mission Boulevard.

| LOAN TERMS | ORIGINAL | MODIFIED |
|---|---|---|
| First Mortgage Amount | $6,575,000 | $6,730,000 |
| Interest Rate: | 5.40% | 5.25% |
| Term: | 30 year fixed, Fully amortized | 30 year fixed, Fully amortized |
| Financing: | Tax-Exempt | Tax-Exempt |
| Lender Loan | $18,515,000 | $21,515,000 |
| Interest Rate: | 3.00% | 3.00% |
| Term: | 1.5 year, Simple interest | 2 years, Simple interest |
| Financing: | Tax-Exempt | Tax-Exempt |

### BACKGROUND FOR LOAN INCREASE

A combination of construction hard cost increases and related soft cost increases required that CalHFA apply for a supplemental allocation of bonds in the amount of $3,000,000 to meet the tax credit basis test. MPHC has been able to make up the financing gap with additional City funds as well as additional tax credit equity. However, as result of higher costs, the project needed additional tax exempt bond allocation.

The current modification request includes a $3,000,000 increase in the lender loan, a six month extension in the lender loan term, and a $155,000 increase in the permanent loan. The permanent loan interest rate was reduced by CalHFA from 5.40% to 5.25% as a result of the bond sale which allowed the lower rate.

## HISTORY OF THE PROJECT

Construction was expected to begin on the project in September of 2003. In late September final bids came in from J.R. Roberts, the selected general contractor who had been working on the project since the conceptual design stage. The bids MPHC received were over $3.0 million higher than was budgeted based on earlier pricing provided by the contractor (approximately $23 million versus a budget of $20 million). These cost increases were the result of increases in labor costs combined with record price increases in the construction materials markets, including lumber, steel and concrete. As a result, soft costs such as construction period interest also increased.

The sponsor re-bid the project with a new group of contractors in the fall of 2003. Even though the plans and specifications were refined, the new bids were not materially lower than the bids provided by J.R. Roberts. MPHC selected a new contractor, W.E. O'Neil Construction, because they provided the most qualified team and they were the contractor with the best overall proposal. After extensive negotiation and further value engineering the sponsor signed a construction contract in June 2004 for approximately $23.3 million.

## OTHER INCREASED FINANCING

Due to the anticipated additional bond allocation, equity has increased by $2,673,007 from the original estimate of $10,545,510 to the current amount of $13,218,577. Union Bank of California provided an updated commitment letter on July 22, 2004.

Wells Fargo increased the lender loan from $18,515,000 to $21,515,000 per their final loan documents dated August 2, 2004. In addition the Wells Fargo taxable tail originally approved in the amount of $2,560,000 is still in place.

The City of Union City approved increasing their financing by $1,400,000 from $2,750,000 to $4,150,000 on May 27, 2004. As a condition to their additional contribution to the project, the City required that the affordability for the units be increased. As a result, the original unit mix has changed as follows: 1) the 42 units originally at 35% AMI have been revised to 4 units at 17% AMI and 38 units at 35% SMI; and 2) the 36 units originally at 60% AMI have been revised to one unit at 45% AMI, one unit at 55% AMI, and 34 units at 60% AMI.

## CURRENT STATUS OF PROJECT

An application was submitted to CDLAC on July 7th for the $3,000,000 additional tax-exempt allocation, and the allocation is expected to be awarded on September 15th. The construction loans recorded on August 23, 2004. Completion is expected by March 2006, and the permanent loan closing date has been extended to August 31, 2006 to allow time for lease-up.

# Project Summary

Date: August 20, 2004

## Project Profile:

| | |
|---|---|
| Project : | Mission Gateway |
| Location: | 33000 Mission Blvd. |
| | Union City 94587 |
| County: | Alameda |
| Borrower: | MP Mission Associates |
| GP: | Mid-Peninsula Coastside, Inc. |
| LP: | Union Bank |
| Program: | Tax Exempt |
| CalHFA # : | 03-035-N |

| | 4/21/2003 | 6/7/2004 |
|---|---|---|
| *Cap Rate:* | 7.00% | 6.50% |
| *Market:* | $20,600,000 | $20,600,000 |
| *Income:* | $18,400,000 | $18,400,000 |
| *Final Value:* | $19,000,000 | $19,000,000 |
| ***LTC/LTV:*** | | |
| *Loan/Cost* | 18.8% | 16.9% |
| *Loan/Value* | 34.6% | 35.4% |

## Project Description:

| | |
|---|---|
| *Units* | 121 |
| *Handicap Units* | 6 |
| *Bldg Type* | Flats & Townhomes |
| *Number of Buildings* | 4 |
| *Stories* | 3 |
| *Gross Sq Ft* | 120,000 |
| *Land Sq Ft* | 4.3 acres |
| *Units/Acre* | 28 |
| *Total Parking* | 284 |
| *Covered Parking* | 217 |

## Financing Summary:

| | Amount | | | Per Unit | Rate | Term |
|---|---|---|---|---|---|---|
| | Original | Modification | *Change* | Modication | | |
| CalHFA First Mortgage | $6,575,000 | **$6,730,000** | *$155,000* | **$55,620** | 5.25% | 30 |
| HCD- MHP | $7,000,000 | **$7,000,000** | *$0* | **$57,851** | 3.00% | 55 |
| Union City RDA Land Donation | $6,100,000 | **$6,100,000** | *$0* | **$50,413** | 0.00% | - |
| Union City RDA | $2,750,000 | **$4,150,000** | *$1,400,000* | **$34,298** | 3.00% | 55 |
| FHLB - AHP | $1,000,000 | **$1,000,000** | *$0* | **$8,264** | 0.00% | 32 |
| Deferred Developer Fee | $988,209 | **$1,528,000** | *$539,791* | **$12,628** | | |
| Tax Credit Equity | $10,545,510 | **$13,218,517** | *$2,673,007* | **$109,244** | | - |
| CalHFA - Lender Loan - Tax-exempt | $18,515,000 | **$21,515,000** | *$3,000,000* | **$177,810** | 3.00% | 2 |
| WF Taxable Tail | $ 2,560,000 | **$2,560,000** | *$0* | **$21,157** | 5.00% | |

## Unit Mix:

**REVISED**

| Type | 17% AMI | | 35% SMI | | 40% AMI | | 45% AMI | | 50% AMI | |
|---|---|---|---|---|---|---|---|---|---|---|
| | number | rent* | number | rent* | number | rent* | number | rent* | number | rent* |
| 1 bedroom | 4 | 223 | 3 | 370 | | | 1 | 658 | 2 | 736 |
| 2 bedroom | | | 15 | 441 | 3 | 694 | | | 21 | 880 |
| 3 bedroom | | | 14 | 505 | 3 | 797 | | | 10 | 1012 |
| 4 bedroom | | | 6 | 561 | | | | | 3 | 1127 |
| **subtotal** | **4** | | **38** | | **6** | | **1** | | **36** | |

| Type | 55% AMI | | 60% AMI | | Manager AMI | | Total |
|---|---|---|---|---|---|---|---|
| | number | rent* | number | rent* | number | rent* | |
| 1 bedroom | 1 | 813 | 3 | 891 | | | **14** |
| 2 bedroom | | | 18 | 1066 | 1 | 0 | **58** |
| 3 bedroom | | | 11 | 1227 | | | **38** |
| 4 bedroom | | | 2 | 1367 | | | **11** |
| **subtotal** | **1** | | **34** | | **1** | | **121** |

## Fees, Escrows, and Reserves:

**Modification**

| **Fees** | **Basis of Requirements** | **Amount** | **Security** |
|---|---|---|---|
| Loan fees | 1.00% Lender Loan & 0.50% of Perm | $248,800 | Cash |
| **Escrows** | | | |
| Bond Origination Guarantee | 1.00% of Loan Amount | $185,150 | Letter of Credit |
| Inspection fee | $1,500 x months of construction | $19,500 | Cash |
| Construction Defect | 2.50% of Hard Costs | $505,555 | Letter of Credit |
| **Reserves** | | | |
| Rent-up Reserve | 42.00% of Total Expenses | $219,542 | Letter of Credit |
| Operating Expense Reserve | 10.00% of Gross Income | $116,722 | Cash |
| Annual Replacement Reserve Deposit | $350 per unit | $42,350 | Operations |

| SOURCES: | ORIGINAL Dollars | MODIFICATION Dollars | CHANGE |
|---|---|---|---|
| CalHFA First Mortgage | 6,575,000 | 6,730,000 | 155,000 |
| HCD- MHP | 7,000,000 | 7,000,000 | - |
| Union City RDA Land Donatior | 6,100,000 | 6,100,000 | - |
| Union City RDA | 2,750,000 | 4,150,000 | 1,400,000 |
| FHLB - AHP | 1,000,000 | 1,000,000 | - |
| Deferred Developer Fee | 988,209 | 1,528,000 | 539,791 |
| Tax Credit Equity | 10,545,510 | 13,218,517 | 2,673,007 |
| **Total Sources** | **34,958,719** | **39,726,517** | **4,767,798** |
| (Gap)/Surplus | | (0) | |

