BOARD OF DIRECTORS

Tuesday, March 22, 2005

Clarion Hotel Mansion Inn
700 16th Street
Sacramento, California
(916) 444-8000

9:30 a.m.

1. Roll Call.

2. Approval of the minutes of the January 13, 2005 Board of Directors meeting.

3. Chairman/Executive Director comments.

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

NUMBER	DEVELOPMENT	LOCALITY	UNITS
03-057-C/N	Salinas Road	Pajaro/ Monterey	63
Resolution 05-08......145			
04-018-C/N	Grizzly Hollow Phase II	Galt/ Sacramento	54
Resolution 05-09......169			
04-007-A/S	Flower Park Plaza	Santa Ana/ Orange	199
Resolution 05-10......189			
05-003-N	Hillview Glen	San Jose/ Santa Clara	138
Resolution 05-11......209			

5. (The King Street Condominiums development has been removed from the Agenda.)

6. Discussion, recommendation and possible action relative to the approval of a Resolution approving amendments to the regulations of the Agency regarding the Conflict of Interest Code. (Tom Hughes)
Resolution 05-13..229

7. Discussion and possible action relative to Resolution 05-06, (which authorizes certain contracting by the Agency), and Resolution 05-05, (which authorizes certain amendments to Agency regulations, including regulations affecting Agency contracting), previously approved on January 13, 2005.
Resolution 05-14..239

8. Progress report on development of CalHFA Five Year (2005-06 to 2009-10) Business Plan (Powerpoint presentations).

9. Reports 243

10. Discussion of other Board matters.

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

NOTES

HOTEL PARKING: Free parking is available at Holiday Inn Express side of the Clarion Hotel.

FUTURE MEETING DATE: Next CalHFA Board of Directors Meeting will be May 12, 2005, at the Hilton Burbank Airport & Convention Center, Burbank, California.

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

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ORIGINAL

BOARD OF DIRECTORS

PUBLIC MEETING

--oOo--

The Westin San Francisco Airport
1 Old Bayshore Highway
Millbrae, California

Thursday, January 13, 2005
9:31 a.m. to 12:35 p.m.

--oOo--

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

March 22, 2005

Attest: [signature]

Daniel P. Feldhaus

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STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

–oOo–

BOARD OF DIRECTORS

PUBLIC MEETING

–oOo–

The Westin San Francisco Airport
1 Old Bayshore Highway
Millbrae, California

Thursday, January 13, 2005
9:31 a.m. to 12:35 p.m.

–oOo–

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

A P P E A R A N C E S

Board of Directors Present

JOHN A. COURSON
(Board Chair)
President
Central Pacific Mortgage

CURT AUGUSTINE
for Sunne Wright McPeak
Secretary
Business, Transportation and Housing Agency

PETER N. CAREY
President/CEO
Self-Help Enterprises

RICHARD L. FRIEDMAN
for Lucetta Dunn
Director
Department of Housing and Community Development

JOHN G. MORRIS
President
John Morris, Inc.

THERESA A. PARKER
Executive Director
California Housing Finance Agency

JACK SHINE
Chairman
American Beauty Development Co.

LAURIE WEIR
for Phillip Angelides
State Treasurer

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APPEARANCES
Continued

CalHFA Staff Present:

THOMAS C. HUGHES
General Counsel

JOJO OJIMA

--oOo--

For the Staff of the Agency:

NANCY ABREU
Director of Mortgage Insurance

MARGARET ALVAREZ
Chief of Asset Management

KENNETH GIEBEL
Director of Marketing

BRUCE D. GILBERTSON
Director of Financing
Fiscal Services

RICHARD LaVERNE
Chief Deputy Director

DENNIS MEIDINGER
Comptroller

JACKLYNNE RILEY
Director of Administration

GERALD SMART
Chief of Homeownership Programs

LINN G. WARREN
Director of Multifamily Programs

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BE IT REMEMBERED that on Thursday, January 13, 2005, commencing at the hour of 9:31 a.m., at The Westin San Francisco Airport, 1 Old Bayshore Highway, Millbrae, California, before me, DANIEL P. FELDHAUS, CSR #6949, RDR and CRR, the following proceedings were held:

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CHAIRPERSON COURSON: Good morning. We'll call the meeting to order.

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Item 1. Roll Call

CHAIRPERSON COURSON: And our first order of business is to call the roll.

MS. OJIMA: Thank you.

Ms. Weir for Mr. Angelides?

MS. WEIR: Here.

MS. OJIMA: Mr. Carey?

MR. CAREY: Here.

MS. OJIMA: Mr. Czuker?

Mr. Friedman for Ms. Dunn?

MR. FRIEDMAN: Here.

MS. OJIMA: Mr. Augustine for Ms. Peak?

MR. AUGUSTINE: Here.

MS. OJIMA: Mr. Morris?

MR. MORRIS: Here.

MS. OJIMA: Mr. Shine?

MR. SHINE: Here.

MS. OJIMA: Mr. Courson?

CHAIRPERSON COURSON: Here.

MS. OJIMA: Ms. Boel?

(No audible response was heard.)

MS. OJIMA: Mr. Campbell?

(No audible response was heard.)

MS. OJIMA: Ms. Parker?

MS. PARKER: Here.

MS. OJIMA: We have a quorum.

CHAIRPERSON COURSON: Okay, we do have a quorum to conduct our business.

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Item 2. Approval of the minutes of November 18, 2004, Board of Directors Meeting

CHAIRPERSON COURSON: The first item on our agenda today is the approval of the minutes of the November 18th Board meeting, which the base set of minutes were included in your Board book that was distributed.

If you'll recall, the Board members, we adjourned -- or recessed into an executive session; and then at the end of that session, had one additional piece of business that was discussed. And so in addition to the minutes in your binder, there is one page of supplemental minutes that I believe were left at each of the places. It's ironically called "Supplemental Minutes." So those will become part of the minutes that we would approve, in addition to those that are in the binder, the supplemental minutes.

So a motion to that effect would be in order.

MR. SHINE: So moved.

CHAIRPERSON COURSON: Mr. Shine.

Second?

MR. MORRIS: Second.

CHAIRPERSON COURSON: Any discussion?

(No audible response was heard.)

CHAIRPERSON COURSON: Okay, would you please call the roll?

MS. OJIMA: Thank you.

Ms. Weir?

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey?

MR. CAREY: Yes.

MS. OJIMA: Mr. Friedman?

MR. FRIEDMAN: Yes.

MS. OJIMA: Mr. Augustine?

MR. AUGUSTINE: Yes.

MS. OJIMA: Mr. Morris?

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine?

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson?

CHAIRPERSON COURSON: Yes.

MS. OJIMA: The minutes have been approved.

CHAIRPERSON COURSON: Thank you.

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Item 3. Chairman/Executive Director comments

CHAIRPERSON COURSON: Let me just make a couple of comments on a couple of topics.

One may seem a little off of our business, but I think it, in fact, shows, really, the depth and capabilities of what we do at CalHFA. At the middle -- really, the third week of November, I got a call from Washington, from the White House and Treasury, and asked that we be part of a mission, going to work on the formation of a new Iraq Housing Fund. And the Iraq government had allocated $200 million to start a housing fund, which would be seed money to build it into a liquidity provider over the years, as it got formed, to provide residential financing in Iraq for the construction and reconstruction. So I said "yes." And about five days later, off we went. Only, we went to Amman, Jordan. We did not go to Baghdad. And the Iraqis came over, who are part of the Ministry of Housing and

Construction, which is one of their 13 cabinet agencies. And the minister and the director of the fund were there, along with five other people. We met at the World Bank for a week. And it was interesting to me that they are at the formation of a system to finance housing in a country where before all the financing had been provided directly by the government and by Saddam Hussein. So it was almost a blank blackboard, if you will, to start working on.

As I put together some thoughts -- I was the only civilian. I had people from the White House, the Treasury and State Department, and so on. And as I started to think about that and sort of think through the development as to what it might become, obviously, I related it and had the thought that it might well be very similar to some of the things that we do at CalHFA, in terms of their role in being a liquidity provider to what would develop in the market, the private marketplace.

So about a day and a half or two days before I was ready to leave, I picked up the phone and called. And I will tell you that what all the folks at CalHFA did in putting together, it was absolutely spectacular. And they were able to put down, and through our technology people and so on, were able to put into a CD for me all of our organization, our programs, our processes, et cetera, which I took.

And it's sort of funny, we were sitting around, and after about two days of interesting discussions and so on, it came to the point that I made the decision and said, "Let's look at something tangible." Because they had no procedures or anything. And I put this on a laptop that I had with me. And they're very good English speakers. And I brought it up. And I will tell you for an hour and a half or two hours, all those people wanted to do was stand behind me and look. And we went through the way we had set up the fund, how it worked. And it was sort of funny because they finally realized -- I had no credibility as a private-industry person with them. When they finally figured out that, quote, "I was part of the government," it related to them. And when they looked at this disk -- and we have some wonderful pictures, I sent them to Terri -- of these Iraqis looking at CalHFA. The staff just did a terrific job.

And they really, frankly -- that was sort of the mid-point of the meetings. And the people in Washington -- and still, I was there yesterday meeting on this, and they'll still tell you, it really turned the whole meeting around as to what they can do in terms of being a liquidity provider and how it can work in public-private partnerships.

So I thank the staff; but I thought the Board ought to know that our reach is getting longer.

In fact, my other mission was to put together an organization chart for them, and CalHFA folks were kind enough to send me the org charts there. And surprisingly enough, that one we'll be showing them on our next trip in a couple of weeks will also look like CalHFA. So I appreciate that from everybody; but I thought it was a wonderful exercise by our people and something that we should be proud of, and, frankly, as certainly has been recognized now in Washington. And as that takes form, I will continue to share with you.

Let me mention also, that you may have noticed, Ed Bayuk, who has been a member of our Board, tendered his resignation about 30 days ago, I believe. And at an appropriate time, we'll get Ed back or find the time where we can recognize his service on the Board as the representative or the appointment from the Senate.

The other thing that I mentioned -- and I know we've talked about affordable housing a lot -- maybe some of you saw, in The Wall Street Journal yesterday, there was an article that names the nation's least-affordable housing markets. And as you would suspect, there were 29 listed. And California -- I was sort of surprised --

we are only 18 out of the 29. But we are eight out of the top ten.

But what was also interesting is, in the same chart, they went back in and showed interest-only mortgage products as they relate to each of those markets and how they're being used in affordability. And of the 18 California markets, in the least-affordable, in 13 of those, interest-only products are making up more than 50 percent of the mortgages being funded over the last, I think it was a six-month period, compared to 33 percent of the average over the full -- over the country. So it's an interesting shift in product. It's an interesting attempt to provide affordable housing and affordable mortgages. But those of you who haven't seen, I would be happy to share a copy of the study that came out.

The only other thing I'll mention is -- Terri is going to provide information -- that we're moving along, and I'm encouraging us to continue on our Board of Education track. And as you know, those of you who were able to make it, we had what I thought was a terrific session, learning about the funding and financing of CalHFA. And we are looking forward to try today to sort of settle on a date for another Board of Education event in April.

With that, I'll pass it to our Executive Director, Terri Parker.

MS. PARKER: Thank you, Mr. Chairman.

I have a number of items to go through with you today, some just reporting back and some informational.

The first item, per John's comments, about the supplemental Board minutes, you'll find at your desks a report that I wrote on the California Performance Review proposal on state surplus properties that Mr. Morris asked about at our last meeting.

I spent some time talking to colleagues who are in the Department of Finance and also the Department of General Services about this particular item. The report goes through -- at least discusses a little bit about what CPR's actual recommendation was.

What the Commission then did with the recommendation, as far as public comment -- which public comment was, frankly, more of a negative than it was a positive -- but the Commission made no recommendation to the Governor, one way or the other.

During the time of the Commission's work, however, the Executive Branch has been reviewing this particular issue. And what they have done is really looked at -- and right now, the surplus property could be controlled by a department. The Department of General

Services kind of has this activity of collecting that information and being a conduit for sale. But the process is not very well coordinated, in the sense that if the department doesn't think that it is necessarily under-utilized or surplus, there is not too much that the Department of General Services can do, which is what the CPR recommendation was all about, essentially put General Services kind of in the driver's seat.

There is also, under current law, the ability for either the state or local governments to have first right of refusal for state property that would be identified as surplus. And that can be exchanged for as little as a dollar.

And so CPR's recommendation was all about trying to really make some money off the surplus property. So they've divided what may be identified by the Department of General Services, as quote, unquote, "underused or surplus property." There isn't necessarily an agreement by the departments on that, and that's why they kind of put these properties in kind of three categories.

There is one category, however, that includes to get to be defined a number of parcels that the executive branch will be submitting some legislation on shortly to expedite the process for sale.

And, again, if they did that, they would include that the elimination of first right of refusal by local governments. And it would be required that the property would be sold for fair market value. And so there would be no particular criteria; whoever was the highest bidder would get it.

So my conclusion is that while, per se, there are not greater opportunities for affordable housing, the fact that land might come up quicker through this process and be available for a developer to bid on, that may in and of itself at least provide a greater opportunity for the affordable housing creation of stock issue.

I think what we've said, since no state agency really operates as a developer, we will keep the Board apprised as this is moving along, if there are some opportunities.

CHAIRPERSON COURSON: Mr. Morris?

Mr. Carey?

MR. CAREY: Rich may know more about this than I do, but my understanding is the law, which requires first right of refusal, extends to nonprofit organizations creating affordable housing. And so in the interest of streamlining, I would hope that that emphasis would actually be expanded for affordable housing rather than simply used as a way to gain revenue for the State because that might not further the purposes of affordable housing.

MS. PARKER: Yes, Peter, I think -- and I haven't seen a draft of the legislation, but my understanding is that what their attempt is, is to essentially eliminate those first right of refusal opportunities. And that was part of the reason why, if you looked at people who spoke, from the public to the Commission, there was a lot of concern around the loss of right of refusal, particularly by, you know -- local governments started out being the first ones in line, because some of that property could be used potentially for state parks or local parks, regional parks, those kinds of things. So it's not as simple as it seems.

And, you know, CPR document, where they identified substantial savings associated with revenue, the statement is -- the interesting part about it is that the kinds of projects or parcels that they were looking are San Quentin. Well, you know --

MR. CAREY: That's low income, not low class.

MS. PARKER: The idea about it is that that's not something that's going to happen overnight. I mean, that's -- you know, if you're counting that in your fiscal savings, with our $8 billion budget problem, that's not going to happen tomorrow. So part of it is having a little realism in there. And so some of the really high-value properties are really in this mix of very controversial, very unlikely.

So I just wanted to make sure that the Board was aware, and hopefully that will address at least the initial comments and concern by the Board.

CHAIRPERSON COURSON: Mr. Morris?

MR. MORRIS: Yes. When I read the report, there were dozens and dozens of properties that are identified as possible properties. And like you said, this is a long process, this is a very long term . This is something that's going to probably happen this year or next year. But it would be interesting to track the legislation and see who is sponsoring the legislation. Because maybe there would be a way for us to meet with whomever is sponsoring this legislation, to see if we can get language in there that, especially in certain areas, they might give priority for low-income housing, especially in the areas of the state that might need it. And it might be interesting to talk to somebody like Tom Campbell, who is technically on our Board, and discuss the whole thing with Tom about, you know -- because he is a very clever guy, and he might have some ideas, too, as it relates to what they could possibly put in the legislation that might be helpful.

I don't even know which elected official in either the Assembly or the Senate might either be sponsoring a bill.

MS. PARKER: The legislation, if it was sponsored, would be sponsored by the executive branch.

MR. MORRIS: Okay, it's not -- there's nobody in the Assembly or the Senate who is carrying this?

MS. PARKER: If the Governor decided to essentially have legislative sponsored, then they would seek an offer.

MR. MORRIS: Right, then he'd go to somebody.

MS. PARKER: Right. There has been legislation last -- in fact, Di has been sort of checking on this -- Mr. Battin has, in the past, been an author of bills that have essentially -- because there has to be legislative authority to sell surplus property, and Mr. Battin has done bills on this topic in the past.

So the first issue is, you know, is the Executive Branch going to pursue legislation? And so they would sponsor it and then they would get an author, or whether or not there would be any legislative member independently who would decide to essentially take this issue on. In that sense, it would not be an executive branch proposal.

But the Department of General Services would be, in that sense, the sponsoring entity for the executive branch and take the responsibility of all the --

MR. MORRIS: But Jim Battin showed an interest in this before?