| USES: | Total Cost | per unit | % of total | Total Cost | per unit | % of total | CHANGE |
|---|---|---|---|---|---|---|---|
| *ACQUISITION* | | | | | | | |
| Total Land Cost or Value | 6,100,000 | 50,413 | 17% | 6,100,000 | 50,413 | 15% | - |
| Legal/Broker Fees | 13,500 | 112 | 0% | 13,501 | 112 | 0% | 1 |
| Off-Site Improvements | 130,000 | 1,074 | 0% | 76,046 | 628 | 0% | (53,954) |
| Demolition | 160,000 | 1,322 | 0% | - | - | 0% | (160,000) |
| Existing Improvements Value | - | - | 0% | - | - | 0% | - |
| Other | - | - | 0% | - | - | 0% | - |
| **Total Acquisition Cost** | **6,403,500** | **52,921** | **18%** | **6,189,547** | **51,153** | **16%** | **(213,953)** |
| *NEW CONSTRUCTION* | | | | | | | - |
| Site Work | 1,538,200 | 12,712 | 4% | 1,702,662 | 14,072 | 4% | 164,462 |
| Structures | 15,879,786 | 131,238 | 45% | 18,443,477 | 152,425 | 46% | 2,563,691 |
| General Requirements | 870,899 | 7,198 | 2% | 1,762,577 | 14,567 | 4% | 194,959 |
| Contractor Overhead | 696,719 | 5,758 | 2% | inc. above | | | see above |
| Contractor Profit | 696,719 | 5,758 | 2% | 800,000 | 6,612 | 2% | 103,281 |
| Personal Property | - | - | 0% | 121,000 | 1,000 | 0% | 121,000 |
| Contractor's Contingency | - | - | 0% | 433,033 | 3,579 | 1% | 433,033 |
| **Total New Const. Costs** | **19,682,323** | **162,664** | **56%** | **23,262,749** | **192,254** | **59%** | **3,580,426** |
| *ARCHITECTURAL FEES* | | | | | | | - |
| Design | 553,752 | 4,576 | 2% | 553,752 | 4,576 | 1% | - |
| Supervision | 184,584 | 1,525 | 1% | 184,584 | 1,525 | 0% | - |
| **Total Architectural Costs** | **738,336** | **6,102** | **2%** | **738,336** | **6,102** | **2%** | - |
| **SURVEY & ENGINEERING** | **75,000** | **620** | **0%** | **175,000** | **1,446** | **0%** | **100,000** |
| | | | | | | | - |
| *CONST. INTEREST & FEES* | | | | | | | - |
| Const. Loan Interest | 948,375 | 7,838 | 3% | 791,425 | 6,541 | 2% | see below |
| Loan Interest- post construction | - | - | 0% | 300,938 | 2,487 | 1% | 143,988 |
| Construction Loan Fee | 210,750 | 1,742 | 1% | 227,950 | 1,884 | 1% | 17,200 |
| Legal | - | - | 0% | 15,000 | 124 | 0% | 15,000 |
| Bond Premium | - | - | 0% | 117,000 | 967 | 0% | 117,000 |
| Taxes | 28,000 | 231 | 0% | 28,000 | 231 | 0% | - |
| Insurance | 225,000 | 1,860 | 1% | 225,000 | 1,860 | 1% | - |
| Title and Recording | 20,000 | 165 | 0% | 20,000 | 165 | 0% | - |
| Construction Interest Soft Loans | - | - | 0% | - | - | 0% | - |
| **Total Const. Interest & Fees** | **1,432,125** | **11,836** | **4%** | **1,725,313** | **14,259** | **4%** | **293,188** |
| *PERMANENT FINANCING* | | | | | | | - |
| Commitment Fee | 185,150 | 1,530 | 1% | 215,150 | 1,778 | 1% | 30,000 |
| Finance Fee | 32,875 | 272 | 0% | 33,650 | 278 | 0% | 775 |
| Application Fee | 500 | 4 | 0% | 500 | 4 | 0% | - |
| Title and Recording | 5,000 | 41 | 0% | 5,000 | 41 | 0% | - |
| Legal | 5,000 | 41 | 0% | 10,000 | 83 | 0% | 5,000 |
| CHFA Construction Inspection Fees | 19,500 | 161 | 0% | 19,500 | 161 | 0% | - |
| **Total Perm. Financing Costs** | **248,025** | **2,050** | **1%** | **283,800** | **2,345** | **1%** | **35,775** |
| *LEGAL FEES* | | | | | | | - |
| Borrower Legal Fee | 15,000 | 124 | 0% | 5,500 | 45 | 0% | (9,500) |
| Wells Fargo Legal Costs | 55,000 | 455 | 0% | 55,000 | 455 | 0% | - |
| | | - | 0% | | - | 0% | - |
| **Total Attorney Costs** | **70,000** | **579** | **0%** | **60,500** | **500** | **0%** | **(9,500)** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| *RESERVES* | | | | | | | - |
| | | | | | | | - |
| Utility Stabilization Reserve | - | - | 0% | - | - | 0% | - |
| Reserve | - | - | 0% | - | - | 0% | - |
| Bond Origination Guarantee | - | - | 0% | | - | 0% | - |
| Letter of Credit Costs | 12,769 | 106 | 0% | 13,654 | 113 | 0% | 885 |
| Capitalized Operating Reserves | 164,104 | 1,356 | 0% | 116,722 | 965 | 0% | (47,382) |
| **Total Reserve Costs** | **176,873** | **1,463** | **1%** | **130,375** | **1,077** | **0%** | **(46,498)** |
| *CONTRACT COSTS and MARKETING* | | | | | | | - |
| Appraisal | 12,000 | 99 | 0% | 12,000 | 99 | 0% | - |
| Market Study | 5,000 | 41 | 0% | 5,000 | 41 | 0% | - |
| Seismic Review | 3,000 | 25 | | 3,000 | 25 | 0% | - |
| NEPA and Environmental Review | 10,000 | 83 | | 10,000 | 83 | 0% | - |
| Marketing | 120,000 | 992 | | 120,000 | 992 | 0% | - |
| Audit | - | - | 0% | 10,000 | 83 | 0% | 10,000 |
| **Total Contract Costs** | **150,000** | **1,240** | **0%** | **160,000** | **1,322** | **0%** | **10,000** |
| | | | | | | | - |
| *CONTINGENCY* | | | | | | | - |
| Hard Cost Contingency | 1,771,409 | 14,640 | 5% | 1,429,847 | 11,817 | 4% | (341,562) |
| Soft Cost Contingency | 140,333 | 1,160 | 0% | 200,000 | 1,653 | 1% | 59,667 |
| **Total Contingency Costs** | **1,911,742** | **15,800** | **5%** | **1,629,847** | **13,470** | **4%** | **(281,895)** |
| | | | | | | | - |
| *OTHER* | | | | | | | - |
| TCAC App/Alloc/Monitor Fees | 64,016 | 529 | 0% | 64,932 | 537 | 0% | 916 |
| Environmental Audit | 50,000 | 413 | 0% | 50,000 | 413 | 0% | - |
| Permit Processing Fees | 162,319 | 1,341 | 0% | 761,039 | 6,290 | 2% | 598,720 |
| Local Impact Fees | 1,609,869 | 13,305 | 5% | 1,899,579 | 15,699 | 5% | 289,710 |
| Furnishings | 30,500 | 252 | 0% | 30,500 | 252 | 0% | - |
| Syndication Costs | 75,000 | 620 | 0% | 65,000 | 537 | 0% | (10,000) |
| **Total Other Costs** | **1,991,704** | **16,460** | **6%** | **2,871,050** | **23,728** | **7%** | **879,346** |
| | | | | | | | - |
| **PROJECT COSTS** | **32,879,628** | **271,733** | **94%** | **37,226,517** | **307,657** | **94%** | **4,346,889** |
| | | | | | | | - |
| *DEVELOPER COSTS* | | | | | | | - |
| Developer Overhead/Profit | 2,059,091 | 17,017 | 6% | 2,500,000 | 20,661 | 6% | 440,909 |
| Construction Management | 20,000 | 165 | 0% | - | - | 0% | (20,000) |
| Consultant/Processing Agent | - | - | 0% | - | - | 0% | - |
| **Total Developer Costs** | **2,079,091** | **17,183** | **6%** | **2,500,000** | **20,661** | **6%** | **420,909** |
| | | | | | | | - |
| **TOTAL PROJECT COST** | **34,958,719** | **288,916** | **100%** | **39,726,517** | **328,318** | **100%** | **4,767,798** |

# Annual Operating Budget — Mission Gateway

| | | $ per unit | % of Total |
|---|---|---|---|
| **INCOME:** | | | |
| Total Rental Income | 1,158,504 | 9,574 | 99% |
| Laundry | 8,712 | 72 | 1% |
| Other Income | 0 | - | |
| Commercial/Retail | 0 | - | |
| **Gross Potential Income (GPI)** | **1,167,216** | **9,646** | **100%** |
| **Less:** | | | |
| Vacancy Loss | 58,361 | 482 | **5%** |
| **Total Net Revenue** | **1,108,855** | **9,164** | **95%** |
| **EXPENSES:** | | | |
| Payroll | 202,154 | 1,671 | 20% |
| Administrative | 108,064 | 893 | 11% |
| Utilities | 103,000 | 851 | 10% |
| Operating and Maintenance | 79,500 | 657 | 8% |
| Insurance and Business Taxes | 30,000 | 248 | 3% |
| Taxes and Assessments | 0 | - | 0% |
| Reserve for Replacement Deposits | 42,350 | 350 | 4% |
| **Subtotal Operating Expenses** | **565,068** | **4,670** | **56%** |
| **Financial Expenses** | | | |
| Mortgage Payments (1st loan) | 445,960 | 3,686 | 44% |
| **Total Financial** | **445,960** | **3,686** | **44%** |
| **Total Project Expenses** | **1,011,028** | **8,356** | **100%** |

## Cash Flow — Mission Gateway — CalHFA 03-035-N

| RENTAL INCOME | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| *Market Rent Increase* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| Market Rents | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Affordable Rent Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Affordable Rents | 1,158,504 | 1,187,467 | 1,217,153 | 1,247,582 | 1,278,772 | 1,310,741 | 1,343,509 | 1,377,097 | 1,411,525 | 1,446,813 |
| **TOTAL RENTAL INCOME** | **1,158,504** | **1,187,467** | **1,217,153** | **1,247,582** | **1,278,772** | **1,310,741** | **1,343,509** | **1,377,097** | **1,411,525** | **1,446,813** |
| | | | | | | | | | | |
| **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 | 8,712 | 8,930 | 9,153 | 9,382 | 9,616 | 9,857 | 10,103 | 10,356 | 10,615 | 10,880 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | **8,712** | **8,930** | **9,153** | **9,382** | **9,616** | **9,857** | **10,103** | **10,356** | **10,615** | **10,880** |
| | | | | | | | | | | |
| **GROSS INCOME** | **1,167,216** | **1,196,396** | **1,226,306** | **1,256,964** | **1,288,388** | **1,320,598** | **1,353,613** | **1,387,453** | **1,422,139** | **1,457,693** |
| | | | | | | | | | | |
| *Vacancy Rate : Market* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| *Vacancy Rate : Affordable* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| Less: Vacancy Loss | 58,361 | 59,820 | 61,315 | 62,848 | 64,419 | 66,030 | 67,681 | 69,373 | 71,107 | 72,885 |
| **EFFECTIVE GROSS INCOME** | **1,108,855** | **1,136,577** | **1,164,991** | **1,194,116** | **1,223,969** | **1,254,568** | **1,285,932** | **1,318,080** | **1,351,032** | **1,384,808** |
| | | | | | | | | | | |
| **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 | 522,718 | 543,627 | 565,372 | 587,987 | 611,506 | 635,966 | 661,405 | 687,861 | 715,376 | 743,991 |
| Replacement Reserve | 42,350 | 42,350 | 42,350 | 42,350 | 42,350 | 44,468 | 44,468 | 44,468 | 44,468 | 44,468 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| Taxes and Assessments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL EXPENSES** | **565,068** | **585,977** | **607,722** | **630,337** | **653,856** | **680,434** | **705,873** | **732,329** | **759,843** | **788,458** |
| | | | | | | | | | | |
| **NET OPERATING INCOME** | **543,787** | **550,600** | **557,269** | **563,779** | **570,113** | **574,134** | **580,060** | **585,752** | **591,189** | **596,350** |
| | | | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | | | |
| CalHFA - 1st Mortgage | 445,960 | 445,960 | 445,960 | 445,960 | 445,960 | 445,960 | 445,960 | 445,960 | 445,960 | 445,960 |
| | | | | | | | | | | |
| **CASH FLOW after debt service** | **97,827** | **104,640** | **111,309** | **117,819** | **124,153** | **128,174** | **134,100** | **139,792** | **145,230** | **150,390** |
| **DEBT COVERAGE RATIO** | **1.22** | **1.23** | **1.25** | **1.26** | **1.28** | **1.29** | **1.30** | **1.31** | **1.33** | **1.34** |
| | | | | | | | | | | |
| **MHP pymt** | **29,400** | **29,400** | **29,400** | **29,400** | **29,400** | **29,400** | **29,400** | **29,400** | **29,400** | **29,400** |
| **DEBT COVERAGE RATIO - MHP** | **1.14** | **1.16** | **1.17** | **1.19** | **1.20** | **1.21** | **1.22** | **1.23** | **1.24** | **1.25** |

## Cash Flow

| RENTAL INCOME | Year 11 | Year 12 | Year 13 | Year 14 | Year 15 | Year 16 | Year 17 | Year 18 | Year 19 | Year 20 |
|---|---|---|---|---|---|---|---|---|---|---|
| *Market Rent Increase* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| Market Rents | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Affordable Rent Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Affordable Rents | 1,482,983 | 1,520,058 | 1,558,059 | 1,597,011 | 1,636,936 | 1,677,859 | 1,719,806 | 1,762,801 | 1,806,871 | 1,852,043 |
| **TOTAL RENTAL INCOME** | **1,482,983** | **1,520,058** | **1,558,059** | **1,597,011** | **1,636,936** | **1,677,859** | **1,719,806** | **1,762,801** | **1,806,871** | **1,852,043** |
| **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 | 11,152 | 11,431 | 11,717 | 12,010 | 12,310 | 12,618 | 12,933 | 13,256 | 13,588 | 13,927 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | **11,152** | **11,431** | **11,717** | **12,010** | **12,310** | **12,618** | **12,933** | **13,256** | **13,588** | **13,927** |
| **GROSS INCOME** | **1,494,135** | **1,531,489** | **1,569,776** | **1,609,020** | **1,649,246** | **1,690,477** | **1,732,739** | **1,776,057** | **1,820,459** | **1,865,970** |
| *Vacancy Rate : Market* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| *Vacancy Rate : Affordable* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| Less: Vacancy Loss | 74,707 | 76,574 | 78,489 | 80,451 | 82,462 | 84,524 | 86,637 | 88,803 | 91,023 | 93,299 |
| **EFFECTIVE GROSS INCOME** | **1,419,428** | **1,454,914** | **1,491,287** | **1,528,569** | **1,566,783** | **1,605,953** | **1,646,102** | **1,687,254** | **1,729,436** | **1,772,672** |
| **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 | 773,750 | 804,700 | 836,888 | 870,364 | 905,178 | 941,386 | 979,041 | 1,018,203 | 1,058,931 | 1,101,288 |
| Replacement Reserve | 46,691 | 46,691 | 46,691 | 46,691 | 46,691 | 49,025 | 49,025 | 49,025 | 49,025 | 49,025 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| Taxes and Assessments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL EXPENSES** | **820,441** | **851,391** | **883,579** | **917,055** | **951,869** | **990,411** | **1,028,066** | **1,067,228** | **1,107,956** | **1,150,313** |
| **NET OPERATING INCOME** | **598,987** | **603,523** | **607,708** | **611,514** | **614,914** | **615,542** | **618,035** | **620,026** | **621,480** | **622,358** |
| **DEBT SERVICE** | | | | | | | | | | |
| CalHFA - 1st Mortgage | 445,960 | 445,960 | 445,960 | 445,960 | 445,960 | 445,960 | 445,960 | 445,960 | 445,960 | 445,960 |
| **CASH FLOW after debt service** | **153,027** | **157,563** | **161,748** | **165,555** | **168,954** | **169,582** | **172,076** | **174,067** | **175,520** | **176,398** |
| **DEBT COVERAGE RATIO** | **1.34** | **1.35** | **1.36** | **1.37** | **1.38** | **1.38** | **1.39** | **1.39** | **1.39** | **1.40** |
| **MHP pymt** | **29,400** | **29,400** | **29,400** | **29,400** | **29,400** | **29,400** | **29,400** | **29,400** | **29,400** | **29,400** |
| **DEBT COVERAGE RATIO - MHP** | **1.26** | **1.27** | **1.28** | **1.29** | **1.29** | **1.29** | **1.30** | **1.30** | **1.31** | **1.31** |

## Cash Flow

| RENTAL INCOME | Year 21 | Year 22 | Year 23 | Year 24 | Year 25 | Year 26 | Year 27 | Year 28 | Year 29 | Year 30 |
|---|---|---|---|---|---|---|---|---|---|---|
| *Market Rent Increase* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| Market Rents | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Affordable Rent Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Affordable Rents | 1,898,344 | 1,945,802 | 1,994,447 | 2,044,309 | 2,095,416 | 2,147,802 | 2,201,497 | 2,256,534 | 2,312,947 | 2,370,771 |
| **TOTAL RENTAL INCOME** | **1,898,344** | **1,945,802** | **1,994,447** | **2,044,309** | **2,095,416** | **2,147,802** | **2,201,497** | **2,256,534** | **2,312,947** | **2,370,771** |
| | | | | | | | | | | |
| **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 | 14,276 | 14,633 | 14,998 | 15,373 | 15,758 | 16,152 | 16,555 | 16,969 | 17,393 | 17,828 |
| Other Income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | **14,276** | **14,633** | **14,998** | **15,373** | **15,758** | **16,152** | **16,555** | **16,969** | **17,393** | **17,828** |
| | | | | | | | | | | |
| **GROSS INCOME** | **1,912,619** | **1,960,435** | **2,009,446** | **2,059,682** | **2,111,174** | **2,163,953** | **2,218,052** | **2,273,503** | **2,330,341** | **2,388,599** |
| | | | | | | | | | | |
| *Vacancy Rate : Market* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| *Vacancy Rate : Affordable* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| Less: Vacancy Loss | 95,631 | 98,022 | 100,472 | 102,984 | 105,559 | 108,198 | 110,903 | 113,675 | 116,517 | 119,430 |
| **EFFECTIVE GROSS INCOME** | **1,816,988** | **1,862,413** | **1,908,973** | **1,956,698** | **2,005,615** | **2,055,756** | **2,107,149** | **2,159,828** | **2,213,824** | **2,269,169** |
| | | | | | | | | | | |
| **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 | 1,145,340 | 1,191,153 | 1,238,799 | 1,288,351 | 1,339,885 | 1,393,481 | 1,449,220 | 1,507,189 | 1,567,476 | 1,630,175 |
| Replacement Reserve | 51,477 | 51,477 | 51,477 | 51,477 | 51,477 | 54,051 | 54,051 | 54,051 | 54,051 | 54,051 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| Taxes and Assessments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL EXPENSES** | **1,196,816** | **1,242,630** | **1,290,276** | **1,339,828** | **1,391,362** | **1,447,531** | **1,503,270** | **1,561,239** | **1,621,527** | **1,684,226** |
| | | | | | | | | | | |
| **NET OPERATING INCOME** | **620,172** | **619,783** | **618,697** | **616,870** | **614,253** | **608,224** | **603,879** | **598,589** | **592,297** | **584,944** |
| | | | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | | | |
| CalHFA - 1st Mortgage | 445,960 | 445,960 | 445,960 | 445,960 | 445,960 | 445,960 | 445,960 | 445,960 | 445,960 | 445,960 |
| | | | | | | | | | | |
| **CASH FLOW after debt service** | **174,212** | **173,824** | **172,738** | **170,910** | **168,294** | **162,265** | **157,919** | **152,629** | **146,337** | **138,984** |
| **DEBT COVERAGE RATIO** | **1.39** | **1.39** | **1.39** | **1.38** | **1.38** | **1.36** | **1.35** | **1.34** | **1.33** | **1.31** |
| | | | | | | | | | | |
| **MHP pymt** | **29,400** | **29,400** | **29,400** | **29,400** | **29,400** | **29,400** | **29,400** | **29,400** | **29,400** | **29,400** |
| **DEBT COVERAGE RATIO - MHP** | **1.30** | **1.30** | **1.30** | **1.30** | **1.29** | **1.28** | **1.27** | **1.26** | **1.25** | **1.23** |

THIS PAGE
INTENTIONALLY
LEFT BLANK

# CALIFORNIA HOUSING FINANCE AGENCY
## Final Commitment
## Mission Gateway
## Union City, Alameda County, CA
## CalHFA # 03-035-N

### SUMMARY

This is a final commitment request for tax-exempt, permanent loan financing in the amount of Six Million Five Hundred Seventy-Five Thousand Dollars ($6,575,000), and lender loan financing in the amount of Eighteen Million, Five Hundred Fifteen Thousand Dollars ($18,515,000). Security for the loans will be a 121-unit, newly constructed family apartment community. The property will be owned by MP Mission Associates, a limited partnership, whose general partner is Mid-Peninsula Coastside, Inc., a wholly owned non-profit affiliate of Mid-Peninsula Housing Coalition.

The Mission Gateway development will provide 121 units of attractive affordable housing, including one, two, three and four bedroom units, plus 3,000 square feet of neighborhood commercial space on a 4.3 acre site. The development will consist of 2 and 3 story elements on concrete podiums, above parking submerged a half story below grade.

### LOAN TERMS

#### Permanent

| | |
|---|---|
| **First Mortgage** | $6,575,000 |
| Interest Rate | 5.4% |
| Term | 30 year fixed, fully amortized |
| Financing | Tax-exempt |
| Insurance | FHA Risk Share |

The Agency's permanent first mortgage loan will be insured under the FHA Risk Share program, and the final commitment will be conditioned upon HUD final approval of Risk Share.

#### Loan to Lender

| | |
|---|---|
| **Loan Amount** | $18,515,000 |
| Interest Rate | 3%, fixed |
| Term | 18 Months, interest only |
| Financing | Tax-exempt |

**LOCALITY INVOLVEMENT**

The Redevelopment Agency of the City of Union City will be providing a land loan donation valued at $6,100,000, and a 3% residual receipts loan of $2,750,000 for a term of 40 years, pursuant to the Disposition, Development and Loan Agreement executed in November 2002.

**OTHER FINANCING**

Mid-Peninsula Housing Coalition (MPHC) has applied for funds from the State of California Department of Housing and Community Development's Multi-Family Housing Program, (MHP), in the amount of $7,000,000. The expected loan term for the MHP funds is 55 years, with a 3% interest rate. There will be a required .42% payment, which is shown in the project cashflow. The award of these funds is expected in June.

MPHC has also applied for funds in the amount of $1,000,000 from the Federal Home Loan Bank's Affordable Housing Program (AHP). These funds are expected to be awarded in June also. The expected loan term for the AHP funds is 32 years, with a 0% interest rate, and no required payments. The City, MHP and AHP financing will all be subordinated to the CalHFA first lien.