MS. PARKER: He has introduced bills on this subject in the past.

MR. MORRIS: Okay.

MS. WEIR: There might be other competing proposals for this land. I believe the Treasurer is coming forward with a major legislative initiate, which I believe he's calling "The California Hope Initiative," which would use this land or revenues that are thrown off from the land to provide a secure source of funding for community colleges in the state of California.

MS. PARKER: The next item, and I want to use that as a segue for the Governor's budget, many of you may or may not be aware, the Governor's State of the State was this last Wednesday -- not yesterday, but a week ago last Wednesday. And the thing that was really exciting for us is, that this was the first time that I can remember that a Governor used the word "housing," "affordable housing," in the State of the State. So we all thought that that was a very positive effort there.

There is not some prescription of the Governor's budget that came out, talks about having some reforms in the process to try to do some simplifications, so that there would be the greater opportunity to create housing stock. Legislation has to be drafted. And that has not been -- that's not public now. So I really don't have anything more as far as details to share with you than that, except just to say that that is -- the Governor put it in as a priority and something that the executive branch will be working on.

The only other thing in the budget, since the Agency -- our Agency is not part of the state budget. We have no issues with it one way or the other because, as you know, we come to you as our authorizing entity for our annual budget and business plan. However, there are a number of items in there that affect state employees, and we will have to be tracking that because we will need to find out whether we are impacted by requirements for everything from increased pension contributions by our employees, to furlough opportunities, and how that will affect us, given that we have obviously substantial revenue to pay for our employees, and we have work to do to pay for our customers and our investors.

CHAIRPERSON COURSON: Curt?

MR. AUGUSTINE: There's been a lot of confusion about that, and I direct this mainly to your staff. That is proposed to be an option for those who are in a state of fiscal crisis. It's not a mandate. It's a tool for managers. So I think there's been some miscommunication that people think they're all going to be furloughed so that is going to be department by department. So in terms of your agency, it's highly unlikely that that would ever be an option.

MS. PARKER: Curt, thank you. That was going to be -- we were going to get clarification to find out whether or not, in our particular case, that was -- I mean, I presumed that. But there have been times in the past with previous administrations, even those agencies that are special funded, they have wanted to essentially share the pain.

MR. AUGUSTINE: Right. Yes, and that's one thing that's good about this proposal, is that they recognize there is General Fund and Special Fund. And that is the way that -- I mean, everything that applies to pension would have to apply to all state employees. But they've recognized that there are different revenue streams and they're, again, kind of providing a tool-kit to let individual departments choose how they are going to get -- there will be an allocated cut, and those types of things.

MS. PARKER: I hope that there will be the opportunity for special-funded agencies to have some discussions, particularly where it impacts recruitment and retention from a salary standpoint whether or not we can do something for our employees, if offsetting their additional pension cost is a problem for recruitment and retention.

So let me continue down my list.

As the Chairman said, the staff are working on a Board of Education meeting.

The way we do our six meetings a year for our regular work, the January meeting -- and we'll do that today, is the Midyear Business Plan update -- the March meeting is then when the staff comes back and sort of presents to the Board our preliminary thoughts about production levels for our Business Plan, any new issues that we would be presenting for your consideration. And that essentially sets up that when we come back in the May meeting, that we present a business plan and production goals, in keeping with the Board's policies and philosophies.

So we thought it would be helpful to interject between the March meeting and the May meeting, an April Board of Education meeting, where we can essentially -- we're going to give an overview today, a little bit of where we are with the organization's expenditures and certainly, as an education, because of the need that we have to ask you for an increase to our operating expenditures. But we plan to use April as part of that time to sort of go through how CalHFA, how we do our revenues and expenditures, how it works with our fees, our revenues, our indentures, et cetera. So you will have that information going into the Board presentation, which is the one time in May where we actually go through our complete cash flow. It's the one time a year we have the best sense of where we are from a revenue and expenditure standpoint.

So I have three dates in April, at least at the moment, that I wanted to propose to the Board, so I hope you have calendars available.

Wednesday, April -- excuse me, Tuesday, April 12th; Wednesday, April 13th; or Thursday, April 14th.

MR. CAREY: I'll have to get my calendar.

MR. MORRIS: Earlier in the week would be better for me because I have to be on the East Coast in the last part of the week.

CHAIRPERSON COURSON: Which would be Tuesday, the 12th?

MR. MORRIS: Yes. Well, Tuesday is the 11th -- or excuse me, the 12th.

MS. PARKER: How about if we do it in

Sacramento?

MR. GILBERTSON: Is it the kind of thing that you plan for a day?

MS. PARKER: We could do whatever would be -- we could do it as we did last time. You didn't come to the last one last time.

We started it, I believe, at about ten o'clock and went until the middle of the day.

CHAIRPERSON COURSON: I think the last time, we started about ten, we had sort of a working lunch, I believe, and then we were finished by about three o'clock. I think, Bruce, I think we were finishing by about three, to get everybody back out.

MS. PARKER: I see Mr. Dirks, our bond counsel, here. I think we were also going to ask Mr. Dirks if he could use that as an opportunity to do a little presentation as our Board counsel. So I think it might be an interesting mix of information for you.

CHAIRPERSON COURSON: Why don't we keep those three dates. John, we've got our comment. Why doesn't everybody look; and then at the end of the meeting, before we get out of here, before we adjourn, let's come back and see if we can settle on --

MS. WEIR: I'm going to need to shoot Terri an e-mail on that, since I don't have my calendar.

CHAIRPERSON COURSON: Okay.

MR. SHINE: Me, too. I need to get my calendar.

CHAIRPERSON COURSON: I'll tell you what, let me make a suggestion. The 12th, 13th or 14th, with the 12th being preferable for Mr. Morris, why doesn't everybody go back, take a look at your calendars, e-mail Terri, and then we'll pick the consensus date. And then within the next couple of days let's get it out and get it on the calendars now, so we don't have to wait until later; okay?

MS. PARKER: Good. Again, seguing the calendar information, I just want to announce for all of you that this is CalHFA's thirtieth-year celebration. You will find at your desk, again, an invitation to our thirtieth-year celebration kickoff in Sacramento on February 2nd.

We are very excited about this little event because one of the people who is speaking, besides our esteemed Chair, we're going to have the Honorable Jerry Brown come, who was the Governor who signed the original legislation, the creation of the Agency, to speak and say a few words for us. So it should be an exciting event for all of us with a little bit of history in the making, and so I hope you all can attend.

In keeping with our thirty-year celebration team, I also want to let you be aware that internally, one of the exercises that we, as the staff, are spending some time on this year, is to go back and use this as a time to update our statutes, to see where the first 30 years essentially has taken us, our statutes in good stead for where we need to be going in the next 30 years.

We know the answer to that right now is no. So we wanted to use this really as an opportunity to highlight that we want to be prepared for the next 30 years. So we're going to be working on what we think will be some changes to our statutes. We'll keep you updated on that.

But we are also going through not only our statutes, but just our documents, things as simple as our Board resolutions, and looking to see whether or not the documents are timely in today's environment.

And we know for sure, I just want to give you a heads-up, that we've been looking at our Board resolutions to essentially just modernize them. And we're going to be bringing, at our next Board meeting, we'll be introducing that new format. We will certainly talk you through about it, but we are going through our documents, and I just want to give you a heads-up, that some of that, including the Board resolutions, we're just going to be trying to essentially be more efficient and effective with them, if they need to be updated.

A few changes internally in the Agency, when we go through the presentation of the program areas. Wayne Bell, who has been the Director of Homeownership -- I asked Wayne if he would consider working on a special product -- and Wayne is an attorney by trade -- in our legal office. Because we have had some substantial additional issues around -- not so much the Agency, but just requirements on state agencies about ethics, conflicts, contracting, et cetera. And we really needed some assistance with that. So Wayne is going to be -- he has left Homeownership, and he is going to be working with Tom in our legal office to head up, really, a major activity with those efforts.

So with that, Jerry and Ken -- Ken Williams, Jerry Smart -- continue to act in their roles -- or not act, but be in their roles of Chief of Homeownership and Homeownership Special Programs. And Ken Williams is on vacation today, so Jerry will do the presentation.

But at the same time, we're also looking at how to best utilize Agency resources. And with some of our discussions about where mortgage insurance is going and the work that Nancy Abreu has been doing in that area, we've decided to ask Nancy to add another hat to her head, and branch out and help with working on homeownership product development. And so today when we have a discussion on some new products, Nancy will be leading that effort. So we have broadened her responsibilities and will be working on homeownership product development.

And with that, I have one more comment, and that's just to let you know that not only has the staff at CalHFA now gained national reputation by being able to help out with the creation of lending opportunities in the Middle East, but they also have, and always have been, a very generous and caring staff of individuals. And never has it been demonstrated so much recently as in a very short period, the CalHFA staff collected $3,600 to give to the Red Cross for the tsunami victims.

With that, Mr. Chairman, that concludes my report.

CHAIRPERSON COURSON: Okay, thank you, Terri.

Let's move to our next order of business, as you see and have in your book, on an annual basis -- and I know for some of us, this is our first annual participation in this event. There is a presentation discussion and action on certain resolutions.

And Bruce is going to take -- Bruce Gilbertson will take us through the first four, and I think Tom Hughes is going to then take us through the last two.

Item 4. Discussion, recommendation and possible action relative to the adoption of a resolution authorizing the Agency's single-family bond indentures, the issuance of single-family bonds, short- and long-term credit facilities for homeownership purposes, and related financial agreements and contracts of services

MR. GILBERTSON: Thank you, Mr. Chairman.

Good morning, members of the Board.

Before I begin, I do have four agenda items for your consideration this morning. But in late December, we did receive some good news again from Standard & Poor's, and I thought I would share that with you.

On the 21st, they affirmed our unenhanced issuer credit rating of AA-. That's the Agency's general obligation rating. As a part of the affirmation process, the Agency was also, for the first time, assigned a debt-derivative profile score. This is a scoring process that looks at our underlying interest rate swaps and any other derivative type of products that the Agency may be entering into.

Our assigned score was a "2" on a scale of 1-to-5. That's considered to be a very strong -- or a very highly rated score.

The scoring reflects our use of highly rated swap counterparties, the low basis risk in our swaps, minimal termination risk and excellent management oversight.

Early in December, S & P also affirmed the AA- rating on our home mortgage revenue bond, which, as you may know, is the workhorse of the Agency's Homeownership Program.

Turning to the agenda items, a little background for those members of the Board who have not been through this, but each January Board meeting we come before the Board, asking for continuing authorization to issue bonds in support of our loan programs. There are four up there this year. One of them is a new resolution; Resolution 05-03 is authorization for us to issue bonds to assist local public entities in the form of making loans to them for affordable housing purposes. This is primarily up there just to clarify our authority that the Board has given us that authority to go ahead and bond for those purposes.

The single-family bond authorization, Resolution 05-01, authorizes the issuance of bonds in the following manner:

It would authorize the issuance of bonds equal to an amount of any bonds that we would be retiring and, in essence, refunding.

In addition, it would authorize the issuance of bonds for any amounts of new private activity bond volume cap that we may receive through application to the California Debt Limit Collection Committee.

And lastly, it would authorize the issuance of up to $900 million in taxable bonds.

In addition, this resolution authorizes the full range of related financial agreements to allow us to invest bond proceeds, to do our interest rates hedging through the interest-rate swap market, to hire consultants who will provide services to help us manage our swap portfolio, cash flow services, and those types of things.

In addition, the resolution authorizes short-term credit facilities in an amount not to exceed $400 million.

The 400 million-dollar limit, I wanted to cover, briefly. It really covers the first three resolutions, so it's for all programmatic applications.

Currently, we use $300 million of this short-term credit facility to allow us to warehouse the loans originating under our Homeownership Program. And we do that via the use of a line of credit, if you will, from the State's Pooled Money Investment Board.

The resolution would also authorize us to enter into long-term credit facilities in an aggregate amount not to exceed $300 million. Again, that 300 million-dollar limit is for all programmatic purposes of the Agency.

We do not at this point have a long-term credit facility, but we continue to pursue this because we think it would be a valuable tool to help us carry certain types of loan products, down-payment assistance loan products and perhaps also certain loans that we make to localities today under our HELP loan program.

And lastly, Resolution 05-01 is a form of a continuing authorization. So it would not expire until 30 days after the first Board meeting in calendar year 2006, at which there was a quorum of the Board. This provides overlapping authority and continues us in operation.

Just a quick look at single-family financing plans, perhaps in 2005. We will continue to use the home mortgage revenue bond indenture for all issuance activity in 2005. We likely will use draw-down bonds, taxable or tax-exempt notes to preserve authority throughout the year, as we may need to.

We've talked some about, you know, the warehousing activities and pursuit of a long-term credit facility.

Then next week, actually, we will close our first single-family financing in 2005. It is scheduled to close January 20th. This, actually, is the first financing for single-family purposes since July of 2004 that will directly provide proceeds for funding loans.

And the reason for that, kind of 2004 was a unique year in many ways for the Agency; and that's because in 2004, we used $609 million of loan prepayments on existing loans, recycled them into new loans, which really cut in half our issuance activity during the course of the year. However, in 2005, I think we got back to a more normal schedule, which might see us in the marketplace on an every-other-month basis.

I think I'll stop there, and I'd be happy to answer any questions you may have.

CHAIRPERSON COURSON: Questions on the single-family bond reauthorization?

Is there a motion to approve?

I'm sorry, Mr. Carey?

MR. CAREY: I have a question. It follows through many of the items today, maybe for Tom. The authorization to execute contracts that's in this resolution, would it be superseded by the regulations? Or we're proposing a change in the regulations?

MR. HUGHES: Correct.

MR. CAREY: And this resolution has no caps in it?

MR. HUGHES: Correct.

MR. CAREY: Absent the resolution that we're looking at later on, would this resolution override the regulations, or would it be constrained by the regulations, in terms of caps?

MR. HUGHES: Let me explain how that works. The Board, every year, has authorized a series of financing resolutions that we're bringing you today. In each one of those, the single-family and multifamily resolutions, there is a delegation of authority from the Board to this staff, to execute any programmatic documents that the staff deems necessary to accomplish the goals of the bond-funded programs. That serves, really, to authorize the vast majority of the operational agreements that the staff needs to enter into during the year.

We have found, though, in the past year -- and I'll get into this in more detail when I bring my action items up later on the agenda -- that occasionally, we have an expenditure that doesn't directly tie to a bond-funded program, and then we have to go through that procedure that is in the regulations. And to tide us over until that resolution is changed, as we've proposed here, we've had the Board, for the last two years -- and again we're proposing this year -- to have a delegation of exactly the same type of authority essentially to the non-bond-funded programs as the Board gives us each year for the bond-funded programs.

MS. PARKER: Tom, the long and short answer to Peter is "no"; correct?

MR. HUGHES: Correct.

MS. PARKER: This doesn't; but what you're concerned about is --

MR. HUGHES: They are really two different things. There is a process in our regulation for the Board to be required to approve certain types of contracts. The bond resolutions that Bruce is presenting to you and the one I have later on, are actually delegations of the Board's authority to enter into certain types.

Any contract that isn't covered by a grant of that delegation would have to follow the procedure that we're going to bring up later in this meeting.

MR. CAREY: So there are then no caps on the contracting authority under this resolution --

MR. HUGHES: That's correct.

MR. CAREY: -- in terms of dollars?

MR. FRIEDMAN: There are dollar caps in this resolution, right?

MR. HUGHES: Yes.

MR. GILBERTSON: There are dollar caps for debt issuance.

CHAIRPERSON COURSON: There are not dollar figures. It's related to -- I mean, there are some specific benchmarks against which these bonds could be issued.

MR. HUGHES: If you look at Section 11 of the first resolution, it gives the Executive Director and the officers of the Agency the authorization to enter into documents necessary and appropriate in connection with the program, including but not limited to -- and then there's discussions of that.

And, Bruce, correct me if I'm wrong, but I think this is exactly the same authority that the Board has given the staff every year, forever.

MR. GILBERTSON: Yes, since 1987, I believe.

MR. HUGHES: Okay, well, that's almost forever.

CHAIRPERSON COURSON: Peter, let me come back, I think, to your cap question.

The way I understand it is there is not a definitive dollar cap, but there is a standards cap, if you would, in terms of those bonds being retired, that would come from availability from CDLAC, and then the one dollar cap is up to $900 million, because those are the three.

MR. GILBERTSON: Exactly.