**PROJECT DESCRIPTION**

**Project Location**

Mission Gateway will be located at the north end of the Union City border along Mission Boulevard. It will establish a gateway to the Decoto District and provide a significant architectural landmark for commuters heading south and north on Mission Boulevard, also known as Highway 238. The project is bound by Whipple Road to the south, which is three miles from Interstate 880.

The area immediately around the project is a mix of single and multi-family residential uses. In close proximity are many commercial establishments on the Mission corridor. There are also gas stations across Whipple Road on the south, and diagonally across Mission Boulevard at Tamarack on the north. Numerous schools and parks are nearby. There are two Alameda County Transit bus routes that run down Mission Boulevard, with a bus stop right in front of the north end of the project at Tamarack.

There are many shopping areas in the vicinity of the site. There are grocery stores less than one-quarter mile in either direction on Mission Boulevard. The Fariway Shopping Center is one mile north on Mission. It contains grocery and drug stores as well as numerous retail stores, restaurants and offices. The Union Square marketplace is 1.2 miles away on De Coto Road, at the intersection of Alvarado-Niles Road. It contains more than 35 businesses.

The Tiburcio Vasquez Health Center is less than a half mile away. This is the flagship of a group of six clinics, and is located within a modern, newly renovated two story structure. They provide comprehensive primary care and psychosocial services to more than 2,000 patients and provide an average of 15,000 visits per year – establishing them as a major healthcare provider in the Southern Alameda County region. The South Alameda County Red Cross office is three blocks south along Mission Boulevard. At this facility they provide classes, training and counseling, and it serves as an emergency center in case of disasters.

There are many parks and schools close by. The closest is Bernard-White Middle School, which is a one-quarter mile walk away. Emanuela Guy, Jr. Elementary School is also one-quarter mile away. James Logan High School is exactly one mile away. The parks in the region include El Rancho Verde Park, which is two-tenths of a mile away. Taper Park, Garin Regional Park, and Airway Greens Park are all within two miles of the project. Hayward Municipal Golf Course is two miles north on Mission Boulevard.

**Site**

Mission Gateway is a partnering effort between the Redevelopment Agency of the City of Union City and MPHC to create new housing and business opportunities. The parcels for the development were identified during the redevelopment process for the Mission Boulevard area as possible affordable housing sites and the Redevelopment Agency selected MPHC to assist in the land assemblage and community efforts. The Redevelopment Agency has title to the land and will be donating the property, pursuant to the executed Development and Disposition Agreement, at the close of the construction financing. The parcels have been blighted for a number of years, with abandoned buildings and non-conforming uses. Prior to the transfer of ownership the Redevelopment Agency will relocate the tenants on the property and clean the site of all environmental hazards.

The parcels are irregularly shaped with 764 feet of frontage along Mission Boulevard, and are separated by Dry Creek which runs through the project. The larger 3.62 acre parcel to the north with Tamarack Drive as its northern boundary, and the smaller triangular shaped parcel to the south with Whipple Road as its southern boundary, will be connected by an improved sidewalk. Included in the project scope will be the restoration of Dry Creek which has been poorly maintained for many years.

**Improvements**

The Mission Gateway development will provide 121 units of attractive affordable housing including 16 one-bedroom, 58 two-bedroom, 36 three-bedroom and 11 four-bedroom units plus 3,000 square feet of neighborhood commercial space on a 4.3 acre site, on the west side of Mission Boulevard between Whipple Road and Tamarack Drive.

The development will consist of two and three story structures on concrete podiums, above parking submerged a half story below grade. There will be a total of four wood-framed buildings, with stucco siding and clay tile roofs. The three residential buildings will be built on top of the podium parking structures and will be accessed by one elevator per building from the garage to the podium level. The project will have 284 parking spaces, 67 of which will be on grade for visitors, and 217 of which will be in the garage for residents. Eighteen of the on-grade parking spaces will be for retail use. Between the structures on the podiums there will be extensive open space and landscaping.

The community building, with the manager's unit on the second floor, is the fourth building, and will be built on a slab at grade. Mission Gateway will have more than 4,000 square feet of community space, including community rooms with a kitchen, a children's art room, a computer lab, and a management office. Other site amenities will include a laundry room in each building, an on-grade pool, and play area for children including a tot-lot and basketball court.

The 3,000 square feet of neighborhood retail space will be built out to shell condition. It is expected that this space will contain a beautician's office, an insurance company, and a combination video store and delicatessen. No adult videos will be rented and no liquor will be sold at the video/deli. The costs of the commercial space are approximately $650,000, or less than 2% of the total development costs, and will be borne by the Redevelopment Agency.

A part time service coordinator will provide links to community resources and educational classes such as financial literacy, English as a second language, high school equivalency and job search strategies as needed. An after school homework club and summer enrichment activities for the children who live at the property will be provided. Other activities will be designed to take into account the specific needs and desires of the residents.

The apartments will be flats and townhomes with exterior staircases accessing the upper units. Interior finishes will include carpeting in all the bedrooms, sheet vinyl flooring in the bathrooms, and vinyl composition tile in the kitchens. Windows will be covered with mini-blinds. The kitchens will feature gas ranges with ventilated hoods, dishwashers, disposals and laminate counter surfaces. The heating system is a forced air hydronic furnace which uses hot water to heat the air. Ceiling fans will be provided in the living rooms and bedrooms. Many units will have rear windows facing the creek.

Unit Mix:

| No. of Units | No. of Bedrooms | No. of Bathrooms | Unit Square Footage |
|---|---|---|---|
| 16 | 1 | 1 | 610 |
| 58 | 2 | 1 | 788 - 909 |
| 36 | 3 | 2 | 1,169 – 1,220 |
| 11 | 4 | 2 | 1,283 |

**Offsite Improvements**

The project scope includes replanting of natural vegetation and upgrading the surroundings with lighting and security fencing to prevent loitering and criminal activity. There will be an upgraded public walking/bike path along Dry Creek. The partnership will pay for these costs in the estimated amount of $30,000. The pathway along the creek is owned and controlled by the Alameda County Flood Control District even though the area is not in a floodplain.

The project scope also includes undergrounding the utilities along Mission in front of the site. This cost of approximately $1,000,000 will be paid for by the Union City Redevelopment Agency.

## MARKET

### Market Overview

Mission Gateway is located in Union City along Mission Boulevard. Union City, with a current population of approximately 69,000, is situated in western Alameda County, about 21 miles southeast of Oakland. The market area for the Mission Gateway project, as defined in the March 2003 Market Study completed by Laurin Associates, includes all of Union City and a portion of southern Hayward. It is roughly a polygon shape bordered by Union City Boulevard to the west, Thornton Avenue to the south, the City boundary to the east, and Industrial Parkway West to the north. The market area has a current population of approximately 157,000. Between 1990 and 2003, Union City had an annual growth rate of 2.3%, while the Mission Gateway Market Area had an annual growth rate of 1.5%.

Union City had approximately 19,000 households in 2003, while the Mission Gateway Market Area had approximately 48,700 households. Household growth in Union City increased by 1.8% annually between 1990 and 2003, while household growth in the Mission Gateway Market Area increased 1.1% annually during the same period. Average household size in Union City was 3.58 persons in 2003, while average household size in the Mission Gateway Market Area was 3.20 in 2003.

The Market Area's 2003 median income is estimated at $64,857 compared to the HUD designated Area Median Income for Alameda County of $76,600.

**Housing Demand**

The Mission Gateway Market Area renter rate as of 2003 is 31.9%, compared to the renter rate of 27.8% in Union City. The home ownership rates are 68.1% and 72.2% in the Mission Gateway Market Area and Union City respectively. According to the 2000 Census, 38.8% of the renter households in Union City, and 40.5% of the households in Alameda County, were paying more than 30% of their gross income towards rent,

According to the market study there is a current demand for 5,154 family rental units in the Mission Gateway Market Area targeting households with incomes between 35% SMI and 60% AMI. The project will need to capture between 1.5% and 3.3% (depending on unit size) of the existing demand to fill the project.

**Housing Supply**

According to the 2000 Census, 75.9% of the housing units in Union City were single family, 19.2% were multifamily, and 4.9% were mobile homes. According to the 2000 Census, the overall vacancy rate for owner and rental housing units was 1.2% in Union City. Laurin and Associates surveyed twelve market rate complexes with 2,025 units and two income restricted projects with 155 units. The vacancy rate in the market rate complexes was 2.5%, and there were no vacancies in the affordable projects.

According to the Union City Planning Department there are no pending or proposed multifamily developments planned with the exception of the subject.

**PROJECT FEASIBILITY**

The subject property offer many amenities such as dishwashers and disposals in the kitchen, secured parking, a laundry room, a pool, and basketball and volleyball courts on site. These amenities are similar to the market rate projects surveyed in the area. The subject will provide ceiling fans instead of central air, which is a feature that five of the twelve market rate complexes offer. In general the subject has comparable or better amenities than the comparable market rate projects. The subject's unit sizes are comparable with market rate projects in the area.

Market rate rents for comparable properties in the Union City Market Area range as follows: from $980 to $1,260 for a one-bedroom unit; $1,212 to $1,350 for a two-bedroom unit; and $1,595 to $2,000 for a three-bedroom unit. The four bedroom unit rent below is based on surveys of single family homes in the area, and the average rent per square foot for market rate units in the market area.

**Rent Differentials (Market versus Restricted)**

| Unit Type | Subject | Market Rate | $ Difference | % Market |
|---|---|---|---|---|
| **One Bedroom** | | **$1,157** | | |
| 35% | $356 | | $801 | 31% |
| 40% | NA | | NA | NA |
| 50% | $711 | | $446 | 61% |
| 60% | $861 | | $296 | 74% |
| | | | | |
| **Two Bedroom** | | **$1,437** | | |
| 35% | $424 | | $1,013 | 30% |
| 40% | $670 | | $767 | 47% |
| 50% | $850 | | $587 | 59% |
| 60% | $1,030 | | $407 | 72% |
| | | | | |
| **Three Bedroom** | | **$1,823** | | |
| 35% | $485 | | $1,338 | 27% |
| 40% | $769 | | $1,054 | 42% |
| 50% | $977 | | $846 | 54% |
| 60% | $1,185 | | $638 | 65% |
| | | | | |
| **Four Bedroom** | | **$1,939** | | |
| 35% | $612 | | $1,327 | 32% |
| 40% | NA | | NA | NA |
| 50% | $1,088 | | $851 | 56% |
| 60% | $1,320 | | $619 | 68% |

**Estimated Lease-up Period**

Presuming that a comprehensive marketing program is initiated, models are available for preview, and the on site manager will be available to assist in the rent-up while the project is being completed, Laurin Associates estimates that the complex can reach 95% occupancy in approximately eight months. Since the construction term is three months longer than the expected completion date, a rent-up reserve for five months is required in the form of a letter of credit at permanent loan closing.

## OCCUPANCY RESTRICTIONS

| | |
|---|---|
| **CalHFA:** | 20% (24) of the units will be restricted at 50% or less of AMI<br>The CalHFA Regulatory Agreement will be for a term of 32 years. |
| **Redevelopment Agency:** | 40% of the units (48) will be restricted at 40% or less AMI<br>8% of the units (10) will be restricted at 50% or less AMI<br>52% of the units (62) will be restricted at 90% or less AMI |
| **TCAC:** | 80% of the units (96) will be restricted at 60% or less AMI |
| **MHP:** | 35% of the units (42) will be restricted at 35% or less SMI<br>5% of the units (6) will be restricted at 40% or less AMI<br>30% of the units (36) will be restricted at 50% or less AMI<br>30% of the units (36) will be restricted at 60% or less AMI |
| **AHP:** | 35% of the units (42) will be restricted at 35% or less SMI<br>5% of the units (6) will be restricted at 40% or less AMI<br>30% of the units (36) will be restricted at 50% or less AMI<br>30% of the units (36) will be restricted at 60% or less AMI |

## ENVIRONMENTAL

A Phase I Environmental Assessment report was completed by Brown and Caldwell in May 2001 for the City of Union City, and encompasses a larger area than just the Mission Gateway site. Currently there are several retail stores, a mobile home park, and several single family homes on the two subject parcels. One retail store on the site, the Fast Stop Market, is listed on the leaking underground storage tank database. The monitoring well located there was used for petroleum hydrocarbon leak detection monitoring of the property's former USTs. As of the date of this Phase I, the Fast Stop Market site was under investigation. In addition to the monitoring well at the Fast Stop site, there is a groundwater supply well on the subject parcel at 33315 – 33345 Mission Boulevard. Brown and Caldwell recommends properly abandoning these wells in accordance with state and local requirements prior to redevelopment.

The site has been used for agriculture and surface soil sampling is recommended. Former wastewater leach lines are present on site, on a lot which was formerly used to store automobiles. Brown and Caldwell recommended assessing whether fuels and oils may have been discharged into the leach lines by sampling the soil along the lines for petroleum hydrocarbons.

A Soil and Groundwater Sampling Investigation was completed in November 2001 by Brown and Caldwell. On the site of the former auto sales dealer there were numerous abandoned vehicles, two mobile homes and one commercial building. A former leach line is present on this property, which appears to have been used for domestic wastewater. Brown and Caldwell sampled the soil along the line to determine whether fuels and oils from the property's vehicle maintenance activities may have been discharged into the leach line. The site vicinity was extensively used for agriculture prior to the 1950's; thus residual pesticides may be present in the surface soil. Brown and Caldwell sampled the soil at the former auto sales dealer site.

Three deep and three shallow borings were advanced for soil collection at the former auto sales dealer site, and were analyzed for pesticides, lead, arsenic, TPH, VOC, BTEX, petroleum oil and grease, and automotive metals. Two pesticides, lead and arsenic were detected in the surface soils, but at concentrations below the EPA Preliminary Reduction Goal, (PRG), and below the acceptable levels for residential soil. TPH-D, petroleum oil and grease were found in the subsurface soils, in addition to automotive metals at concentrations below residential soil PRG's. Except for the petroleum oil and grease, no chemicals of concern were detected above regulatory action levels in soil samples collected from borings adjacent to the former leach line at the site of the former auto sales dealer. Brown and Caldwell concludes that the excavation of soil impacted with petroleum oil and grease may be warranted during future construction on the property.

Prior to the transfer of ownership the City will relocate the tenants on the property, and clean the site of all environmental hazards. A new Phase I will be completed after the City accomplishes these tasks. Final asbestos reports, a seismic risk evaluation and NEPA review will also be ordered. A condition of the final commitment will be satisfactory review of these documents by CalHFA and its environmental consultant, URS. A condition of the Lender Loan closing will be that the site is clear of all environmental hazards, as evidenced by an updated Phase I and a Phase II investigation if necessary.

**ARTICLE XXXIV**

A satisfactory opinion letter will be required prior to Loan to Lender funding.

**DEVELOPMENT TEAM**

**Borrower - MP Mission Associates**

The property will be owned by MP Mission Associates, a limited partnership, whose general partner is Mid-Peninsula Coastside, Inc., a wholly owned non-profit affiliate of Mid-Peninsula Housing Coalition, ("MPHC"). MPHC was founded in 1970 as a private non-profit developer of low income rental housing on the San Francisco Bay Area Peninsula, an area that includes some of the country's highest median home prices and apartment rents. MPHC has developed over 80 affordable family and senior projects, and has never had a project in default.

CalHFA has a long history with MPHC, and has financed twelve MPHC developments totaling 1,133 units beginning in 1982. These projects include acquisition/rehabilitation, preservation and new construction developments. Projects financed over the past few years include Runnymeade Gardens, Gateway Apartments, Riverwood Grove Apartments, Homestead Park and Country Hills.

Mid-Peninsula has provided supportive services to its residents throughout its history as part of its overall mission. In 1993 MPHC established its own Services Department, and in 2000 it created its second major affiliated partner, the Mid-Peninsula Housing Services Corporation ("MPHSC"). The goal of MPHSC is to help individuals and families meet their own needs that extend beyond that of basic shelter by assisting them in achieving self-sufficiency and a higher quality of life.

MPHSC has established a number of on-site programs to achieve this goal including in-home health care information and referral; nutrition and health education; addiction referral and support; community development activities; access to benefits, vocational and employment support; and other resources. MPHSC usually works with service partners and community agencies that provide specialized services to residents who may need them to live independently. A services coordinator also oversees MPHSC's Educational Program which is available to residents from age six. After school programs, summer enrichment programs and a computer based educational program are available for children and adults.

**Management Agent - Mid-Peninsula Housing Management Corporation**

MPHC's non-profit affiliate, Mid-Peninsula Housing Management Corporation ("MPHMC") will manage Mission Gateway. Established in 1981, MPHMC currently manages nearly 70 affordable housing developments in Northern California with well over 5,000 units. MPHMC's management plan for the development will be drawn based on MPHMC's Manual of Policies and Procedures and will reflect the requirements of the Low-Income Housing Tax Credit and other financing programs.

**Architect - Dahlin Group Inc.**

Founded in 1976 by Doug Dahlin, AIA, Dahlin Group Inc. is led by a management team of nine principals and employs over 100 professionals, including architects, planners, designers, illustrators and administrators. Mr. Jim Yee, Senior Project Manager at Dahlin, with 25 years experience as a designer, will be working on the Mission Gateway project. He has personally designed 13 affordable housing projects with nearly 1,100 units.

**Contractor - J.R. Roberts Corp.**

J. R. Roberts Corp. is a general building and engineering firm headquartered in Citrus Heights, California. J. R. Roberts Corp., founded in 1980, is the largest locally owned general contractor in the Sacramento region, and is ranked within the top 200 contractors in the nation by Engineering News Record magazine. In its 23 years of business, J. R. Roberts Corp. has constructed and managed numerous projects throughout the western part of the United States, with a total value of almost three billion dollars, utilizing a management staff of professional architects and engineers. In the past five years J. R. Roberts Corp. has completed six affordable multi-family housing developments with over 900 units, and fourteen market rate multi-family housing developments with nearly 2,500 units.

# Project Summary

258

Date: 15-May-03

## Project Profile:

*Project:* Mission Gateway
*Location:* 33000 Mission Blvd.
Union City 94587
*County:* Alameda
*Borrower:* MP Mission Associates
*GP:* Mid-Peninsula Coastside, Inc.
*LP:* 0
*Program:* Tax Exempt
*CalHFA #:* 03-035-N

**All appraisal numbers are estimates only**

| | | |
|---|---|---|
| *Cap Rate:* | 8.00% | **Estimate** |
| *Market:* | $0 | |
| *Income:* | $0 | |
| *Final Value:* | $19,300,000 | **Estimate** |

***LTC/LTV:***

| | | |
|---|---|---|
| *Loan/Cost* | 18.8% | |
| *Loan/Value* | 34.1% | **Estimate** |

## Project Description:

| | |
|---|---|
| *Units* | 121 |
| *Handicap Units* | 6 |
| *Bldg Type* | Flats & Townhomes |
| *Number of Buildings* | 4 |
| *Stories* | 3 |
| *Gross Sq Ft* | 120,000 |
| *Land Sq Ft* | 4.3 acres |
| *Units/Acre* | 28 |
| *Total Parking* | 284 |
| *Covered Parking* | 217 |

## Financing Summary:

| | Amount | Per Unit | Rate | Term |
|---|---|---|---|---|
| CalHFA First Mortgage | $6,575,000 | $54,339 | 5.40% | 30 |
| HCD- MHP | $7,000,000 | $57,851 | 3.00% | 55 |
| Union City Redevelopment Agency Land Donation | $6,100,000 | $50,413 | 0.00% | - |
| Union City Redevelopment Agency | $2,750,000 | $22,727 | 3.00% | 40 |
| FHLB - AHP | $1,000,000 | $8,264 | 0.00% | 30 |
| Deferred Developer Fee | $988,209 | $8,167 | | |
| Sponsor Equity | | $0 | | - |
| Investor Contribution | $10,545,510 | $87,153 | | - |
| CalHFA - Lender Loan - Tax-exempt | $18,515,000 | $153,017 | 3.00% | 18 months |

## Unit Mix:

| Type | 35% AMI | | 40% AMI | | 50% AMI | | 60% AMI | | Manager | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | number | rent* | number | rent* | number | rent* | number | rent* | number | rent* | |
| 1 bedroom | 7 | 356 | 0 | 0 | 4 | 711 | 5 | 861 | 0 | 0 | 16 |
| 2 bedroom | 15 | 424 | 3 | 670 | 21 | 850 | 18 | 1030 | 1 | 0 | 58 |
| 3 bedroom | 14 | 485 | 3 | 769 | 8 | 977 | 11 | 1185 | 0 | 0 | 36 |
| 4 bedroom | 6 | 612 | 0 | 0 | 3 | 1088 | 2 | 1320 | 0 | 0 | 11 |
| subtotal | 42 | | 6 | | 36 | | 36 | | 1 | | |
| | | | | | | | | | | | 121 |

* net rent

## Fees, Escrows, and Reserves:

| | Basis of Requirements | Amount | Security |
|---|---|---|---|
| **Fees** | | | |
| Loan fees | 1.00% Lender Loan & 0.50% of Perm | $218,025 | Cash |
| **Escrows** | | | |
| Bond Origination Guarantee | 1.00% of Loan Amount | $185,150 | Letter of Credit |
| Inspection fee | $1,500 x months of construction | $19,500 | Cash |
| Construction Defect | 2.50% of Hard Costs | $435,450 | Letter of Credit |
| **Reserves** | | | |
| Rent-up Reserve | 42.00% of Total Expenses | $230,685 | Letter of Credit |
| Operating Expense Reserve | 10.00% of Gross Income | $113,056 | Cash |
| Annual Replacement Reserve Deposit | $350 per unit | $42,350 | Operations |