MR. HUGHES: But just to be clear, the authority that we're talking about when Mr. Carey asked his question, relates to the operational contracts that we enter into with third parties to implement these programs, as opposed to the limitations on the issuance of debt itself. These are a wide variety of contracts, from consulting agreements with financial parties and anything that we need to make these things work, operationally. That's what this authority is referring to.

MS. WEIR: And so there's not a cap on those contracts in this agenda item, but a subsequent agenda item in this meeting, there will be a different set of contracts that will be approved by the Board?

MS. PARKER: Let me just -- you know, that's what I was trying to say, the answer to what Peter was saying. This allows us to essentially have, except for a set of standards, the ability for the issuance of debt to not have a specific dollar threshold contract limitation, so that we can essentially do what we need to do in that market environment. For a traditional state agency activity, and those kinds of contracts with third party, that's what's really dealt with in the resolution that

Tom will be presenting later. And we do have limitations on us for a dollar amount that we could conduct those kinds of contracts, which are very much what normal state agencies go through.

This is just separate because normal state agencies don't have issuance -- unique issuance of debt and, you know, this gives us the ability to essentially enter into an agreement with someone we need because of a particular transaction as a fiduciary nature, we have -- that is very different than what we would do as a normal state agency with a third-party agreement.

MR. HUGHES: And the structure of this is really based on the fact that the Agency, operationally, functionally, acts as a business and has to, on an ongoing, daily basis, enter into agreements and take actions that would otherwise have to come back to the Board.

We've had this discussion in prior years, that we either have to have almost continuous Board meetings, or we would have to stop working.

And simplistically, the resolutions in terms of contract authorizations, the one that you have before you now, is the dog; and the one I'm bringing up later, is the tail, because that tail only covers those relatively few things that aren't covered by the dog here.

MR. CAREY: Which is why I brought it up now.

MR. HUGHES: Right.

MR. CAREY: I'm more interested in the dog.

And, you know, I don't have any problems with it. I just think it's probably reasonable for the Board to have some understanding of the nature of the authority that's delegated.

I also see here that on all of these, the parties contracting need to be approved by the Executive Director.

MR. HUGHES: Yes. And we have a contracting process that we go through, that has a series of internal controls on it. There's really three departments within the Agency that have to sign off on it. The Department, that is, in terms of vendor contracts, anyway. Loans and other things like that, obviously, have a different procedure. But in terms of vendor-type agreements, consulting agreements, the department that is proposing the contract has to fill out an explanation in writing of why they need it and propose it in writing.

The Executive Director's office, either Terri or Dick or Jackie Riley, has to approve the actual request for a contract. And then the legal office has to see it, draft a contract, and I have to approve it as the General Counsel. So those are the internal checks and balances.

MR. CAREY: Okay.

MR. HUGHES: And it also goes to Accounting, so they can make sure that there's money to pay for it.

MS. PARKER: I would also add, Mr. Carey, that, you know, what's covered by some of these resolutions, this, for example, allows us to have -- me to have the authority to select what underwriters we use over the years for our bond counsel. We're unique -- somewhat unique in state government because we do that. Most state agencies, that activity is done by the Treasurer's Office.

However, what I want to just make sure that you knew -- since many of you are new -- is that we do have a process whereby we do that. Every two years, we essentially have a process that we send out to interested bankers. We make them compete for being selected as our underwriters. It's a competitive process. It is a process that we review their prior work, what they have done for the Agency, what they have contributed. And we do make changes in those underwriters based on their performance. So there's performance criteria. That selection process is well documented. All the bankers know that if you want to be an underwriter with CalHFA, it's based on your performance. There is no, you know, "who do you know," or any of that kind of situation. And there has never been, in that sense, kind of politics that have played in on that, which I'm very proud of the Agency in their 30 years as a department.

So we do have processes that can back up all the stuff, that we can demonstrate how we arrived at whatever selection criteria. We review periodically some of our long-term contracts, to make sure that those people -- the fees that they are charging us, are in line with the industry. For example, a couple years ago, we did an RFP where we reviewed the bond counsel, and we made people compete again to determine whether or not we wanted to continue our relationship with our long-standing bond counsel.

And but from the standpoint of a business, looking to see whether it was still viable from a fee and service. And so we do -- you know, we remember that we are a governmental entity and the public can ask those questions. And we make sure that you, as the Board members, and the public are protected, in that sense.

MR. CAREY: Thank you.

CHAIRPERSON COURSON: Any other questions?

(No audible response was heard.)

CHAIRPERSON COURSON: Is there a motion to approve the resolution?

MR. SHINE: So moved.

CHAIRPERSON COURSON: Mr. Shine.

Second?

MR. MORRIS: Second.

CHAIRPERSON COURSON: Mr. Morris.

Any further discussion?

(No audible response was heard.)

CHAIRPERSON COURSON: Is there any discussion from any member of the public who is present?

If not, let's call the roll.

MS. OJIMA: Thank you.

Ms. Weir?

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey?

MR. CAREY: Yes.

MS. OJIMA: Mr. Friedman?

MR. FRIEDMAN: Yes.

MS. OJIMA: Mr. Augustine?

MR. AUGUSTINE: Yes.

MS. OJIMA: Mr. Morris?

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine?

MR. SHINE: Yes.

MS. OJIMA: Thank you.

Mr. Courson?

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 05-01 has been approved.

CHAIRPERSON COURSON: Okay.

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Item 5. Discussion, recommendation and possible action relative to the adoption of a resolution authorizing the Agency's multi-family bond indentures, the issuance of multi-family bonds, short- and long-term credit facilities for multi-family purposes, and related financial agreements and contracts of services

CHAIRPERSON COURSON: Bruce, Multifamily.

MR. GILBERTSON: Moving on to the multifamily bond authorization, Resolution 05-02. You may have noticed a very similar form, certainly some different dollar limits and programmatically, slightly different. But this resolution would authorize the issuance of bonds for the following purposes, equal to the amount of any bonds that we may retire and decide to refund, equal to the dollar amount of new allocation that we receive from California Debt Limit Allocation Committee, up to $800 million for either 501(c)(3) nonprofit financings or taxable bonds, and up to $300 million for kind of pooled-loan acquisitions, as we did once, I believe, in the year 2000.

This resolution, as I mentioned earlier, also authorizes this full range of related financial agreements, the short- and long-term credit facilities, and provides overlapping authority to a day 30 days after the first Board meeting, which is a quorum, in calendar 2006.

A quick look at our thoughts and plans for the year 2005. We'll have to do a very small draw-down bond, I believe, in February of this year. We plan to continue to use the Multifamily Housing Revenue Bond III indenture. And it looks like at this point there might be two pooled issues of insured auction bonds during the year, likely to be in June and November. Those would coincide with the time frames that we believe we would receive the private activity volume cap from CDLAC. It, again, provides for a long-term credit facility as the prior resolution.

With that, I'd be happy to answer any questions you may have.

CHAIRPERSON COURSON: Questions on the multifamily bonds?

(No audible response was heard.)

CHAIRPERSON COURSON: Is there a motion to approve the resolution?

MR. MORRIS: So moved.

CHAIRPERSON COURSON: Mr. Morris.

Second?

MR. CAREY: Second.

CHAIRPERSON COURSON: And Mr. Carey.

Any further discussion?

(No audible response was heard.)

CHAIRPERSON COURSON: Is there any discussion from a member of the public?

(No audible response was heard.)

CHAIRPERSON COURSON: Seeing none, call the roll.

MS. OJIMA: Thank you, Mr. Chairman.

Ms. Weir?

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey?

MR. CAREY: Yes.

MS. OJIMA: Mr. Friedman?

MR. FRIEDMAN: Yes.

MS. OJIMA: Mr. Augustine?

MR. AUGUSTINE: Yes.

MS. OJIMA: Mr. Morris?

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine?

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson?

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 05-02 has been approved.

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Item 6. Discussion, recommendation and possible action relative to the adoption of a resolution authorizing the Agency's bond indentures for the purpose of financing loans to local public entities to assist local public entities for providing or making affordable housing available to low- or moderate-income persons or families, the issuance of related bonds, short- and long-term credit facilities for these purposes, and related financial agreements and contracts of services

CHAIRPERSON COURSON: Okay, Bruce, public entities.

MR. GILBERTSON: Resolution 05-03 is authorization to issue bonds to finance loans to local public entities. This is the first time a resolution of this nature has come before the Board, and really is primarily to make sure that we've clarified that we have the authority of the Board of Directors to issue bonds for this purpose.

Specifically, it would authorize the issuance of bonds up to an amount not to exceed $50 million in this coming year. Like the single-family and multifamily resolution, 05-03 authorizes the use of the related financial agreements, short- and long-term credit facilities for this purpose, if we deem that to be desirable.

Potential loan programs would be the HELP loan program, which is a program that the Agency has offered to localities for the past, I believe, six or seven years, perhaps a tax increment-type lending program. The notion is that localities could use those proceeds for a wide range of affordable-housing programs.

As a part of the business plan update, Mr. Warren is going to give you a little more of an insight into his programmatic mind-set as it relates to this authority.

With that, I'd be happy to answer questions, if you have any.

CHAIRPERSON COURSON: Questions?

I think this particular activity, which we've obviously engaged in before but could potentially be a key ingredient. We've talked about the creation of stock and working with communities, cities, counties, and so on, to help them finance the creation of stock. And I think this is sort of the baseline of that activity.

Is there a motion to approve the resolution?

MR. CAREY: So moved.

CHAIRPERSON COURSON: Mr. Carey.

Any second?

MR. SHINE: Second.

CHAIRPERSON COURSON: Mr. Shine.

MS. OJIMA: Thank you.

CHAIRPERSON COURSON: Any other comments? Any comments from any members of the public?

(No audible response was heard.)

CHAIRPERSON COURSON: Let's call the roll.

MS. OJIMA: Thank you.

Ms. Weir?

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey?

MR. CAREY: Yes.

MS. OJIMA: Mr. Friedman?

MR. FRIEDMAN: Yes.

MS. OJIMA: Mr. Augustine?

MR. AUGUSTINE: Yes.

MS. OJIMA: Mr. Morris?

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine?

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson?

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 05-03 has been approved.

Item 7. Discussion, recommendation and possible action relative to the adoption of a resolution authorizing the California Debt Limit Allocation Committee for private activity bond volume cap allocation for the Agency's homeownership and multifamily programs.

CHAIRPERSON COURSON: Okay, Bruce.

MR. GILBERTSON: And the last of the financing resolutions this morning is Resolution 05-04, authorization to apply to the California Debt Limit Allocation Committee during the course of this year. This resolution would authorize the Agency to apply for private activity volume cap in the amount shown, up to $600 million for single-family purposes and up to $400 million for multifamily purposes.

The authorization would be in effect during the period that the Resolutions 05-01 and 05-02, which the Board just recently adopted, are in effect. These amounts are greater than the amounts that we would expect to apply for.

The presumption, I think, here is that we felt the Board might want to authorize us to apply for more bond cap, if it became available, rather than having to come back to the Board.

On multifamily, of course, it's dependent on the number of individual developers that want to finance through the Agency, and that they're applied for on an individual basis.

And on single-family, we would be applying based on formulas that are determined by the California Debt Limit Allocation Committee.

With that, I'd be happy to answer any questions you may have.

CHAIRPERSON COURSON: Questions on the Debt Limit Allocation resolution?

(No audible response was heard.)

CHAIRPERSON COURSON: Is there a motion to approve?

MR. FRIEDMAN: I'll move.

CHAIRPERSON COURSON: Mr. Friedman.

And a second?

MR. MORRIS: Second.

CHAIRPERSON COURSON: Mr. Morris.

Any other discussion?

Any discussion from any member of the public?

MS. WEIR: I would just say, as representing the State Treasurer, I will abstain on this agenda item, as the Treasurer is the chair of the Debt Limit Allocation Committee, and he'll review the application that is submitted.

CHAIRPERSON COURSON: Thank you, Ms. Weir.
All right, let's call the roll.
MS. OJIMA: Thank you.
Ms. Weir?
MS. WEIR: Abstain.
MS. OJIMA: Thank you.
Mr. Carey?
MR. CAREY: Yes.
MS. OJIMA: Mr. Friedman?
MR. FRIEDMAN: Yes.
MS. OJIMA: Mr. Augustine?
MR. AUGUSTINE: Yes.
MS. OJIMA: Mr. Morris?
MR. MORRIS: Yes.
MS. OJIMA: Mr. Shine?
MR. SHINE: Yes.
MS. OJIMA: Mr. Courson?
CHAIRPERSON COURSON: Yes.
MS. OJIMA: Resolution 05-04 has been approved.
CHAIRPERSON COURSON: Okay, thank you. Thanks, Bruce.
MR. GILBERTSON: You're welcome.
CHAIRPERSON COURSON: Mr. Hughes?
MR. HUGHES: Thank you, Mr. Chairman.

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Item 8. Discussion, recommendation and possible action relative to the adoption of a resolution approving (i) amendments to certain regulations of the Agency regarding Board procedures and multi-family lending procedures; and (ii) repeal of certain regulations of the Agency regarding loan and bond insurance

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Item 9. Discussion, recommendation and possible action relative to the approval of a resolution authorizing certain contracting by the Agency

(action taken later on page 81)

MR. HUGHES: I have on the agenda, Items 8 and 9. And from the comments and questions that I've gotten earlier this morning, I thought it was worthwhile to just take a minute and explain why there are two different resolutions and why they appear to go in somewhat different directions.

As we had discussed just a moment earlier, the Board, by statute, has two different main types of obligations that it is required by the statute to approve. The first is the issuance of debt securities, which is what the Board has just done in the motions that were just addressed.

The second is that our statute provides that the

Board approves major obligations. Our statute, however, does not tell us what a "major obligation" is, and so it's sometimes difficult to determine whether an obligation is a major obligation and, thus, whether it's permitted to be approved by the Executive Director or whether it's required to go to the Board.

As a result, some years back, the Agency adopted a resolution which is Regulation 13302, which purports to define what a major obligation is. And that was back in the mid-eighties. And that essentially simply defined a major obligation, as an obligation that exceeded the amount of $500,000.

And what we are really talking about here are the vendor contracts, the outside contracts. We're not talking about the loans that we make or the other programmatic types of agreements. But the operational contracts or our building leases, whatever we need to actually operate.

The problem with the 500,000-dollar number is that it really didn't work in practice very well because it raises -- the regulation does not address whether it's a single-year number or whether it's a multi-year number, since many of our contracts run for multiple years. It doesn't address what happens if the amount starts out under $500,000 but later exceeds $500,000. And so many,

many operational questions arose under this regulation.

It was left to the General Counsel by the regulation to decide whether a contract did or did not have to go to the Board under this. And we have recognized in recent years that we need a regulation that more clearly defines when an agreement has to come to the Board. That is Item 8 on the agenda. That is the fix, if you will, to the regulation that we have.

During the last two years, not having had the benefit of that fix, what we have done is brought to the Board a blanket resolution, wherein the Board authorizes staff to enter into those types of contracts which basically are not covered by the previous financing resolutions that we've discussed. That has been a Band-Aid, a short-term fix, if you will. The change to the regulation is a long-term fix.

The reason there are two on here today, is that the approval by the Board of the change to the regulation is only the first step in a regulatory process for enacting that regulation. So that if the Board approves Item 8, which is a change to the regulation, that allows the staff the legal process of changing it. It has to go to the Office of Administrative Law. There are public comment periods. There's a whole series of time lines that have to be followed.

So the regulation, if approved by the Board, would not take effect for a number of months.

And Item 9 is the short-term fix designed to get us through until the period when the regulation would take place. And with Item 9, there are really two ways to do it. I drafted it to cover this year, 2005. However, it would be equally appropriate, if the Board wanted to, to make that short-term fix applicable only until the time that Number 8, the regulation, actually becomes law. So either way would be fine, from staff's point of view.

So let me go into the details, briefly, of Number 8. There are three regulations which the staff is proposing, three areas of regulation the staff is proposing to change.

What we have done is -- and certainly the Governor, when he took office, had encouraged all agencies to look at the elimination of unnecessary regulations -- we have taken a look at our regulations, and we have identified these as regulations which are unnecessary.

There are some additional regulations which are unnecessary but cannot be changed or repealed without some changes to our legislation. In other words, there are several statutes that we have that require us to do certain things by regulation. So we simply can't repeal the regulation because the statute requires us to have it. So those aren't addressed by this.

But the three areas which we do believe that we can deal with, the first is essentially the Board process that we just talked about, cleaning up the contracting resolution.

We also are proposing to essentially repeal our mortgage insurance regulations. That was a result of the mortgage insurance -- Nancy and the Mortgage Insurance staff taking a look at those regulations, and working with the legal staff to determine whether any of them continued to be necessary in today's environment. And the answer or the conclusion was that, no, they are not necessary.

The mortgage insurance regulations either simply parrot authorities which are already in our statutes or, in a number of cases, act as a limitation on authority that we already have. And a good example of that, I've noted it in the staff report, is that by statute, our mortgage insurance operation can insure loans of up to 40 years in length.

The Agency at one time enacted a resolution limiting the term of insured loans to 32 years. So, actually, we have broad statutory authority and self-imposed narrow authority. Now, we want to do a 35-year loan product and insure it. So we need to get rid of those kinds of obsolete regulations that have stood in our way from developing new products.

And the third area is, there is one regulation dealing with multifamily loans and the process for certifying housing sponsors.

If the Board has -- I can go through each or any of those and explain them in more detail. If the Board has any questions, I can simply answer them specifically.

CHAIRPERSON COURSON: Questions from the Board?

Mr. Carey?

MR. CAREY: The one question I have is -- forgive my unfamiliarity with the budget document, but how would one of these contracts that's included in the budget show up as a line item? How identifiable would it be?

MR. HUGHES: Well, what we've done in redrafting the Board procedures is to, first trying to find when items -- when contracts have to come to the Board. And then if, indeed, a contract has to come to the Board, to define the way in which the Board would need to approve it.

And it seemed to us, when we were thinking about it, that the Board, if it was required to approve a contract, could either specifically deal with it by a motion and resolution as we've done here, or when we do our annual budget, we could include that item as part of the budget.

But I thought in fairness, if we did that, we wouldn't want it buried in the documents some place. So we needed to specifically break it out as a line item, so that the Board could see what they did. And that seems to be a fairly rational budgeting process, to identify those in the budget, so the Board would, by approving the budget, therefore, approve the contract as well.

MS. PARKER: Maybe just to add, and we'll be talking about this a little bit later, because we recall last May, many of you asked and had questions in our line-item expenditures.

When we do, in May, our administrative budget, we'll essentially go through and give you the traditional line items for the number of staff, personnel services, how those things are budgeted. And then under general expense, we'll have line items that will roll up for general expense. But there is detail behind that for, like, a contract line item. We can essentially give you, you know, how much of that is for contracts for our IT division, how much of it is for multifamily, how much of it is for -- and, you know, if they are specific legal, and under that that might include, if we have litigation issues coming before us, amounts of money for particular legal counsel. Those kinds of things, so you are aware of what they are.

I think what we've tried to do, though, is with this -- and part of it is, again, is recognizing that you're all new and haven't gone through this process with us -- but some things are kind of vanilla that we do, that we want to make sure that you're aware of. But we also try to pride ourselves on things that are unique and we don't want to surprise you, it's our burden to make sure that we're bringing those to you, and we will err on the side of caution.

MS. WEIR: Do we have a sense of what the total dollar amount of contracting authority is that we're proving with this agenda item? And maybe if we don't have a sense of this agenda item, what was the total dollar amount -- ballpark, not exact numbers -- of what might have been approved with last year's Board approval of this agenda item?

MR. HUGHES: In terms of this agenda item, there are very few, if any, contracts that actually fall within the kind of delegated authority in Number 9. And the only two that I can think of, off the top of my head, would be our lease and the attorneys' fees for the litigation.

Everything else, I can -- and there may well be more, but that's off the top of my head.

The rest of them, for the most part, are authorized in the financing resolutions because almost everything we do is funded by bonds, and so the bond -- you know, the bond-funding resolutions cover that.

We certainly noted in the litigation, because it dealt with mortgage insurance, which is not a bond-funded program, it occurred to us that, of course, we didn't have, under the blanket, the omnibus financing resolutions, we didn't actually have the authority to hire our attorneys and pay them. And so we went and brought back this blanket resolution. And I have to say, it probably looks a lot broader than it is in reality. But it covers us in the event that there's a non-bond-funded obligation that we need to pay quickly.

MS. WEIR: So even though there's a fairly extensive list of possible areas for contracting authority, as attached to this agenda item that, in fact, there are two potential contracts? I mean, I'm not limiting this. I'm just trying to get a feel for the scope.

MR. HUGHES: Right. There may be others. Those are the two that jump to my mind.

But there's a wide variety of contracts that are entered into in connection with our bond programs. Everything from, if you think about it, the loan servicers for single-family loans, to financial consultants --

MS. WEIR: But these are for non-bond program related contracts.

MR. HUGHES: Right. But what I'm saying is there are very few. And certainly the ones I can think of are attorneys' fees, primarily.

MS. PARKER: Dick, given the history, you've been here for 20-plus years for the Agency. Can you add any thoughts of what you think might also be --

MR. LaVERGNE: In response to Ms. Weir's inquiry, I agree with Tom on two primary items, are the lease and attorneys' fees.

MR. HUGHES: There is a third, but we brought it to the Board as a separate action item, which was the GE Reinsurance Treaty. But our practice has always been, on something as big as that and as important as that, is that we brought it to the Board anyway.

MS. PARKER: You know, Tom, one other thought, too; and I'm not sure this is -- but we also brought it to the Board, and correct me if I'm wrong, we were discussing at one point in time about Linn perhaps using some outside entities to help with the -- in Multifamily doing deals in special lending areas. And wouldn't that also --

MR. HUGHES: That one fell through. But we had actually prepared that as a separate motion for the Board, as well.

MS. PARKER: I know, but since it wasn't related to a bond, that is an example.

MR. HUGHES: Right.

MS. PARKER: But we brought that one specifically -- that one specifically to the Board.

MR. HUGHES: Yes, we did.

MS. PARKER: So the point is, there were a couple unique ones. In two of four cases, we brought those to the Board as unique items.

CHAIRPERSON COURSON: Mr. Friedman?

MR. FRIEDMAN: Well, I just wanted to make sure that I understand that we're sort of talking of two agenda items at the same time.

MR. HUGHES: That's right.

MR. FRIEDMAN: The first one is purely a change of the regulations to delete some regs; and, as I understand it, to raise the contract limit without having to come back and forth, from $500,000 to a million.

Am I correct on that?

MR. HUGHES: Yes. And the other change related to that would be that in the future, if the Board wanted to raise that threshold, they could do it by resolution as opposed to regulation.

MR. FRIEDMAN: And then the second item that is sort of getting mixed into this is the broader contract resolution which is the next agenda item, which --

MR. HUGHES: Correct.

MR. FRIEDMAN: -- I had some concerns that I expressed to Tom, which was having created a million dollars or so to the cap, by which you don't have to come back to the Board, then the next resolution sort of eliminates that cap. And it just seems to me that those are somewhat mutually exclusive items, or one nullifies the effect of doing the other. And, you know, that was a question I was going to discuss when we got to the next agenda item.

MR. HUGHES: Right.

MR. FRIEDMAN: But it seems like we're talking about it now.

MR. HUGHES: The first one, Number 8, doesn't come into effect by the Board simply voting to approve it.

MR. FRIEDMAN: Right.

MR. HUGHES: It will take months to get that enacted. And that's why I said earlier, if the Board so chooses, it could approve Number 9 to terminate on the date when Number 8 becomes effective. Because Number 9 is a short-term fix. Number 8 is the long-term fix. And they're designed to address those two different things.

MR. FRIEDMAN: The other thing, potentially, the Board could do, if it wanted to, would be to approve Number 9 with the million-dollar limitation that's in your proposed regulation. And anything in excess of a million dollars would have to come back to the Board, consistent with the regulation which you're proposing.

MR. HUGHES: Right. The key, though, just so the Board understands, is a fixed dollar amount has proven not to work in real life. The regulation that's been proposed doesn't provide a hard million-dollar number; it provides that if in any one fiscal year an obligation is reasonably expected to exceed $1 million, that it would have to come to the Board. And if it's reasonably expected to be under $1 million, it would not have to come to the Board.

And the reason is that we have continuing obligations that we don't think will exceed a million, that sometimes do. And we have other types of contracts that are volume based, and the volume -- the compensation is not subject to precise determination at the beginning.

So we're trying to avoid the situation where a contract is legal and authorized and then becomes unauthorized because now we've exceeded a fixed amount. We need to have to stop performance under the contract and come back to the Board or we'd have to have an emergency meeting.

CHAIRPERSON COURSON: But let me -- Mr. Morris, go ahead.

MR. MORRIS: Actually, I have one question.

Given the fact that the two examples that you used were basically litigation and the lease obligation, my question would be more basic, is why are we raising it from $500 to a million? Has it been that big of a problem? I'm more concerned about the dollar figure than I am about cleaning up the language in the resolution. In other words, has half a million been such a problem that you feel you need to go to a million, especially in the case where it's just the two examples -- I mean, I don't know how many times you have to come back to the Board during the course of the year, but we have meetings basically, you know, almost every other month.

And so my question is, why do we have to go from $500 to a million?

MR. HUGHES: There's more of an answer to that.

The first is that, again, the existing

regulation doesn't define when that dollar amount -- for what time period that dollar amount applies.

MR. MORRIS: Well, I understand the language.

MR. HUGHES: Right.

MR. MORRIS: I understand cleaning up the language, but I'm talking strictly about the dollar amount.

MR. HUGHES: Right. The contracts, like a lease, are simple because we know they're going to pay.

MR. MORRIS: Right, right.

MR. HUGHES: The contracts, like attorneys' fees, are not simple because we don't know what we're going to pay because of the vagaries of litigation. And, frankly, the regulation is drafted the way -- or this is drafted the way it is because we can't always predict what is going to happen in any given expenditure. And we prefer to have a broader authority, obviously, to be able to cover the unexpected than a narrow authority that would freeze us in time. And the feeling of the staff certainly is that, if we operate as a business and we need to -- if there are actions we need to take immediately, if we don't have the authority to enter into the necessary contracts, we either have to convene emergency Board meetings or wait two months. And frequently in the business world, we can't wait two months.

CHAIRPERSON COURSON: Let me mention this, and reading this, I had the same type question. Mr. Morris, the reason this is presented the way it is, is those of us who weren't here, don't know -- Jack, you may have been here -- last year, the staff was at this same meeting, the same discussion -- you correct me -- had the discussion, the same discussion, and the staff was asked to come back this year and look at or consider a higher limit, and that's why they did that. So it's still appropriate to have the discussion about whether that is the right limit or not, but that's why it's on the agenda.

MR. HUGHES: Right. The prior chairman, Clark Wallace, had asked us to go back and look at raising the amount because it appeared to be outdated. It was a 1985 number. And the growth of the Agency since then, you know, reflects the need for a higher cap.

CHAIRPERSON COURSON: All right.

MS. PARKER: Also, it's not so much that it's -- it would be one thing if these contracts were for $500 for every year, but the higher amount essentially reflects what might be expended over multiple years, and that's where $500,000 becomes problematic.

MR. SHINE: Am I clear in understanding that the confusion and the concern that you expressed when this was first discussed are addressed here with respect to cumulative years and all that other kind of -- all those other concerns that you had when we discussed this before?

MR. HUGHES: Yes, the proposed regulatory change would take that dollar number and apply it to a fiscal year, as opposed to the current version in which there is no -- I will tell the Board that much of this stemmed out of the prior litigation that I talked to the Board about in closed session last time, in which the defendants in that case maintain that since, in the very beginning of the contract, there was very small compensation, it never had to go to the Board because that dollar amount was fixed in time. And the fact that it became much larger over a period of years didn't require it to go to the Board.

We're trying to tighten up those loopholes, if you will, if you consider that to be a loophole, because we want to make it absolutely clear what time period the number applies to. And it could also give us the flexibility, if we can't predict with absolute certainty, that we actually have the authority to pay folks.

MR. SHINE: So you have addressed your concerns with respect to the time frame and the amount that was suggested at that time?

MR. HUGHES: Yes.

MR. SHINE: That's what was presented for us here today?

MR. HUGHES: That's correct.

CHAIRPERSON COURSON: Ms. Weir?

MS. WEIR: With these two agenda items and the approval that's being requested, is there a time that you would contemplate coming back to the Board for a contract approval?

MR. HUGHES: I know that when this issue first came up with the prior Board, what we had represented to the Board was -- and, you know, there's not a hard and fast legal rule in here, but certainly the staff's view was that if anything was controversial or was going to be a really out-of-the-ordinary item, we would bring it to the Board, anyway, notwithstanding the regulation. And we've done that in several cases. The GEMICO Reinsurance Treaty was a notable example that the Ziegler underwriting that Terri Parker referred to, is an example of that.

But operationally, we have routine expenditures that people have to get signed up and people have to get paid, and it usually has to be done fairly quickly, and that's what we're seeking to protect ourselves.

CHAIRPERSON COURSON: Mr. Friedman?

MR. FRIEDMAN: I was just going to say, I think the change to the regs is appropriate, and I agree that there's a big difference between now and the mid-eighties. A million-dollar change makes a lot of sense to me.

But I continue to have a little trouble with the following resolution because the whole point is, we sort of define what an extraordinary expense is. And if we eliminate any dollar figure from the resolution, then there aren't any.

MR. HUGHES: Right.

MR. FRIEDMAN: It's totally up to the judgment of the staff as to whether they wish to bring it to the Board.

MR. HUGHES: Yes, and my recommendation to fix that would be that we amend the form of the resolution in Number 9.

And, Mr. Chairman, we will have to go through each one of these items separately, rather than together.

CHAIRPERSON COURSON: Let's deal with it because I have a thought on 9 also, that addresses that.

MR. HUGHES: A proposed fix would be that 9 goes away when 8 becomes legal.

CHAIRPERSON COURSON: Well, I guess maybe my question, maybe I don't understand it, in listening to Mr. Friedman's comments. If 9 were drafted in such a way that it would basically mirror 8 and go away when 8 became effective, then I think that would --

MR. FRIEDMAN: Yes.

CHAIRPERSON COURSON: -- solve the issue and it seems to make sense.

In other words, if we were going to operate under 8 as our ongoing method of operation, and have 9 mirror it and then go away when 8 becomes effective. Is that it?

CHAIRPERSON COURSON: Mr. Shine?

MR. SHINE: Can we move 8 then and dispense with that, and then go to 9?

CHAIRPERSON COURSON: Absolutely, Mr. Shine.

MR. CAREY: Mr. Chair?

CHAIRPERSON COURSON: Okay, one second, there's a question.

Mr. Carey?

MR. CAREY: I have one question.

CHAIRPERSON COURSON: Sure.

MR. CAREY: It's a procedural issue. The resolution -- I mentioned this to Ms. Parker earlier -- the resolution has us approving the change of regulations, which then go for public review.

MR. HUGHES: Correct.

MR. CAREY: Having been on the other side of commenting on regulations, that it appeared the Agency didn't want to hear about -- I don't mean this Agency, but HUD, for instance -- I'm just a little concerned about us approving the changes and then sending them out for public comment, unless we sort of have the understanding that should significant issues arise during the public comment, that it would come back to us.

MR. HUGHES: Correct.

CHAIRPERSON COURSON: That's a good one.

MR. HUGHES: And if there were significant public comments in which we decided that we needed to change the approach of the regulation, I'm sure we would bring it back then.

MS. PARKER: And that can be put in a motion.

CHAIRPERSON COURSON: I think that's a valid point. I think we just need to -- somehow or other, counsel include that in.

MR. SHINE: Well, I'll move it then, with that included.

CHAIRPERSON COURSON: Okay, Mr. Shine.

I'm sorry?

MR. HUGHES: My suggestion would be then that the resolution language could say that if there are material changes to the form of the regulation that arise during the regulatory process, that we bring it back to the Board for approval. And the spirit of it would be to exclude minor things, if they remove a comma or some small nonsubstantive manner.

CHAIRPERSON COURSON: Right.

MR. AUGUSTINE: A question. Is this the normal process -- assuming there were no changes, does the staff report say this package is ready to be filed with OAL? Is that the normal procedure?

MS. PARKER: This authorizes us to start that process.

MR. AUGUSTINE: I understand that. But after the public comment period, then you've got to continue that process; does the Board, being made aware of that process, up to the year that you have through the reg process?

Am I not making myself clear?

MR. HUGHES: I'm not sure I fully understand the question.

MS. PARKER: You want us to come back and tell you when we essentially go past the public comment period; is that what you're asking for?