# Sources and Uses

Mission Gateway

## SOURCES:

| *Name of Lender / Source* | Amount | % of Sources | $ per unit |
|---|---|---|---|
| CalHFA First Mortgage | 6,575,000 | 19% | 54,339 |
| HCD- MHP | 7,000,000 | 20% | 57,851 |
| Union City Redevelopment Agency Land Donatic | 6,100,000 | 17% | 50,413 |
| Union City Redevelopment Agency | 2,750,000 | 8% | 22,727 |
| Other Loans | 1,000,000 | 3% | 8,264 |
| **Total Institutional Financing** | **23,425,000** | **67%** | **193,595** |
| | | | |
| ***Equity Financing*** | | | |
| Tax Credits | 10,545,510 | 30% | 87,153 |
| Deferred Developer Equity | 988,209 | 3% | 8,167 |
| **Total Equity Financing** | **11,533,719** | 33% | **95,320** |
| | | | |
| **TOTAL SOURCES** | **34,958,719** | **100%** | **288,915** |

## USES:

| | | % of Uses | |
|---|---|---|---|
| Acquisition | 6,403,500 | 18% | 52,921 |
| Rehabilitation | 0 | 0% | 0 |
| New Construction | 19,682,323 | 56% | 162,664 |
| Architectual Fees | 738,336 | 2% | 6,102 |
| Survey and Engineering | 75,000 | 0% | 620 |
| Const. Loan Interest & Fees | 1,432,125 | 4% | 11,836 |
| Permanent Financing | 248,025 | 1% | 2,050 |
| Legal Fees | 70,000 | 0% | 579 |
| Reserves | 176,873 | 1% | 1,462 |
| Contract Costs and Marketing | 150,000 | 0% | 1,240 |
| Construction Contingency | 1,911,742 | 5% | 15,800 |
| Local Fees | 1,772,188 | 5% | 14,646 |
| TCAC/Other Costs | 219,516 | 1% | 1,814 |
| **PROJECT COSTS** | **32,879,628** | **94%** | **271,732** |
| | | | |
| Developer Overhead/Profit | 2,059,091 | 6% | 17,017 |
| Construction Management | 20,000 | 0% | 165 |
| | | | |
| **TOTAL USES** | **34,958,719** | **100%** | **288,915** |

# Annual Operating Budget — Mission Gateway

| | | $ per unit |
|---|---|---|
| **INCOME:** | | |
| Total Rental Income | 1,121,844 | 9,271 |
| Laundry | 8,712 | 72 |
| Other Income | 0 | - |
| Commercial/Retail | 0 | - |
| **Gross Potential Income (GPI)** | **1,130,556** | **9,343** |
| **Less:** | | |
| Vacancy Loss | 56,528 | 467 |
| **Total Net Revenue** | **1,074,028** | **8,876** |
| **EXPENSES:** | | |
| Payroll | 191,440 | 1,582 |
| Administrative | 91,460 | 756 |
| Utilities | 96,000 | 793 |
| Operating and Maintenance | 63,000 | 521 |
| Insurance and Business Taxes | 65,000 | 537 |
| Taxes and Assessments | 0 | - |
| Reserve for Replacement Deposits | 42,350 | 350 |
| **Subtotal Operating Expenses** | **549,250** | **4,539** |
| **Financial Expenses** | | |
| Mortgage Payments (1st loan) | 443,048 | 3,662 |
| **Total Financial** | **443,048** | **3,662** |
| **Total Project Expenses** | **992,298** | **8,201** |

## Cash Flow

| RENTAL INCOME | | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *Market Rent Increase* | | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| Market Rents | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Affordable Rent Increase* | | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Affordable Rents | | 1,121,844 | 1,149,890 | 1,178,637 | 1,208,103 | 1,238,306 | 1,269,264 | 1,300,995 | 1,333,520 | 1,366,858 | 1,401,029 |
| **TOTAL RENTAL INCOME** | | **1,121,844** | **1,149,890** | **1,178,637** | **1,208,103** | **1,238,306** | **1,269,264** | **1,300,995** | **1,333,520** | **1,366,858** | **1,401,029** |
| | | | | | | | | | | | |
| **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 | | 8,712 | 8,930 | 9,153 | 9,382 | 9,616 | 9,857 | 10,103 | 10,356 | 10,615 | 10,880 |
| Other Income | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | | **8,712** | **8,930** | **9,153** | **9,382** | **9,616** | **9,857** | **10,103** | **10,356** | **10,615** | **10,880** |
| | | | | | | | | | | | |
| **GROSS INCOME** | | **1,130,556** | **1,158,820** | **1,187,790** | **1,217,485** | **1,247,922** | **1,279,120** | **1,311,098** | **1,343,876** | **1,377,473** | **1,411,910** |
| | | | | | | | | | | | |
| *Vacancy Rate : Market* | | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| *Vacancy Rate : Affordable* | | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| Less: Vacancy Loss | | 56,528 | 57,941 | 59,390 | 60,874 | 62,396 | 63,956 | 65,555 | 67,194 | 68,874 | 70,595 |
| **EFFECTIVE GROSS INCOME** | | **1,074,028** | **1,100,879** | **1,128,401** | **1,156,611** | **1,185,526** | **1,215,164** | **1,245,543** | **1,276,682** | **1,308,599** | **1,341,314** |
| | | | | | | | | | | | |
| **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 | | 506,900 | 527,176 | 548,263 | 570,194 | 593,001 | 616,721 | 641,390 | 667,046 | 693,728 | 721,477 |
| Replacement Reserve | | 42,350 | 42,350 | 42,350 | 42,350 | 42,350 | 44,468 | 44,468 | 44,468 | 44,468 | 44,468 |
| *Annual Tax Increase* | | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| Taxes and Assessments | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL EXPENSES** | | **549,250** | **569,526** | **590,613** | **612,544** | **635,351** | **661,189** | **685,858** | **711,513** | **738,195** | **765,944** |
| | | | | | | | | | | | |
| **NET OPERATING INCOME** | | **524,778** | **531,353** | **537,788** | **544,067** | **550,175** | **553,975** | **559,686** | **565,169** | **570,404** | **575,370** |
| | | | | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | | | | |
| CalHFA - 1st Mortgage | | 443,048 | 443,048 | 443,048 | 443,048 | 443,048 | 443,048 | 443,048 | 443,048 | 443,048 | 443,048 |
| | | | | | | | | | | | |
| **CASH FLOW after debt service** | | **81,730** | **88,305** | **94,740** | **101,020** | **107,127** | **110,928** | **116,638** | **122,121** | **127,356** | **132,322** |
| **DEBT COVERAGE RATIO** | | **1.18** | **1.20** | **1.21** | **1.23** | **1.24** | **1.25** | **1.26** | **1.28** | **1.29** | **1.30** |
| | | | | | | | | | | | |
| **MHP pymt** | **7,000,000** | **29,400** | **29,400** | **29,400** | **29,400** | **29,400** | **29,400** | **29,400** | **29,400** | **29,400** | **29,400** |
| **DEBT COVERAGE RATIO - MHP** | | **1.11** | **1.12** | **1.14** | **1.15** | **1.16** | **1.17** | **1.18** | **1.20** | **1.21** | **1.22** |

# Cash Flow

| RENTAL INCOME | | Year 11 | Year 12 | Year 13 | Year 14 | Year 15 | Year 16 | Year 17 | Year 18 | Year 19 | Year 20 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *Market Rent Increase* | | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| Market Rents | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Affordable Rent Increase* | | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Affordable Rents | | 1,436,055 | 1,471,957 | 1,508,755 | 1,546,474 | 1,585,136 | 1,624,765 | 1,665,384 | 1,707,018 | 1,749,694 | 1,793,436 |
| **TOTAL RENTAL INCOME** | | **1,436,055** | **1,471,957** | **1,508,755** | **1,546,474** | **1,585,136** | **1,624,765** | **1,665,384** | **1,707,018** | **1,749,694** | **1,793,436** |
| **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 | | 11,152 | 11,431 | 11,717 | 12,010 | 12,310 | 12,618 | 12,933 | 13,256 | 13,588 | 13,927 |
| Other Income | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | | **11,152** | **11,431** | **11,717** | **12,010** | **12,310** | **12,618** | **12,933** | **13,256** | **13,588** | **13,927** |
| **GROSS INCOME** | | **1,447,207** | **1,483,387** | **1,520,472** | **1,558,484** | **1,597,446** | **1,637,382** | **1,678,317** | **1,720,275** | **1,763,282** | **1,807,364** |
| *Vacancy Rate : Market* | | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| *Vacancy Rate : Affordable* | | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| Less: Vacancy Loss | | 72,360 | 74,169 | 76,024 | 77,924 | 79,872 | 81,869 | 83,916 | 86,014 | 88,164 | 90,368 |
| **EFFECTIVE GROSS INCOME** | | **1,374,847** | **1,409,218** | **1,444,449** | **1,480,560** | **1,517,574** | **1,555,513** | **1,594,401** | **1,634,261** | **1,675,117** | **1,716,995** |
| **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 | | 750,336 | 780,349 | 811,563 | 844,026 | 877,787 | 912,898 | 949,414 | 987,391 | 1,026,886 | 1,067,962 |
| Replacement Reserve | | 46,691 | 46,691 | 46,691 | 46,691 | 46,691 | 49,025 | 49,025 | 49,025 | 49,025 | 49,025 |
| *Annual Tax Increase* | | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| Taxes and Assessments | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL EXPENSES** | | **797,027** | **827,040** | **858,254** | **890,717** | **924,478** | **961,924** | **998,440** | **1,036,416** | **1,075,912** | **1,116,987** |
| **NET OPERATING INCOME** | | **577,820** | **582,178** | **586,194** | **589,843** | **593,096** | **593,589** | **595,961** | **597,845** | **599,206** | **600,008** |
| **DEBT SERVICE** | | | | | | | | | | | |
| CalHFA - 1st Mortgage | | 443,048 | 443,048 | 443,048 | 443,048 | 443,048 | 443,048 | 443,048 | 443,048 | 443,048 | 443,048 |
| **CASH FLOW after debt service** | | **134,772** | **139,130** | **143,147** | **146,795** | **150,048** | **150,542** | **152,913** | **154,797** | **156,158** | **156,960** |
| **DEBT COVERAGE RATIO** | | **1.30** | **1.31** | **1.32** | **1.33** | **1.34** | **1.34** | **1.35** | **1.35** | **1.35** | **1.35** |
| **MHP pymt** | **7,000,000** | **29,400** | **29,400** | **29,400** | **29,400** | **29,400** | **29,400** | **29,400** | **29,400** | **29,400** | **29,400** |
| **DEBT COVERAGE RATIO - MHP** | | **1.22** | **1.23** | **1.24** | **1.25** | **1.26** | **1.26** | **1.26** | **1.27** | **1.27** | **1.27** |