MR. AUGUSTINE: Yes. I was asking if that's what your normal procedure is.

MS. PARKER: Part of the problem -- it can be what we want to do -- we have very, very few regulations. So this is a little -- this is not an everyday thing for us at all.

MR. AUGUSTINE: Right.

MS. PARKER: But we're certainly open.

We can include, as my understanding of the motion of resolution, that if there's public comment changes, we will essentially come back to the Board.

We can also certainly have the General Counsel advise the Board in the next -- when it's appropriate, the status of where we are in this, in the drafting and completion of these.

MR. AUGUSTINE: Yes, because there are several steps. Just an update through that process.

CHAIRPERSON COURSON: I would suggest that as part of our Board reports that we get every other month, that we have a status as to where we are at in the process.

MR. HUGHES: Again, that makes perfectly good sense.

Just for the Board's information, we did do this last year. We changed some of the mortgage regulations, and we got no comments or input at all from the public.

CHAIRPERSON COURSON: Mr. Shine, I assume all that's in your motion; correct?

MR. SHINE: Correct.

MR. FRIEDMAN: I'll second that.

CHAIRPERSON COURSON: Mr. Friedman seconds that.

Is there any further discussion?

Mr. Morris?

MR. MORRIS: I'm going to support both resolutions. But I would, just for the record, like to state that, you know, things such as lease extensions, cost of litigation, even if they don't hit that million-dollar mark, that those are things that are presented to the Board.

CHAIRPERSON COURSON: As appropriate, put that on the record.

MR. MORRIS: Yes, those are kind of major expenditures like that, that we should be aware of. Which I think would be, for example, when you're doing your annual budget, I'm sure you've anticipated your annual lease extensions, I'm sure that that's what we're going to review on an annual basis.

The litigation was a several-year process, which I would imagine you regularly updated the Board on how the costs were during that process, I guess. Or no?

MS. PARKER: Well, in that particular case, you know -- and we're coming back and doing this today -- we need to increase our authority to pay the legal fees that we've incurred this year. We didn't have -- the contract with O'Melveny didn't have those dollar amounts to begin with, because we didn't know where we were going to be.

Is that fair, Tom?

MR. HUGHES: We had budgets all along. But they exceeded the budgets.

MS. PARKER: And we were in a situation as we were this spring and thought we might get a summary judgment and, all of a sudden, over the summer we had a three-week trial move to a ten-week trial, it wasn't like we could stop and say, "Wait a minute, O'Melveny. We need to go back and get authority for you guys, or otherwise, you know" --

MR. MORRIS: I understand that.

MS. PARKER: But we wouldn't know that.

MR. MORRIS: I can understand that. I've been on another agency board, it was a State Bar, because we've had similar kinds of situations where we've had litigation, where the board was kept apprised of what the legal fees were.

MS. PARKER: We certainly kept you apprised of where we were in this case. We didn't keep you necessarily apprised of where we were in dollar amounts, but obviously the presumption is we would do --

MR. MORRIS: But, in any event, I'm going to support both of them. My comment is, in the future, as long as I'm on the Board, I'd like to be updated on that.

MR. HUGHES: One of the points we've made to past boards, and I think it continues to be valid, is that these items will appear, to one degree or another, in the budget. And we're certainly moving towards having more specific line items, so that the Board can focus on that during the budget process.

MS. PARKER: Mr. Morris, just a point of clarification in that sense because I think I misunderstand you. Do you want to put a limitation on us that we can't, or do you want to just essentially say in those circumstances, at the next Board meeting we want you to be coming to the Board and --

MR. MORRIS: Right, I'm willing to increase this from 500 to a million, but I'd like to -- yeah.

CHAIRPERSON COURSON: I think the point -- Mr. Morris, I think it's an appropriate point, as counsel and staff have done a good job of keeping us apprised of litigation, as it goes along. It's part of saying, as we're talking about the staff's litigation -- if, in fact, we see from a budgetary standpoint that we're going to be exceeding some of our caps or expenditures or something, is report that at the same time, so we can deal with it and have knowledge, as we go ahead.

MR. FRIEDMAN: Yes, a ten-week trial is likely to produce some sticker shock. We'd probably want to know.

CHAIRPERSON COURSON: Yes. Stand by for another agenda item.

MR. HUGHES: The original estimate was two to three weeks, tops.

CHAIRPERSON COURSON: Is there any other discussion from the Board?

MS. WEIR: On agenda item 8?

CHAIRPERSON COURSON: 8, only 8.

Is there any discussion from the public?

MR. HUGHES: Mr. Chairman, just for my own benefit, can we restate what changes to Number 8? Perhaps Mr. Shine could -- or whomever could -- I want to make sure I've got it all. I can go back to the verbatim transcript, but I'd like to make sure.

MR. SHINE: You mean I have to requote what you quoted?

MR. HUGHES: Maybe I should go back to the transcript, but I just wanted to make sure.

MR. SHINE: I'll live with the transcript.

CHAIRPERSON COURSON: Okay.

Call the roll.

MS. OJIMA: Thank you.
Ms. Weir?
MS. WEIR: Yes.
MS. OJIMA: Mr. Carey?
MR. CAREY: Yes.
MS. OJIMA: Mr. Friedman?
MR. FRIEDMAN: Yes.
MS. OJIMA: Mr. Augustine?
MR. AUGUSTINE: Yes.
MS. OJIMA: Mr. Morris?
MR. MORRIS: Yes.
MS. OJIMA: Mr. Shine?
MR. SHINE: Yes.
MS. OJIMA: Mr. Courson?
MR. COURSON: Yes.
MS. OJIMA: Resolution 05-05 has been approved.

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Item 9. Action relative to the approval of a resolution authorizing certain contracting by the Agency

CHAIRPERSON COURSON: Now we're going to move on to number nine. We've had our discussion, but I think we have some changes that are appropriate to make those changes that we were talking about.

MR. FRIEDMAN: Well, I support the one that you've suggested, which was that we approved Number 9 with the modification that the contracts in excess of the million dollars that will be contained in the regulation, as proposed, albeit those that need to be brought back to the Board.

CHAIRPERSON COURSON: And that Number 9 would terminate at the time Number 8 became effective?

MR. FRIEDMAN: Well, I guess I'd like to ask Tom about that one, because it seems to me that this resolution does more than just duplicate the resolutions. It's giving some additional -- well, maybe not.

MR. HUGHES: The sole reason that we brought this Number 9 and its predecessors in the last few years to the Board was to deal with those vagaries that we couldn't otherwise deal with under the regulation.

So in my view, once the regulation has been fixed, we will not need these *(pointing)* anymore, and we don't need this one *(pointing)*.

MR. FRIEDMAN: Okay.

MR. HUGHES: It was intentionally drafted broadly because we found we were incurring expenditures that were simply not predictable, so we made it broad. But we don't need it, once 8 goes into effect.

MR. FRIEDMAN: Then I am in support.

MR. HUGHES: As a point of clarification, is it the Board's sense then that we would amend Number 9 to first include the million-dollar number; secondly, to include the language, or similar language to what is in the proposed regulatory change that would make it not a fixed, hard line but an expenditure that's reasonably expected to exceed or not exceed $1 million? Because that provides us the protection in case, unexpectedly, it goes over. That is what I would suggest.

CHAIRPERSON COURSON: I think the sense is that the motion would be that it would just duplicate language in 9 that was in 8.

MR. HUGHES: Correct. Exactly. Okay, that's fine.

MS. WEIR: Is there any language for which staff would need to return to the Board for more approval, for any contract? Is this blanket authority for virtually every contract? Or is there any limit whereby -- or any congregation of events whereby staff would return to the Board?

MR. HUGHES: If, under Number 9, as presently drafted, without the amendments we've just referred to, it would cover anything that we tried to list in there. And we tried to list -- we tried to list it as broadly as possible, so that we would not have to come back to the Board to get contracting authority.

So unless there was something that wasn't covered in 9 --

MS. PARKER: But from a practical standpoint, for the most part, those things will need to be discussed when we submit our annual budget --

MR. HUGHES: Right.

MS. PARKER: -- to the Board of what things we're asking for, quote, unquote, "expenditure authority" for.

MR. HUGHES: Correct.

MS. PARKER: There are really two different things. One of them is, we asked for the money in May, to the best of our knowledge. And because of this other, it means that when we're actually entering into it, we don't have to come back and say, "Can we sign this, the document."

MR. HUGHES: The Board always has authority over the budget, and does that each and every year.

These resolutions are really aimed at entering into the initial obligation and making sure that it is a legal obligation. But certainly we discussed these obligations at the budget and the Board approves or doesn't approve the amount of money and/or these line items that we're talking about.

CHAIRPERSON COURSON: Other questions or comments?

Okay, is there a motion?

MR. SHINE: I'll move it.

CHAIRPERSON COURSON: Okay, and that is -- Mr. Shine, the motion includes the current regulation with the change -- or the amendment or the change that would have the language of Number 9, the same as we included in 8?

MR. SHINE: It would parallel it, yes. And then disappear upon the enactment of an effective time of Number 8.

CHAIRPERSON COURSON: Okay.

Is there a second?

MR. CAREY: Second.

CHAIRPERSON COURSON: Mr. Carey.

Is there any further discussion?

(No audible response was heard.)

CHAIRPERSON COURSON: Any comment from the public?

(No audible response was heard.)

CHAIRPERSON COURSON: 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. Friedman?

MR. FRIEDMAN: Yes.

MS. OJIMA: Mr. Augustine?

MR. AUGUSTINE: Yes.

MS. OJIMA: Mr. Morris?

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine?

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson?

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 05-06 has been approved.

CHAIRPERSON COURSON: And I'm going to make a suggestion. We're going to take a short break before we get into the plan update. But while we're in this discussion, there is one more action item that has to do with legal fees. And you've seen it. It's page 145, and the resolution is on 147.

Part of the discussion we're going to have on the update of the plan is going to be a change, or a modification of the budget that we approved by the amount of legal fees over and above what we've budgeted for the litigation that we were briefed on at the last Board meeting.

So my suggestion is that as long as we've got a quorum here and we're into this discussion, why don't we deal with this resolution while we're here? Then we'll take our break. Because we're just right on point with what we've already talked about.

Is Jackie --

MS. PARKER: Yes.

CHAIRPERSON COURSON: Yes, Jackie, would you maybe come up and talk a little bit about the additional legal fees and the resolution?

And we're on page 145, is the discussion of that.

MS. RILEY: Do you want me to go through my five-minute update on administration and then go into that, or do you want to go directly into that?

MS. PARKER: Why don't you just -- yes, essentially, it's all the same thing.

MS. RILEY: It is part and parcel of the same thing.

MS. PARKER: It really is. Yes, so if you could explain it, Jackie. So please do that.

MS. RILEY: Okay, I am going --

MS. PARKER: We'll just take that item, your midyear update, which leads to this resolution.

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Item 11. Administrative update including the discussion recommendation and action relative to the adoption of a resolution approving the amended 2004-05 Operating Budget

MS. RILEY: All righty. I am going to brief you on just kind of what's been happening in administration for the last six months. So a little update. And then we'll go into the action item, which is the amendment and augmentation to the budget.

And from there, Dennis Meidinger, our head of Fiscal Services, was going to talk about the source of the dollars that come.

CHAIRPERSON COURSON: And we're going to hold, if we can, hold that one and we'll come back and start with that after our break.

MS. RILEY: Okay. The first six months of the fiscal year, we have hired 13 new employees. Each of those is a struggle for us. We put people through kind of what they say is a rigorous audition before we hire them. But we've been successful in hiring 13, and recruiting is not easy for us.

Space: Our Senator Hotel building in Sacramento, we've been undergoing some tenant improvements. That will be one of the items that we're asking to augment because we've had cost overruns there, which I'll get into shortly.

The permit process has been delayed for many months in Sacramento. When I hear that restaurants aren't opening and all that on time because of permitting problems, I understand it now. But we are scheduled to actually do those moves in late February to early March.

And our Meridian side and our Senator side will be well established to be able to accommodate any additional hires and any anticipated growth we have for the next several years.

And we're also starting a project in the springtime of this year to look at consolidating the whole Agency into one location, eventually.

Go ahead, Jason.

We are on track with our spending in all of our line items, with the exceptions of what we've requested in the budget amendment.

We have, as Terri mentioned, no direct impact from the state budget, other than those items which we talked about a little bit earlier, the employee compensation. And we're watching that very closely. And, in fact, tomorrow the Department of Personnel Administration is putting on a briefing for those of us on the H.R. side of the house to go through perhaps some of the methodology of how those employee compensation reforms were arrived at and what they really do mean.

And next, this is the amendment to the operating budget. As you can see, and was talked about in Terri's memo to the Board, in the Board packet, we are requesting $2 million to augment the line item -- I'm breaking it down. Actually, we're asking for $2,875,000 for the consulting and professional services line item. Those dollars include $2 million for the HC lawsuit, $500,000 for our West LB lawsuit, $250,000 for cost overruns, if you will, on tenant improvements.

And why we had those is, we ran into unexpected seismic upgrade problems, handicap access of replacing all of our hardware on doors that we hadn't anticipated, and also some fire-life safety issues that our contractors have been battling the city.

The other area is an area under Bruce's shop of a resource allocation study, which I know, with the business plan, preliminary update and all, he'll be talking about.

Some of that cost will probably be able to absorb a little, but we did ask for $125,000 for that.

The other thing is, we have had word from DOF that the budget needs to be augmented for additional cost of PERS and also for employee health benefits.

So the total is that 3 million-dollar

augmentation.

I will also state that we do -- I do -- my staff and I do, behind each of these line items that you see here, there is another document, a schedule that shows where all the dollars come from. Because otherwise, I would be working in the dark. All of the units of the Agency in our budget process come forward with their requests for consulting or contracting dollars. And those dollars are contained in a schedule.

So when we originally asked for the $4,797,000 for consulting services, there is a document that backs all of that up. And the document gets compiled. But backing that up is the request and the reason for the request and the justification for the request.

The same thing, we have a line item for facilities operation. And the facilities operation line item consists of the three leases that we have. One in Culver City, the two in Sacramento of Meridian and Senator, and also any kind of facilities that we rent, such as the Board space here. We have a number of staff, particularly on the single-family side, that are always out training throughout the state, and they usually will go to a centralized facility, a hotel or something in a geographic area. And that's what supports that facility's operation.

So there are things that perhaps we haven't shared, but the backup information is there.

The other thing that we do do, every month, we track -- fiscal services provides an expenditure report. So we're always tracking those dollars monthly, to see how we are with our budget. And if we don't spend what has been allocated to us in the budget process, that money rolls over for the next year. So it doesn't go away, it's not lost; it just goes into the next year's pot. And Dennis can get into that in a little more detail.

MS. PARKER: That essentially brings us to the resolution?

MS. RILEY: Yes.

CHAIRPERSON COURSON: Are there questions?

The resolution, as I understand, is to amend the operating budget by the amount --

MS. RILEY: Three million.

CHAIRPERSON COURSON: By $3 million.

MS. RILEY: Yes.

CHAIRPERSON COURSON: Mr. Morris?

MR. MORRIS: Was the reason you were on the TI because you have a fixed dollar contribution to the landlord and you went over that, or was it the landlord -- what was the reason that you went over on

TI's?

MS. RILEY: The TI's we are, we are funding ourselves. So there were no landlord --

MR. MORRIS: There were no contributions from the landlord at all?

MS. RILEY: No, no. Because we've been in a long-term lease. We've been in that building now 18-plus years.

We had some tenant improvement allowances early on in the lease, but not for this.

CHAIRPERSON COURSON: Mr. Augustine.

MR. AUGUSTINE: I would like to follow up on the seismic retrofit. I'm not sure why that's on the tenant.

MS. RILEY: Because we took over the space.

We started at the Senator Hotel many, many years ago, and we took over some space. We had tenant improvements done that were amortized in the cost of the lease. Others were "as is, where is." And we are in a situation in that building right now that we are "as is, where is." So the cost of these improvements were on our dime, not theirs.

CHAIRPERSON COURSON: Mr. Shine?

MR. SHINE: So is it similar to being on a net lease that we have, where we pick up the expenses?

MR. HUGHES: No, actually. Our lease, which --

how far does that go back, Jackie? It's a very old lease.

MS. RILEY: 1985.

MR. HUGHES: It doesn't operate as a typical triple net-type commercial office lease, in that there isn't a pass-through of these costs back to the tenant. There's a fixed contribution that the Agency makes. This is in the center for operating expenses, and it doesn't increase or decrease, depending on actual expenses.

MR. SHINE: Well, my question was related to not the pass-throughs, but the retrofit. For example, is that being paid for by other tenants in the building, in their spaces as well?

MS. RILEY: It perhaps could be. Most of the tenants in the Senator Hotel are private tenants. Their leases are different than the state leases.

We initially, when we reviewed the lease, had some tenant improvement dollars as part of that lease extension.

MR. SHINE: Are we going to hear about a required retrofit that somebody came --

MS. RILEY: No, no, no, no. We're doing it because we wanted to consolidate our employees together. They're spread throughout the entire building.

MR. SHINE: So that's not -- a retrofit, to me, is when you have earthquake damage.

MS. RILEY: No, no, no.

MR. SHINE: Are we having a labeling problem here?

MS. RILEY: Perhaps.

We are -- for the areas that we're improving, tearing down some walls and all that, anytime. The space is so old, and we've had the lease for so long, if you go inside the ceiling, some of the seismic, just wiring, pulling the wire up has not been done.

MR. SHINE: So it's not earthquake retrofit?

MS. RILEY: No, no, no, no.

MR. SHINE: It's bringing things up to code?

MS. RILEY: Up to code.

MS. PARKER: That's exactly what we've said.

MS. RILEY: I'm sorry.

MR. SHINE: Okay. That's different.

MS. PARKER: There's been business code changes that have happened over the years. So when we've gone in, we now need to essentially correct and bring ourselves the --

MS. RILEY: And some of the fire-life safety are new codes.

MR. SHINE: Now, I understand now.

MR. HUGHES: Mr. Shine, just to clarify;

probably as some of the Board members know, when you have health and safety type of upgrades in commercial leases, this has certainly come up with substantial seismic or sprinkler systems or other major components like that, there are actually court cases -- two Supreme Court cases that have a formula to allocate the burden between the landlord or the tenant, regardless of what the lease says. And if we got into a situation where we had a major health and safety upgrade, we would certainly go through that process. And I think, correct me if I'm wrong, Jackie, that things that we've had to deal with in this building are substantially more minor than that?

MS. RILEY: Yes, so far.

MR. HUGHES: That's my understanding.

MR. SHINE: So we weren't required to do this. We decided to this --

MS. RILEY: We decided to make --

MR. SHINE: -- for our own requirements?

MS. RILEY: Yes.

MR. SHINE: Thank you.

MR. CAREY: And they're precipitated by the TI's?

MS. RILEY: Yes.

MR. CAREY: If you open a wall, watch out.

MS. RILEY: Yes.

CHAIRPERSON COURSON: Any other discussion?
Is there a motion to approve the resolution, 05-07? It's on page 147.
MS. WEIR: I move approval.
CHAIRPERSON COURSON: Is there a second?
MR. CAREY: Second.
CHAIRPERSON COURSON: Mr. Carey.
Further discussion?
(No audible response was heard.)
CHAIRPERSON COURSON: Any comments from the public?
(No audible response was heard.)
CHAIRPERSON COURSON: Let's call the roll.
MS. OJIMA: Thank you.
Ms. Weir?
MS. WEIR: Yes.
MS. OJIMA: Mr. Carey?
MR. CAREY: Yes.
MS. OJIMA: Mr. Friedman?
MR. FRIEDMAN: Yes.
MS. OJIMA: Mr. Augustine?
MR. AUGUSTINE: Yes.
MS. OJIMA: Mr. Morris?
MR. MORRIS: Yes.
MS. OJIMA: Mr. Shine?

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson?

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 05-07 has been approved.

CHAIRPERSON COURSON: Okay, we're going to take a very brief -- about five-minute break, and then come back and move through the plan update.

(A recess was taken from 11:14 a.m. to 11:31 a.m.)

CHAIRPERSON COURSON: Reconvene.

One housekeeping matter, for those of you who drove and parked, JoJo does have the parking stickers that will get you out of here for $6 in lieu of like $14 or $16. So if you want those, check with her.

The other, our crack IT team, never at a loss, happened to have the photo I sent them of me doing the CalHFA CD for Iraq housing fund officials.

The woman sitting in the red dress is director general, who -- actually, her office and the offices, they showed up on Sunday. And on the Saturday prior to their leaving, their offices had been bombed. There was a car bomb put out front. And all the glass broke in the office, in the offices. It's funny, they've now moved in -- that's where the ministry's office is. The fund itself has moved into different offices, and they were concerned of people showing up and lining up. They thought there would be this big demand when they started this first round of funding. And they're not distributing applications at the office, so people don't show up at the offices.

Actually, Tom, the woman in the -- I can't remember what it's called now -- shiratz [phonetic], I think, is their legal counsel. And she's been legal counsel for the old real estate bank, which was part of the previous administration. And some of these other -- the fellow in the white shirt was the chief operating officer of the real estate bank, which now has been collapsed and moved on.

So that was the one I sent in. We have some other -- we have some great photos. I saw them in D.C., and they're going to send me a CD of some of the others we took. But that is on the laptop, with the CalHFA CD, that they provided.

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Item 10. Discussion of the 2004/05 to 2008/09 Business Plan Update

CHAIRPERSON COURSON: Okay. We're going to move through now, which is the normal agenda item in the January meeting, and that will be an update of the business plan. And you all have -- you received this, I think, by e-mail and now have actual clean copies in front of you.

And the first item that we're going to start with, will be --

MS. PARKER: Actually, it's the very back of the -- it's fiscal services. It's the big package you have. It's actually back here *(indicating)*.

CHAIRPERSON COURSON: Okay, it's the last three pages of the packet that says, "Midyear Business Plan Update."

And, Dennis, I think all of you have now been introduced to Dennis Meidinger, who is our new Controller. And he will take us through these pages.

MR. MEIDINGER: Thank you, Mr. Chairman.

I've been asked to kind of follow up on Jackie's budget presentation and give you the actual numbers that go behind her numbers, and update the Board as far as the revenues and expenditures for the fiscal year just ended, June 30th; and also for the beginning of the quarter ended September.

As the Board business knows, we don't receive any General Fund monies from the State to fund our programs, nor does the Agency have any taxing powers. All of our money that we generate must be generated within our own Agency, from our own resources.

The first area of our sources of revenue, which consist of about one-third of our monies, are monies that we can make outside of our bond indentures. And this consists of fees and interest, admin fees, for instance, for single-family -- for administering some of our older single-family bonds. I'll show you where that falls into place here.

Fees and interest right here, $9.9 million through June 30th, were earned either administering single-family bonds, HUD Section 8 administration fees. There's also our commitment fees that we earn for bringing multifamily projects in, as well as interest. And as you can see, that $9.9 million funds about one-third of our budget.

The other two-thirds, and the much larger portion, comes from operating transfers. So what these are, are monies that are free of indenture requirements, and as a result of operating our bond programs.

So let's go to that slide.

Okay, this is our consolidated bond programs. This is the operating results of operating our $7.4 billion of bonds outstanding for 14 different bond indentures that we administer, both in single-family and multifamily. So this is the whole ball of wax, pretty much, for the Agency. This is where we are selling bonds, we're making loans, single-family and multifamily loans, we're receiving repayments and servicing our bonds.

And as you know, there is a little bit of spread on every single loan that we make. And that falls down into the operating income here. As of June 30th, we had $72 million of income; and for the quarter, $15 million. But these monies are not all free and clear, and do not come to the Agency. There are a lot of bond covenants, bond restrictions that are placed on this money, because there are various maturities of the bonds. They can last up to 30 years. And there are also reserve requirements and rating agency requirements that are required before any of this money can be freed up from our indentures.

And so we try to be very conservative on what we pull out of the bond indentures. And the Agency does indenture tests and, as I say, there are a lot of restrictions on this money. But there is a portion. And as you can see from this slide from our operating results here, is the $21.4 million we were able to free up to fund our budget. So that makes up two-thirds of the sources of our budget.

We also start with the beginning balance as our -- this here is our bondholders and rating agencies, but we have enough funds to operate for one year. And as I said, we can't go back to the State and ask for monies if all of a sudden we are locked up for some reason. And so we always start off with a beginning balance. Add in the fees, add in our operating transfers, and then deduct our housing insurance budget expenditures which, as Jackie pointed out, were $29 million as of June 30th. And so we ended up the fiscal year with $29.9 million for the next budget year.

And so now we're into the 2004-5 budget year, before we do have enough to start off with our $29.9 million. We were projecting -- this is back in May, that our fees would increase a little bit to $11.6 million, but maybe we wouldn't be bringing as much out of our indentures. However, as you can see, as Jackie pointed out, we had forecast $32.5 million for the budget, and then now after the litigation that's just been completed last month, in this budget augmentation that we just went through, there's an additional $3 million that will be required. And if you look over here for September's results, we did make $3.1 million in fees and interest. And I'm showing the $3 million budget augmentation here which, if you look at Footnote Number 2, we're proposing that we transfer the $3 million from our largest single-family indenture, which is the home mortgage revenue bond indentures. That has assets of $5.5 billion. And so it shouldn't be too much of a problem to fund up the budget with a transfer of those funds.

And then finally, our actual expenditures for the year, quarter ending, were $8.1 million.

And so, bottom line, by showing our budget augmentation amount here of $3 million, it gives us an ending balance of 27.9, which gets us more in line to where we had forecast our budget to be.

MS. PARKER: And that would be our starting number when we come to you in May, unless we change it, for the 2005-06.

MR. MEIDINGER: 2005-06, right.

CHAIRPERSON COURSON: Any questions of Dennis?

(No audible response was heard.)

CHAIRPERSON COURSON: Okay, thank you.

MS. PARKER: Okay, thank you, Dennis.

Again, what our plans are for the April meeting, is to actually do much more of an in-depth discussion on this. I mean, I know there's probably at least a dozen questions in your mind that you have, but we encourage you to hold onto them, and we will get into further detail that will make sense to you all.

Just before Jerry begins, I just want to do an overall introduction of our midyear plan to update you from the business plan that was adopted from a production standpoint by you last May. We'll go through here. I think the staff are very pleased with what we have been able to accomplish so far, and give you some sense of the kinds of things that we are thinking about on a go-forward basis, given what's happening in the marketplace.

So, Jerry, if you would start by updating Homeownership Programs.

MR. SMART: Thank you, Terri, Mr. Chairman and members of the Board. Good morning.

We're very pleased to report that our production, particularly in our first-time home buyer, first-mortgage program is progressing nicely. In fact, we're a bit ahead of our midyear goal.

This chart kind of gives you an illustration of the comparison of last year's business, our goal last year, as well as where we are on a year-to-date basis.

The yellow item here is our goal that we had set last year, approved by the Board, $1.175 billion. And as of June 30th -- if I can get it -- we actually exceeded that goal for the fiscal year, 1.238, for nearly 6,700 loans, nearly 5 percent of our goal.

Last May, we presented a business plan to increase that goal for the fiscal year to 1.25. And we're well on our way to achieving that.

At the midyear point, we have nearly $720 million already purchased. And we're about 58 percent of our goal. So we're pleased with the production as it is.

On a dollar basis, however, I might add that on a low-number basis, we might see that slip as price appreciation increases and, of course, it decreases affordability.

I'd like to also note that on a calendar-year basis, since the inception of the Homeownership Program, from 1977 to the end of the last calendar year, '04, we have provided funding for 131,600 families. That's in the amount of $14.1 billion for first-time homeownership.

The second chart illustrates how we are presently doing in our down-payment assistance subordinate loan programs. The dark-colored blue bars illustrate the goal that we'll set for the fiscal year. And the light-colored shows you where we are at the midpoint of this year.

The first program, CHAP, that's our in-house down-payment assistance program, 3 percent financing, we're doing quite well. We've already purchased $20 million in down-payment assistance for 2,800 families.

The second one, the CHDAP, which is the

California Homebuyer's Down-payment Assistance Program. And the Extra Credit Teacher, the School Facility Fee, and what we call HIRAP, which is the Homeownership in Revitalization Areas, those are Prop. 46 programs.

And as you can see, we are pretty well -- our production has been pretty good.

The CHDAP, we had allocated or budgeted $19.5 million for the year, and we already have $18 million purchased against that. But we did have another $69.3 million available. So we're not anywhere near close to using up those funds.

The Extra Credit Teacher Program that provides down-payment assistance to credentialed teachers, administrators, other designated employees, and who are operating in high-priority schools. And that one's coming along nicely. We're just under half on that program, $2.8 million.

The HiCAP, that's our most successful down-payment assistance program, offers $25,000 subordinate loans in eight designated high-cost area counties. And you can see that we've already funded $24.8 million on that one.

School Facility Fee Program, that's basically a rebate of the school facility fees paid by home builders. The rebate is to the home buyer, the first-time home buyer, purchasing a new home.

And then the HIRAP, that one is moving along. That was a much smaller-funded program, I think $6 million initial funding, and we had only budgeted figuring that we would have a slow start, $.3 million for this fiscal year. And that's already exceeded that.

And finally, our Self-Help Builder Assistance Program, that's kind of a two-part program. The first part offers $500,000 development loans to mutual self-help nonprofit developers, such as Self-Help Enterprises. And also the second part would be the actual permanent loan-funding for the first-time home buyer.

We actually have one loan application pending for half a million, and that is what's reflected here.

This chart here, or this report, highlights a bit of what our program has done for the midpoint. 3,400 families have achieved homeownership.

24 percent of those, of course, purchased new homes. 76 purchased existing housing. 49, or nearly half of our loans, went to high-cost areas. And 65 percent was made to families of minority homeownership, of which 48 percent was Hispanic.

Over $67 million of those funds, of the funds that we have spent were down-payment assistance. And that's what I just showed you in the previous chart.

We've been very busy in Homeownership, providing outreach and training. 53 conferences were attended on home-buyer fairs and workshops, and special speaking events were attended by staff to promote the Homeownership Program and down-payment assistance.

In addition, we have been very active in providing lender training. 43 seminars have been conducted around the state.

And last, but not least, we have been working with a number of localities, 233 of them listed here, to provide down-payment assistance, where we offer an interest rate break to the home-buyer when they obtain down-payment assistance from the locality. And that's benefitted 349 families.

In Homeownership, this is a continuing effort to improve our loan process, reduce the documentation.

We have just recently completed a process mapping effort with a consultant, looking at all the various touch points on the loans, with an eye to reducing or minimizing the process, reducing documentation, so that we can reduce errors and improve the turn time on the loans that were delivered.

We're also working with our Legal Department to consolidate some of our down-payment assistance loans.

Currently, right now, for every program that we offer, there is a separate note and deed. For example, the CHAP program, there's a note and deed for that. There's also one for the California Homebuyer's Downpayment Assistance Program, the Extra Credit Teacher. And most of these programs can be layered in a particular transaction -- or a single transaction. And our goal is to attempt to consolidate those into one note deed, or possibly two, so it would minimize the paperwork involved and improve the turn time and reduce errors.

There are some nuances. There are some issues that we have to resolve before we complete those. But we're well on our way to achieving that goal.

We're also working to provide, with our IT Department, the ability to draw down subordinate loans, creating a note and deed for our lenders to use. The hope is that we would produce these documents. And when we approve a loan granting conditional approval, that the originating lender could download those documents and use them; and by doing so, would reduce the number of errors that we currently see.

And we're also working with VMP, which is kind of a document service, to put all of our loan docs -- or make them available on VMP, so that lenders can access them.

We have reduced our turn times. During

high-production times, of course, deliveries get a little slow at the Agency. But we have put on a lot of effort to reduce that. We now have a conditional approval turn time down to two days, as well as the turn time to purchase loans also on a 48-hour basis.

Outreach and lender training is very critical and important to the homeownership. And we are continuing in those efforts. And we're placing more emphasis this year on the back-end documents, the closing documents that are delivered. So we're trying to seek out those employees that our various lender partners, to train them on delivery of those particular documents.

And lastly, we are looking to replace or rewrite our current loan reservation system. That Legacy system has been in place for, I think, over 12 years, 13 years. It's still functional. It still works. But the language is old that's used, it's slow; and we do feel a need that it needs to be replaced.

We're looking at several vendors that we might be able to purchase a platform, modified to fit our needs or maybe rewrite our own. And that's what we'll be doing in the next year, year and a half.

And that basically concludes where we are to the midpoint in Homeownership. I'd be happy to entertain any questions.

CHAIRPERSON COURSON: Questions of Jerry?

(No audible response was heard.)

CHAIRPERSON COURSON: Thank you.