## Cash Flow

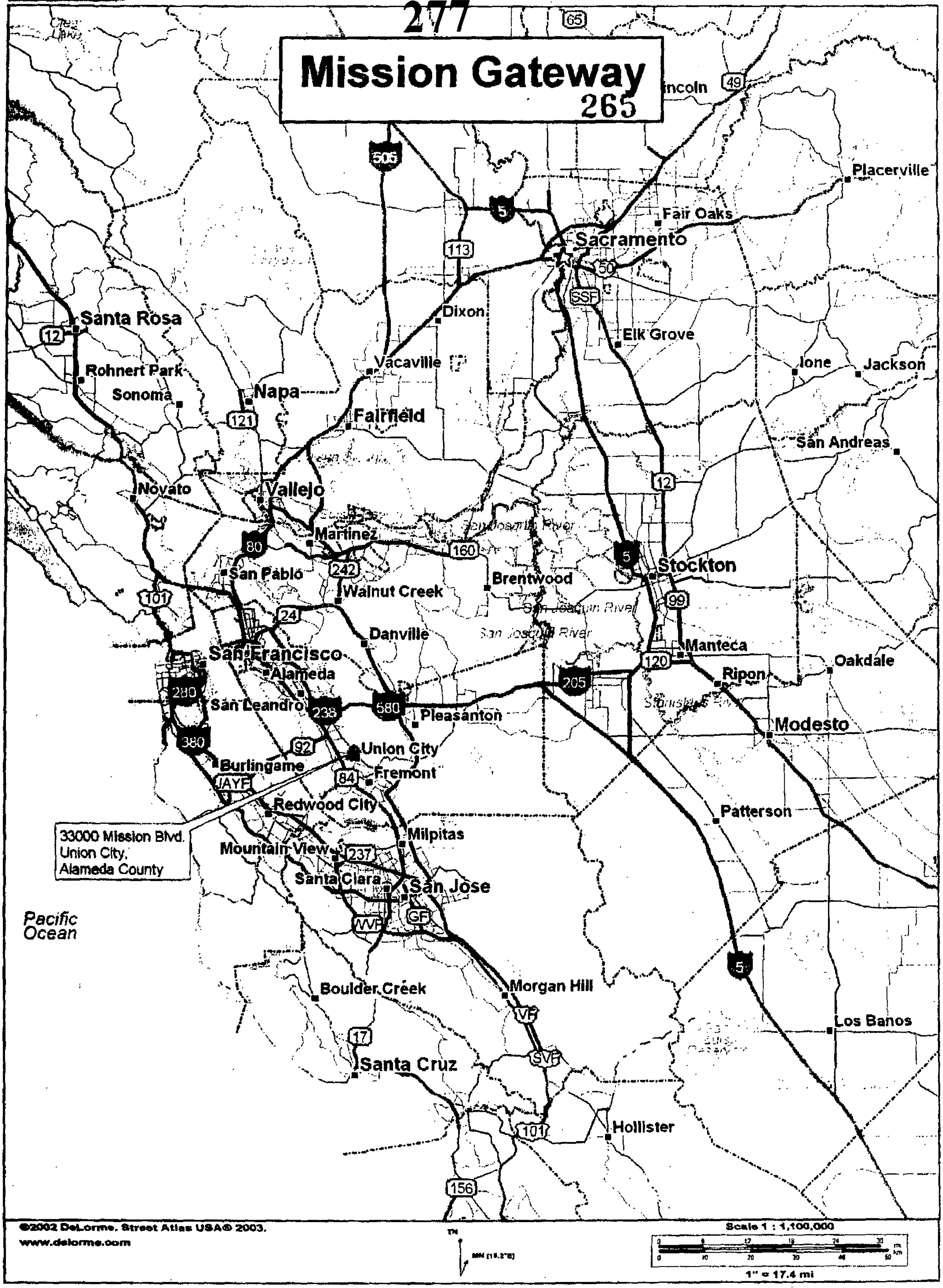
| RENTAL INCOME | | Year 21 | Year 22 | Year 23 | Year 24 | Year 25 | Year 26 | Year 27 | Year 28 | Year 29 | Year 30 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *Market Rent Increase* | | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| Market Rents | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Affordable Rent Increase* | | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| Affordable Rents | | 1,838,272 | 1,884,229 | 1,931,335 | 1,979,618 | 2,029,108 | 2,079,836 | 2,131,832 | 2,185,128 | 2,239,756 | 2,295,750 |
| **TOTAL RENTAL INCOME** | | 1,838,272 | 1,884,229 | 1,931,335 | 1,979,618 | 2,029,108 | 2,079,836 | 2,131,832 | 2,185,128 | 2,239,756 | 2,295,750 |
| | | | | | | | | | | | |
| **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 | | 14,276 | 14,633 | 14,998 | 15,373 | 15,758 | 16,152 | 16,555 | 16,969 | 17,393 | 17,828 |
| Other Income | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL OTHER INCOME** | | 14,276 | 14,633 | 14,998 | 15,373 | 15,758 | 16,152 | 16,555 | 16,969 | 17,393 | 17,828 |
| | | | | | | | | | | | |
| **GROSS INCOME** | | 1,852,548 | 1,898,861 | 1,946,333 | 1,994,991 | 2,044,866 | 2,095,988 | 2,148,387 | 2,202,097 | 2,257,149 | 2,313,578 |
| | | | | | | | | | | | |
| *Vacancy Rate : Market* | | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| *Vacancy Rate : Affordable* | | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| Less: Vacancy Loss | | 92,627 | 94,943 | 97,317 | 99,750 | 102,243 | 104,799 | 107,419 | 110,105 | 112,857 | 115,679 |
| **EFFECTIVE GROSS INCOME** | | 1,759,920 | 1,803,918 | 1,849,016 | 1,895,242 | 1,942,623 | 1,991,188 | 2,040,968 | 2,091,992 | 2,144,292 | 2,197,899 |
| | | | | | | | | | | | |
| **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 | | 1,110,680 | 1,155,108 | 1,201,312 | 1,249,364 | 1,299,339 | 1,351,312 | 1,405,365 | 1,461,580 | 1,520,043 | 1,580,844 |
| Replacement Reserve | | 51,477 | 51,477 | 51,477 | 51,477 | 51,477 | 54,051 | 54,051 | 54,051 | 54,051 | 54,051 |
| *Annual Tax Increase* | | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| Taxes and Assessments | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL EXPENSES** | | 1,162,157 | 1,206,584 | 1,252,789 | 1,300,841 | 1,350,816 | 1,405,363 | 1,459,415 | 1,515,630 | 1,574,093 | 1,634,895 |
| | | | | | | | | | | | |
| **NET OPERATING INCOME** | | 597,763 | 597,334 | 596,228 | 594,401 | 591,807 | 585,825 | 581,552 | 576,362 | 570,199 | 563,004 |
| | | | | | | | | | | | |
| **DEBT SERVICE** | | | | | | | | | | | |
| CalHFA - 1st Mortgage | | 443,048 | 443,048 | 443,048 | 443,048 | 443,048 | 443,048 | 443,048 | 443,048 | 443,048 | 443,048 |
| | | | | | | | | | | | |
| **CASH FLOW after debt service** | | 154,715 | 154,286 | 153,180 | 151,353 | 148,759 | 142,777 | 138,505 | 133,314 | 127,151 | 119,957 |
| **DEBT COVERAGE RATIO** | | 1.35 | 1.35 | 1.35 | 1.34 | 1.34 | 1.32 | 1.31 | 1.30 | 1.29 | 1.27 |
| | | | | | | | | | | | |
| **MHP pymt** | 7,000,000 | 29,400 | 29,400 | 29,400 | 29,400 | 29,400 | 29,400 | 29,400 | 29,400 | 29,400 | 29,400 |
| **DEBT COVERAGE RATIO - MHP** | | 1.27 | 1.26 | 1.26 | 1.26 | 1.25 | 1.24 | 1.23 | 1.22 | 1.21 | 1.19 |