MS. PARKER: Thank you, Jerry.

Nancy, can you come up, again?

As I introduced earlier Nancy in her new capacity. She's going to talk to us about new initiatives, in that sense, in homeownership.

MS. ABREU: Right. Thank you very much, Ms. Parker and Mr. Chairman.

Before I get started, I just wanted to put some perspective on what's going on in the whole mortgage insurance arena and give you some statistics on CalHFA mortgage insurance, calendar year 2003/calendar year 2004, for financial reporting, we report on a calendar year basis, similar to the industry. So it's a good perspective.

Just as background, in California, in calendar year 2003, there were 640,000 purchased mortgages made. Of that, a little over 68,000 had mortgage insurance. Those were conventional mortgages. About a little over 68,000 had mortgage insurance on it. And of that number, we insured 1,575 loans -- so a very small portion of the market.

For calendar year 2004, we insured 1,469 loans, or about 100 less than the prior year. However, because our average loan size went up, the dollar amount of what we insured increased from $340 million in 2003, to $351 million in 2004. So just a little background of what occurred for mortgage insurance during the calendar year period.

As far as the fiscal year, as some of you remember from our May meeting, we set a goal for the new fiscal year, July through June, of $260 million. As of the end of December, we had already insured $218 million, with the preponderance or $201 million of that being in CalHFA loans.

We have a goal for CalHFA of $180 million. And as you see, we have already exceeded what we had planned.

Unfortunately, in the other four areas, which we're really striving to partner with investors other than CalHFA, be it CalPERS, CalSTRS, the Lease-Purchase Program, which is a partnership with CitiMortgage and Freddie Mac and other "community affordables," which is a name we put around a partnership we have with Union Bank and partnership with Fannie Mae and partnerships with Countrywide, we've seen very little volume.

In fact, in PERS, we've done two loans, so far for $140,000; CalSTRS, $6.3 million; Lease Purchase, 4.4, and Community Affordable, 6.4. And as we talked about, I believe, in our last meeting or the one prior, we continue to see pressure on mortgage insurance from the proliferation of what I call "alternative products," the 80-20 interest and also the growth of the private MI companies to take on lower credit-risk borrowers, higher loan-to-value borrowers, and really focusing on also the first-time borrower, the minority borrower, which has all impacted the private sector, if you will, outside of the CalHFA volume.

CHAIRPERSON COURSON: Nancy, a question. Is the increase in the CalHFA business, is that, again, primarily because of the increasing loan size, or is there a commensurate increase in units?

MS. ABREU: There is somewhat of an increase in units in CalHFA, also. Also, I believe we're seeing -- because of one of our initiatives, which was the introduction of the monthly pay. Unfortunately, CalHFA only had annual pay that they were offering to their customers, up until about 12 or 13 months ago.

Today, 92 percent of the loans we're doing are monthly pay. So the borrower no longer has to come to the table with the one-year prepaid mortgage insurance. We believe that's a part of it.

Also, going into 2004-2005, we really had two initiatives: One was on technology and one was to increase production. In the technology front, we're making progress on establishing EDI interfaces with our primary customers, we're working on a direct CalHFA portal, and we've already completed the portfolio data and reporting, with the assistance of Milliman USA, which is a consulting company that we utilized to help us analyze the Genworth transaction, and also its principal, Kim Bierstrom, addressed the Board, I believe, two meetings ago to talk about mortgage insurance. He has put together a weekly and monthly series of reports that we get electronically that basically cuts the portfolio data of all of our new originations by lender, loan type, credit score, et cetera.

In the area of production, we focused really in two areas, or hoped to focus in two areas: One was insuring seconds, and the other was increasing our partnership with the Homeownership group. In insuring seconds, with looking out in the marketplace, we saw the rapid increase of 90-10-&-10's or 80-20's. We had hoped that there would be a viable opportunity for us, since our statutes allow, to insure seconds that the private sector was originating. That, we have found not to be the case. Because of the yield curve and the attractive interest rates on the second, and the fact that most of the seconds are adjustable rates, lenders have chosen at this time to hold them in portfolio, to take the credit risk on them, and then at a later time, they're selling them into the marketplace with some type of pool insurance on them that the private MI's are very actively and aggressively bidding to insure. So even though we were hoping to play a role in this market, it hasn't panned out, so to speak.

I touched a few minutes ago on, you know, really working in partnership with Jerry, Ken, the team in Homeownership and Marketing, to expand our Homeownership programs.

As I said, we did change from requiring an annual pay to a monthly. We're in the process of reducing the MI coverage.

When we step back and look at our current requirement, because the way the indenture is structured, we require 50 percent coverage on the loan, for the life of the loan. Even though our premium is lower than the private sector, 50 percent coverage is very high in today's marketplace. Similar loans require a maximum of 35 percent coverage from the GSE's. So we're in the process of introducing 35 percent coverage that the consumer will pay for, and then a 15 percent pool coverage, if you will, to meet the indenture requirement of 50 percent.

What that does for the consumer is to reduce the payment, or MI premium for 99 basis points annually, to 85. So, roughly, on a 100,000-dollar loan, they'll be saving them about $140 a year. But again, another way, hopefully, to help on affordability in reducing the premium.

We've done analysis, and feel there is very little risk on the additional 15 percent exposure, so to speak.

Also, we will be rolling out, probably in the next two weeks, a bulletin with Homeownership that the Agency will accept for both the credit decision and loan decision. The results of Desktop Underwriter, which is the automated decisioning of Fannie Mae, referenced as "DU," and the automated decisioning of Freddie Mac, which is known as "Loan Prospector."

Another item that we're working on in collaboration with Homeownership, and I believe we talked about it when Mr. Bierstrom was here, was the introduction of mortgage protection. One of the things we've learned from our focus groups and also in a presentation that some of us attended with Vada Hill of Fannie Mae, is our constituency base really needs some type of safety net, in case of a financial misfortune. And what mortgage protection does, it would provide unemployment insurance to the borrower, up to $2,500 a month, if there is involuntary unemployment anytime during the first five years of the mortgage.

So the tag line that you'll see will be something to the effect -- and Ken Giebel, excuse me, I'm not Marketing -- is CalHFA helped you get into the home, now CalHFA can help you stay in the home with this insurance.

There's no additional cost to the customer. It will be part of our reinsurance agreement with Genworth for no additional cost. But basically, once we say "go" and all the agreements are in place, any loan we do, CalHFA loan, that we do after that date would also have on it mortgage protection. And, again, the important things is, there's no additional cost to the borrower.

We spent time looking at the products that are out in the marketplace and, really, what the obstacles to the consumer in California are. And I don't think any of us in the room can do anything about the escalation of sales prices and prices in the state. But we thought we could potentially do something on the monthly payment. We looked at what's in the marketplace today. And as Chairman Courson alluded to in The Wall Street Journal article, the proliferation of interest only in some markets in California is now 60 percent. In others, 40 and 50 percent. And that's basically where the borrower is paying interest for a certain period of time. And then most products today, not only does it begin to amortize, it also is an adjustable rate product.

We felt that for our constituency, the amount of payment shock, which could be over 100 percent, is absolutely something we could not do to that marketplace.

We looked at what we could do from a financing side on a fixed-rate loan, and it's kind of settled on what I'll call a "hybrid of both." It's a 35-year fixed-rate loan, where the interest rate will be fixed for the entire term of the loan. And early indications from financing and as our target, is that it will be priced 25 basis points higher than our 30-year product today. So what that is saying in reality is today, our base rate is 4 and three-quarters. This product would roll out at a 5 percent interest rate.
And it would be, again, five years interest-only, then 30-year fully amortizing, up to 100 percent loan to value.

Also key to us is making sure our customers understand that there is going to be an adjustment. So there will be an initial disclosure that the customer will have to sign that will be part of the closing package. And then we are also anticipating that we service these loans, so we could provide the borrower with an annual notification. Just a heads-up that their rate is going to change in, you know, 48 months, 36 months, et cetera.

I've talked on this already, but why introduce the product? You know, we already addressed it that there's a huge mismatch in the state between home prices, incomes, and the lack of affordability. It provides a lower initial payment that I'll walk you through an example. It gives the borrower the certainty of adjustment. They will know what month 61, what their payment will be, because the interest rate is fixed. And basically, it will give them more buying power.

The example I'm using is a 300,000-dollar loan. At today's 30-year fixed rate, the initial rate would be four and three-quarters. The new product would have a 5 percent. Basically, a 25-basis point difference.

The initial monthly payment on the traditional 30-year loan -- and this is fully loaded, with taxes and insurance and mortgage insurance, would be $2,165. The interest-only product would be $1,850, or basically $315 a month better, or $3,780 annually better for the customer.

The income to qualify -- and this addresses the buying power -- is $4,800 versus $4,100. Or a difference of $8,400 annually, less income the borrower would need to qualify for the 5/35 versus a 30-year loan.

And, again, the certainty, the payment would go up $360 in month 61, or a little over 19 percent, and we feel that hopefully is much more doable for our clients, especially with the annual notification, than some of the products that go up 70 to 100 percent.

Any questions before I go on, on this product?

CHAIRPERSON COURSON: Nancy, if they choose to make a principal payment or pick up principal payments during the first five years, that would just reduce the amortization and would reduce then the 360 by recasting the amortization starting the thirtieth year?

MS. ABREU: That's one of the items under discussion, and it's a good question. Because the first thought is, it would just be tacked on the back end as a principal reduction but not reamortized. And the more we're thinking about it, we think the amortization may be the better answer. And we have a meeting next week on it.

CHAIRPERSON COURSON: I think what's happening, and I hear more and more -- and obviously this is a hot topic in the industry -- and more and more of what you're seeing is people taking interest-only loans but making principal payments. And what they are doing is taking an interest only and then sending in an extra 500 bucks or 300 bucks or whatever with their payment, as they can. And some are doing it rather consistently. And by the time they get down to starting of the principal, if you recast that, my guess is that there will be a substantial number of these loans that will have less than the 360. So I think that's just the trend of people. They like the idea to pay interest only. But as they -- people still are, you know, of the mind that if they've got the dollars, they'll pay down the loan. And so maybe that's certainly something to think about.

MS. ABREU: Yes.

CHAIRPERSON COURSON: Going on the back end is something that is not going to benefit the borrower.

MS. ABREU: Right. And, like I said, it's something we have a meeting on the 20th to talk about the specifics of -- the mechanics of how it will work. Those are questions that are just surfacing.

Another product that's in discussion, it's called Cal-Combo. This is a partnership with CitiMortgage. And I think I briefed you that Citibank, Citigroup, CitiMortgage have approached the Agency with somewhere around one hundred to two hundred million dollars of down-payment assistance they would like to put to the California marketplace, or put to work in the

California marketplace. So we're in design with them as we speak. The first would be a standard CalHFA loan, be it a 30-year fixed or the 5/35. And then CitiMortgage would put anywhere from 5, 10 or 20 percent down-payment assistance behind it.

Citibank or CitiMortgage would be in second position, and we could then still utilize our CHDAP and some of the other agency down-payment assistance in other positions.

Again, target for roll-out in this is March. It may slip just because of all the work effort. But Greg Carter from my staff and Danny Gardner, who heads bonds for the Citi, are the project managers in working through this.

Other considerations we're working on is, do we introduce a 5/1? As we've talked before, the justifiable rate product is in favor. A lot of borrowers are taking it. We have continuous discussions as to whether or not this is something we want to offer or not. At this point it's in discussion and formation. We're not really sure if we're going to be introducing this or not. If we do introduce it, rather than having a 2 percent cap as the industry does, it would be a 1 percent cap. And rather than having 2-and-a-quarter percent spread over the index, this would have a 1-and-a-quarter because of our financing. But whether or not this constituency, if it's a good product for them or not, it was a product discussed in our focus groups. It did not get nearly the positive responses as the 5/35. But the loan officers in the focus groups, especially in the San Jose group, felt strongly that there was a group of customers or a group of borrowers that this would appeal to: Out of college, might be high-tech, quick track. They never plan to be in the home longer than five years. So if we could bring in the initial rate low enough, there would be some takers and help some first-time home buyers. So we're working through that.

Jerry has already alluded to this, working with our Homeownership team and Marketing to expand our outreach efforts, and as part of that, touching not only our existing lenders, but also new lenders and new partners.

CHAIRPERSON COURSON: Any questions?

(No audible response was heard.)

CHAIRPERSON COURSON: Thanks, Nancy.

MS. PARKER: Linn?

MR. WARREN: Good afternoon, Mr. Chairman, members of the Board.

CHAIRPERSON COURSON: Thank you for reminding me.

MR. WARREN: I just thought I'd add that.

Thank you very much.

I wanted to comment briefly on where the multifamily rental industry is at. And I'll go into the update for the programs.

There seems to be, as with this time last year, a great deal of capital chasing fewer projects in California. So there is a great deal of downward pricing pressure still for projects all through California, that's both for 9 percent and for bond deals. That continues to be, I think, for a period of time, depending on where pricing and rates go for this year. But what it does indicate, is that the industry as a whole, both for affordable and regular market rate, is confident that the market fundamentals in California for apartments and multifamily remain pretty strong. And I think that's an indication of strong inflationary pressures or employment pressures. There still is a great deal of migration coming into California.

And even though we've had adjustments in Northern California, particularly in San Jose and San Francisco, Los Angeles and San Diego are experiencing a great deal of growth, particularly in the area, interestingly, in San Diego with condominium conversions, which is putting a great deal of pressure on rental housing production. So we'll see where that trend goes. But I think the underlying fundamentals still are very good.

On the assistive side for HUD, what we're finding on preservations initiatives is, because of budgetary pressures in Washington, many of the Section 8 contract renewals that are being done through local HUD offices and headquarters are being curtailed. And it really is a budgetary issue.

Some of the policies and guidelines that we had counted on at this time last year are now under review and consideration with HUD. It's making financing of some of these projects more difficult. So we will see how that plays out in the coming budget year. But I believe that those changes and that level of uncertainty will translate into some more concerted underwriting through -- with all affordable housing lenders in California for the coming year. And much of what we assume to be true this time last year may not be true in the coming year. So we will see where that takes us.

But let's look at what we've accomplished midyear so far. At this juncture, we have committed $233 million for new loans. That's 86 percent of our core program goal. This is representative primarily of our construction loan program, which is now very well established, has taken off and has been very well received. So we think that will continue for the coming year. And I'll get into the graph in a minute which shows our relation to our annual production goals.

Our HELP program completed its first round for $10 million. Those were awarded.

We are now seeing an increase in demand for this local assistance program. There was some decline in this, or softening of this during the last budget issues that we had. Localities are now beginning to get their feet back under themselves to do lending and receive increased demanding for this program. As the numbers indicate, this is a very successful program and is racking up some fairly impressive numbers.

One trend that I find heartening is, in the past, much of the funding went toward the multifamily area. What we're now seeing is, at least in the last round, money going to homeownership initiatives as well as multifamily, which is a very encouraging trend.

And we've asked staff to really push folks to try to do things we think that the homeownership initiatives clearly suffer from lack of funds. And if we could help mitigate that through the HELP program, so much the better.

We're closing loans at the same pace as last year. The $149 million, two-thirds of that are essentially construction loan closings. And we are fairly busy. We have 113 loans in process, representing $640 million.

A graph will show in a minute that we think there may be a leveling trend coming up from production. The Board may recall that in our five-year plan, we called for production to level out three years out in the plan. That may be happening a little bit earlier than we anticipated, and that's probably due primarily to competition. Other lenders, as I said, are pursuing many dollars. And what we're now seeing is from other competing affordable-housing lenders, very aggressive pricing to garner their market share, which is nothing but good news, I think, for the industry.

Other areas that we're looking at, we are undertaking a review of our special needs and supportive housing program. We conducted three focus groups during the first half of the fiscal year to basically reevaluate where we are trying to run this program. Which is very much of an outgrowth of the establishment of permanent supportive housing, which is taking hold for affordable housing, mainly due to the efforts for the Corporation for Supportive Housing, who we've done a fair amount of business with over the years. But we felt it was appropriate to reevaluate not only our lending products in special needs in supportive housing, but also our policy directions, so we could impact this area as much as we possibly can.

At the May Board, and perhaps as early as the March update, I think we'll have some new loan products and new directions for the Board to consider.

On the administrative side, we've hired three new staff for the first part of this year, mainly in the area of construction management and loan closing. Given the labor-intensive nature of construction management, we are focusing almost all of our staff increases in this area. So we're essentially fully staffed in that area after about a year of growth. So we're very comfortable that the program now has a little maturity, which I think we can sustain for a long period of time.