THIS PAGE INTENTIONALLY LEFT BLANK

277

# Mission Gateway

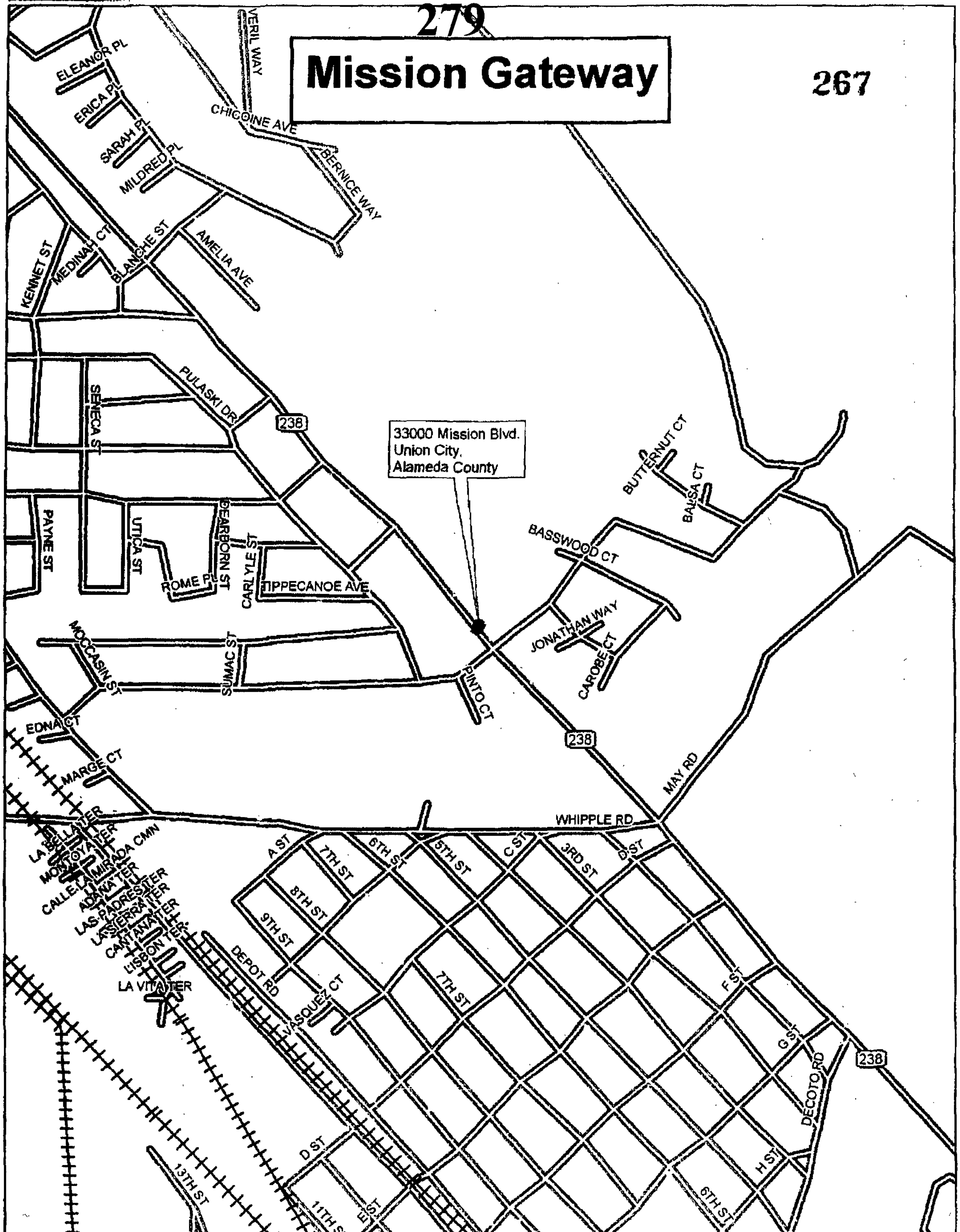
265






Scale 1 : 1,100,000
1" = 17.4 mi

THIS PAGE
INTENTIONALLY
LEFT BLANK



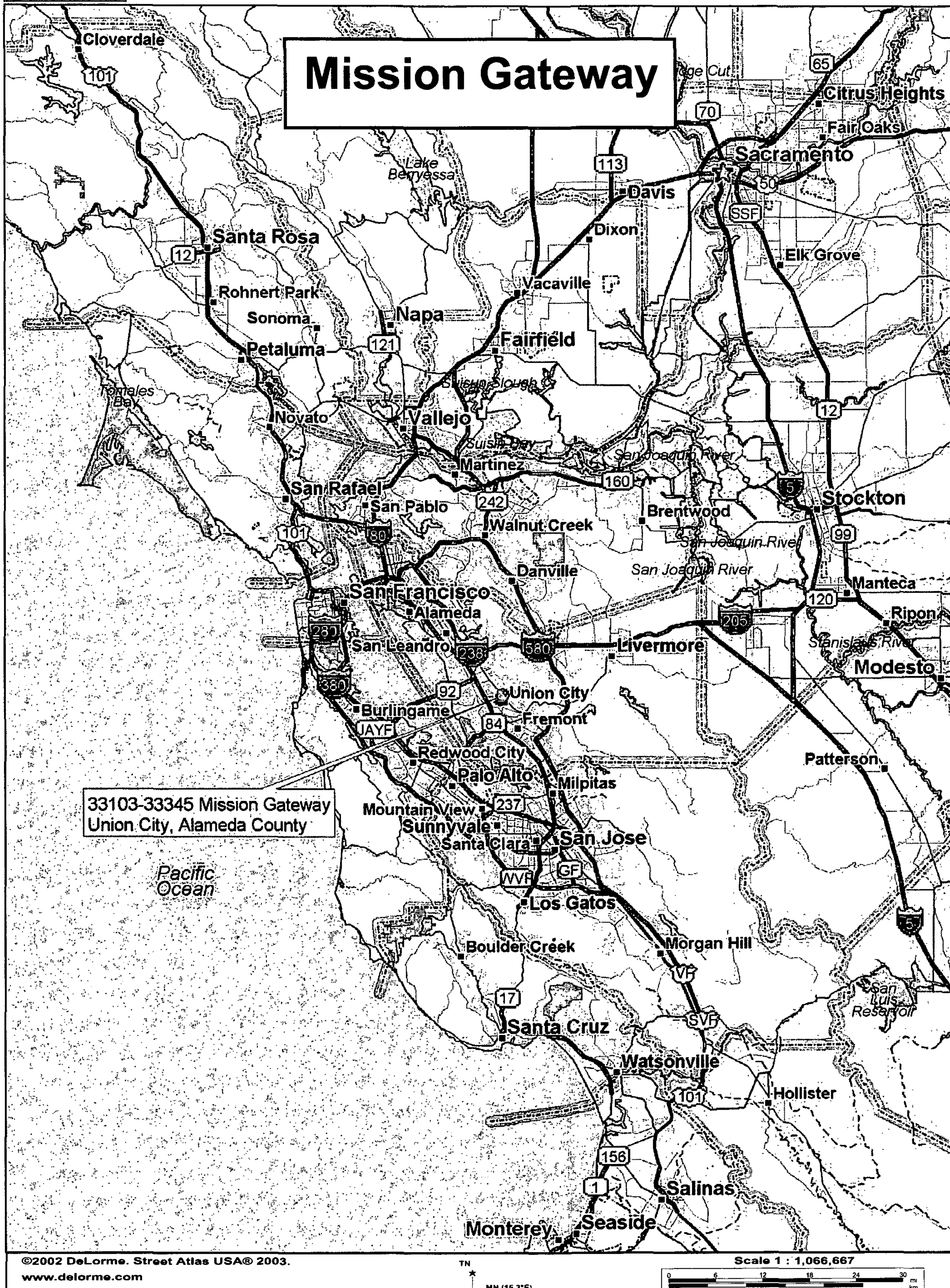



Scale 1 : 8,800

1" = 733 ft

THIS PAGE
INTENTIONALLY
LEFT BLANK

DELORME Street Atlas USA® 2003



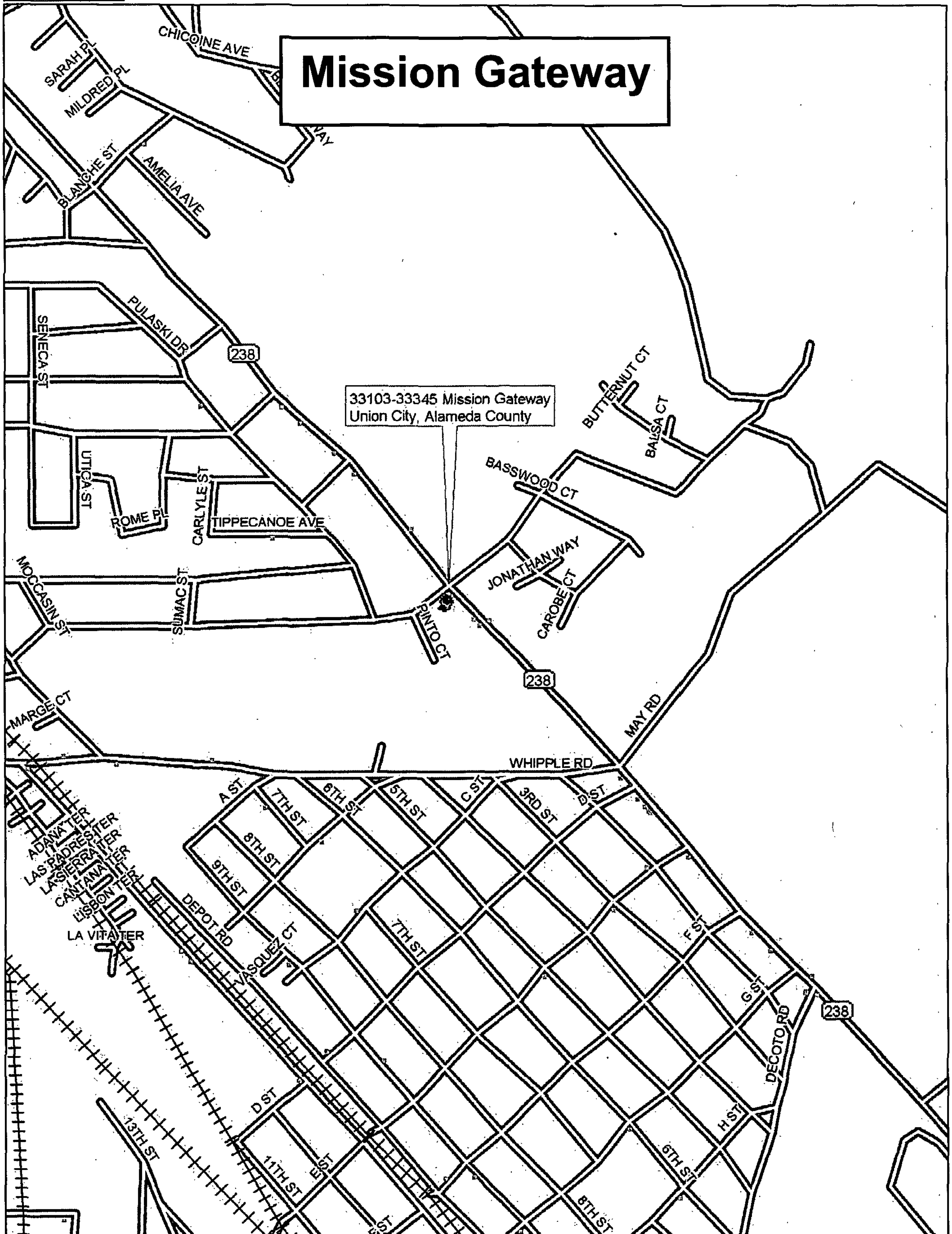

©2002 DeLorme. Street Atlas USA® 2003.
www.delorme.com

TN
MN (15.3°E)

Scale 1 : 1,066,667
1" = 16.8 mi

THIS PAGE INTENTIONALLY LEFT BLANK

# Mission Gateway






TN
MN (15.2°E)

Scale 1 : 8,533
1" = 711 ft

THIS PAGE INTENTIONALLY LEFT BLANK

RESOLUTION 04-28

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT MODIFICATION

WHEREAS, the California Housing Finance Agency (the "Agency") has received a modification request from MP Mission Associates, a limited partnership (the "Borrower"), seeking a $3,000,000 increase of the lender loan commitment and $155,000 increase to the permanent loan commitment, both of which were previously approved by Resolution 03-26 under the Agency's Loan-to-Lender and Tax-Exempt Programs, the proceeds of which are to be used to provide financing for a 121-unit multifamily housing development located in the City of Union City to be known as Mission Gateway (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated August 20, 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 June 28, 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 | | ORIGINAL MORTGAGE AMOUNT | MODIFIED MORTGAGE AMOUNT |
|---|---|---|---|---|---|
| 03-035-L/N | Mission Gateway<br>Union City/Alameda | 121 | | | |
| | | | Permanent First Mortgage: | $ 6,575,000 | $ 6,730,000 |
| | | | Lender Loan: | $18,515,000 | $21,515,000 |

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

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

I hereby certify that this is a true and correct copy of Resolution 04-28 adopted at a duly constituted meeting of the Board of the Agency held on September 8, 2004, at Burbank, California.

ATTEST: ____________________
Secretary