This graph will give you kind of an historical perspective of just what we're working on at this point in midyear. Some of you may have seen this graph before. It shows a fair amount of increase in activity from the late nineties to the current time.

You'll note, though, between 2003-2004, the lines are beginning to flatten out a little bit. Like I said, we did anticipate this happening. It's just a little bit earlier than we thought. But still, 113 loans for $600 million is a fair amount of volume, I think, by anybody's measure.

This will give you a breakdown between commitments and closings, again, over the same time period.

What is interesting about this graph is, you'll notice in the midyears of 2001, 2002, there is this lag effect, if you will, between commitments and closings. That was very much a function of the type of loan products that we offered back then, which were permanent only. As we've introduced loan-to-lender and more recently the construction-lending program, you see this compression from commitment and close. So, for example, in the 2001-2002 years, the time frame between commitment and close would be 18 to 24 months. That time frame now has been compressed between three to six months. So that is very indicative of the turn-around that's required when you offer a construction-lending program. Hence, the need for the emphasis on internal staff in the construction side. So we're encouraged with that. So that does give you an indication of how busy we are.

Midyear initiatives. The first one is the loan-origination system. We had brought this up last year. And because of resource constraints, we didn't do it. This year, we're going to. This is going to essentially be an off-the-shelf, loan-origination system that we're interviewing several vendors and consultants to help us with the implementation.

As a side note on this, we have become actively involved with the MISMO Committee, with the Mortgage Bankers Association, which is the mortgage industry standards group. And what we found is that the CalHFA staff that is involved, someone from my group and someone from Dom Maio's group, are really the affordable housing representatives on the MISMO Committee. And we've been asked to continue in that role, which we've agreed to do. So we're giving our input, not only from an affordable housing, but from a tax credit and bond allocation side.

The next initiative that we're spending time on is the residential development program. This is an initiative to develop low to moderate homeownership product throughout the state. We have two or three large projects that we are looking at, particularly in San Francisco, which the Board will see in March.

One of the issues here, though, is that our funds do trigger prevailing wage. And in many cases, these infill-type of ownership projects do not want to go down the path of incurring prevailing wage. So it is a limitation. We are looking at ways to work on that.

But still, there are opportunities to be had out there, particularly in urban areas, primarily in Oakland and San Francisco. Not so much Los Angeles. But we do want to develop the program, build the guidelines, get the procedures out there, and we'll just see how far the program goes.

Local lending initiatives, as with your approval of the financing resolution earlier today, this is in the area of tax-increment lending. The authority that the Agency has statutorily is pretty broad. And we think that this will be an effective technique to help locals with site acquisition, some predevelopment or development funds. And in the event a project does not go forward, the way the program is designed today is our advance would have to be repaid.

This is, again, a program that the Board will see in May, in a more formal sense, and the resolution today basically is to establish our ability to borrow money to go do the program. But we'll flesh it out for you later on in the year.

The last issue, as I said, is the expansion of special-needs program. And we will be putting a greater emphasis on permanent supportive housing. What has occurred with the passage of Prop. 63, there is money in there for capital improvements, but, more importantly, many of us are beginning to meet and feel the need to coordinate more closely between the supportive housing dollars, the services, and the capital requirements to build permanent supportive housing and special-needs projects.

This is very encouraging. We started special-needs six, seven years ago. It was a successful program. But I think what is beginning today is the development of a critical mass between service dollars and development dollars, and the realization that we have to give these basically our best shot. And I'm beginning to see that develop. So I think that's very encouraging, and we'll keep the Board updated. But I believe the passage of 63 will really encourage this.

So I think with that, that's about all I've got.

I'd be happy to answer any questions that you might have.

CHAIRPERSON COURSON: Laurie. Ms. Weir?

MS. WEIR: I'm just curious on the residential development program you mentioned that would really work in San Francisco and Oakland and probably wouldn't work in L.A., and I'm just curious.

MR. WARREN: It just seems to be a prevailing-wage issue, Ms. Weir. I think the prevailing wage is being paid on infill home development programs for -- "workforce housing" is probably a better way to put it -- seems to be paid on a regular basis in those two areas. I'm not so certain that's the case in Los Angeles.

If you look at other areas, particularly rural or quasi-rural areas, prevailing wage is an issue.

The other component, besides just the cost, is the prevailing-wage monitoring, which really doesn't work for a lot of those smaller projects.

We're targeting 50 to 100 units. We just happen to have a large one in the pipeline that's a pretty good size. But this 10- to 50- to 100-unit project, most of the sponsors that we talked to, the administrative burden that prevailing wage places on you just makes life complicated.

For multifamily, we do it every day. For residential development, it's just one more thing they want to try to avoid.

CHAIRPERSON COURSON: Thanks, Laurie.

MR. WARREN: Thank you.

MS. PARKER: Margaret?

MS. ALVAREZ: Hello. I'm the last one. I'll make this snappy.

The accomplishments in Asset Management this year include some improvements on technology, the most important being new software that we've worked very hard and over the last year with the IT group to put into place. And we expect to go live in the next couple weeks, which is pretty exciting, after working so hard towards this goal. And what we really hope to accomplish by this task is to have better interface with our projects and management agents, via the Web, so that almost all financial data can be transmitted via the Web and go right into our systems and not have people duplicating efforts to input information. And that should, as a result, assist us in providing quicker, better information to our Agency about how the properties are performing.

The second technology improvement we made was the iManage document system, which is a storage system that's computerized versus paper. And in Asset Management, we have lots of paper. And I'm proud to say that after we fully implement it, we've reduced our paper by a little bit over 40 percent. So as we've grown and needed more bodies in the office, it's nice to put more desks in instead of more file cabinets.

We do have a relatively healthy portfolio, but we had two loan modifications this year that are noteworthy, mostly because of all the years it took to accomplish the work-out. But the first one, Northgate, was a $5.9 million loan in Victorville, owned and managed by the redevelopment agency. They ran it as a redevelopment agency, not really their forte being management. It had some difficulties over the years. But after a lot of back and forth, we were able to modify their loan -- the same amount, $5.9 million at a 6 percent rate. Extended the term a new 30-year period and enforced a provision where they hired a third-party management company that happens to be So Cal Housing. And they would like to eventually transfer the property to So Cal, once the property is stabilized.

The second building is an 18-unit elderly project in the Pasadena area. And in that case, it's also a redevelopment agency. And in order to make that project work, they did pay down the loan, and we extended the loan from a 35-year period.

The biggest effort on Asset Management's part continues to be the restructuring of the Section 8 portfolio. I think we've talked in the past about the mismatches where the subsidy contracts ended sooner than the loan terms. HUD created a program called OMAR, which is a restructuring program that results in 20-year firm -- hopefully firm -- HAP subsidy contracts for 30-year use agreement terms and a provision that if an owner went through that process, they could seek financing with whomever they wished. So we agreed that this was a good exception to our prepayment policy -- or our anti-prepayment policy. And in the last 12 months, have let three properties go, two in the last six months. We anticipate possibly four more projects going out the door in the next year.

In addition, we have one building in Los Angeles being taken back by Caltrans, to build a freeway. And that will displace 50 units of tenants; but they'll be given vouchers, as far as we understand. We'll still be working with HUD and the property owner along those lines.

The Housing Authority in LA has seven 5-unit buildings, all have small loans, three hundred to five hundred thousand dollars. They have the right to prepay in their regulatory agreements, from the old days of the Agency when that was allowed. And we've gotten word from them that they intend to do their own bond financing in March 2005. And those will go with it.

And then just as a heads-up, our first 30-year coterminous deal expires in 2009, and that is Casa dela Raza, which is in San Francisco.

I think one of the more exciting things we got to do, that we think will be fun just because the work with outside people and it just raises a lot of interest from the public, is selling our six REO projects. From about 1995 to -- well, since 1995, we have had six REOs. Five are in the Southern California area; one is in Livingston, California. As of Monday of this week, we did put an RFP to solicit a sales broker to help us sell those projects. That's on our Web site, if anyone is interested. And there's an icon under Multifamily Programs, it's called "REO dispo plan." And so we hope to have a broker selected by the middle of February, get that broker to help us with some marketing plans for the building and actually pick one. I'm sure it will involve some interviews, et cetera. And then hit the ground running, hopefully, by the first of April to market our six REOs for sale. They're all at least 15 years old or older now. They need some face lifts and some work. And we just figured with the market being as good as it is and as tight as it is, this is a great opportunity for the Agency to make back its money. We have always managed them as affordable housing per their initial regulatory agreements and, in fact, have improved on that and have even more affordable tenants in those units than started out before the foreclosures.

And then lastly, on particularly our Section 8 projects, not all of them are in great areas, where the rents have just gone up and up and up and they have oodles of money in their reserve-replacement accounts. So two years ago we created a program using what we call "earned surplus funds" to provide capital improvement loans to those projects to meet some needs that they have, physical needs of the buildings.

It's taken us two years to get people to do this, I guess, but we have two coming up here that are pending loans before the Agency, in the next couple months, in the range of five hundred to seven hundred thousand dollars. And our staff has identified about 12 or 15 other projects that, from our point of view, we could see would make good use of these funds. Whether or not they choose to is up to the project sites.

We've had a couple buildings that have six to eight years more on their HAP contracts, and they've already let us know that at the end of the HUD contract period, they plan to go market and be done with their subsidy contracts.

But we're able to help these buildings get through the next 10 to 20 years of their term and benefit the tenants by having some improved living conditions. We certainly hope to do that.

Any questions?

CHAIRPERSON COURSON: Questions for Margaret?

(No audible response was heard.)

MS. PARKER: That concludes our midyear update presentation.

Again, I would offer to all the Board members that when we come back in March, that's really the opportunity to get direction from the Board, from the standpoint of the business plan. I think it will be clear to you when we do the education in April, that, you know, the Agency doesn't have unlimited resources. So to the extent that we have special programs, whether they're down-payment assistance or some of the multifamily, they are somewhat decisions or the priority of the Board members about what we do to further our public goal.

So I just want to give you this as a sense of a primer. We'll be looking in March to come back and get a better sense from the Board members if we're proposing to go in the right direction or if the Board members would like to see us bring alternatives to them for your consideration.

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Item 12. Reports

CHAIRPERSON COURSON: In the back of our Board books, there are the reports.

There is one note about our activity with

Habitat for Humanity, working in partnership with them to purchase some of the habitat loans; which I assume would be an ongoing endeavor, which is certainly part of our mission.

The other is the bond financing reports. At this point, I think if anyone has questions, Bruce is here. Rather than go through, we can all read them and go through a presentation of them.

If there are any questions, I'm sure Bruce would be happy to answer those.

(No audible response was heard.)

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Item 13. Discussion of other Board matters

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Item 14. Public Testimony

CHAIRPERSON COURSON: And seeing none, the other is, is there any other new business to come before the Board, or are there any public comments or testimony that would like to be made?

(No audible response was heard.)

CHAIRPERSON COURSON: And seeing none of the above, then we will stand adjourned until our meeting on March 22nd in Sacramento.

MS. PARKER: Again, if you would e-mail me your preferred date for the 12th, 13th or 14th of April, I would appreciate it.

CHAIRPERSON COURSON: And we have the parking lot slips up here.

(The meeting adjourned at 12:35 p.m.)

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REPORTER'S CERTIFICATE

I hereby certify that the foregoing proceedings were duly reported by me at the time and place herein specified;

That the testimony of said witnesses was reported by me, a duly certified shorthand reporter and a disinterested person, and was thereafter transcribed into typewriting.

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

In witness whereof, I have hereunto set my hand on 19th of January 2005.

DANIEL P. FELDHAUS
California CSR #6949
Registered Diplomate Reporter
Certified Realtime Reporter

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CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Salinas Road Apartments
Pajaro, Monterey County, CA
CalHFA # 03-057 C/N

SUMMARY

This is a final commitment request for a construction and permanent loan. Security for the loans will be a 63-unit family housing project located at 15 Salinas Road in Pajaro. The property will be owned by Salinas Road Associates, a California Limited Partnership whose non-profit managing general partner is South County Housing Corporation ("SCH").

This is an affordable family project on 2.6 acres, consisting of 10 townhome units and 53 flats in 5 buildings. The project is being developed with financing from the US Department of Agriculture and 26 of the units are restricted for occupancy by farm worker households.

LOAN TERMS

Construction

First Mortgage	$11,835,000
Interest Rate	4.65%, variable
Term	15 Months, interest only
Financing	Tax-exempt

Permanent

First Mortgage	$805,000
Interest Rate	5.90%
Term	30 year fixed, fully amortized
Financing	Tax-exempt

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

The property was purchased in January 2002 with an acquisition loan of $1,300,000 from the County of Monterey Redevelopment Agency (RDA). The RDA loan is for a term of 55 years at 3% interest. Repayment is from residual receipts, with the balance of principal and interest due upon maturity. The County has also approved an $80,000 grant.

OTHER FINANCING

Source	Type	Loan Amount	Term	Interest Rate	Repayment
USDA 514 Program	Loan	$3,000,000	33	1%	$107,182 annually
RCAC	Loan	$1,500,000	32	1%	$76,295 annually
Joe Serna Farm worker	Loan	$3,300,00	55	3%	Residual receipts
Monterey County RDA	Loan	$1,308,727	30	3%	Residual receipts
Monterey County RDA	Grant	$80,000	-	0%	None
County HOME	Loan	$3,413,000	55	3%	Residual receipts
AHP	Loan	$427,000	30	0%	Residual receipts
Cowell Foundation	Grant	$200,000	-	-	None
RCAC Health Grant	Grant	$20,000	-	-	None

The USDA, Department of Rural Development ("RD") has approved a $3,000,000 section 514 Farm Labor Housing loan at 1% amortized over 33 years. The section 514 program provides subsidized financing for the development of housing for very-low and low income farm worker families. There are 26 units restricted for farm worker housing.

The USDA has also approved rental assistance for 21 units through the USDA's section 521 Rental Assistance program ("RA"). Under this program, low and very low income farm workers pay 30% of their income towards rent and RA pays the balance. RA may subsidize rents up to a maximum of market rents. The contract is for a period of 4 years with 4 year automatic renewals thereafter. According the USDA representative, the RA renewals are automatic for those projects financed through the 514 program requiring rental assistance. If RA funds are spent prior to expiration of the four year contract, the USDA provides another contract for an additional four years in an amount based on the previous usage.

Without RA, the project rents alone are sufficient to cover the operating costs and the CalHFA and RCAC loan payments with a 1.49 starting debt coverage ratio. Including the USDA loan repayment obligation requires the use of a maximum of $65,000 in rental assistance per year to attain a 1.10 debt coverage ratio. Should the USDA rental assistance program no longer be available for this project, the USDA loan would have to be re-amortized and re-written. As a condition of our permanent loan, the Agency will require review and approval of any modification to the USDA or RCAC loans.

An additional requirement of the construction loan closing is that the USDA commitment dated January 4, 2005 for the 514 loan and rental assistance will remain in full force and effect, without modification.

The RCAC loan term is currently 22 years. Prior to closing the construction loan, the loan maturity is to be extended to 32 years.

Rental income of $420,000 is the net income collected to date from the rents on occupied units since SCH acquired the property. These funds are presently available and will be spent prior to CalHFA's first disbursement.

PROJECT DESCRIPTION

Project Location

- The project is located on Salinas Road in the unincorporated community of Pajaro in Monterey County.
- Pajaro is bordered by Watsonville, Las Lomas and Aromas.
- The Pajaro area consists of a mix of retail and industrial uses, agricultural lands and residential.
- The site is .4 miles from a full service grocery store and 1 mile from major grocery store/pharmacy, 1 mile from a medical facility and post office, and .2 miles from a library.
- A middle school is .3 miles from the site and elementary, junior high and high schools are between .5 miles to 1.5 miles from the subject.
- Two public parks are less than .5 miles from the subject.
- A bus stop is 1 block south of the project site and provides service hourly.
- The core commercial area of downtown Watsonville is less than 1 mile away and provides major retail and commercial services to the area.

Site

- The subject site currently consists of five parcels totaling 2.6 acres which were acquired in January 2002. The developer will record a lot line adjustment prior to closing the construction loan. Recordation of the lot line adjustment is a condition of closing the construction loan.
- The site is zoned HDR/20, which allows for the proposed density of 24.2 units per acre and a Use Permit was approved by the County of Monterey Planning Commission in December 2004.

Improvements

- The properties are currently improved with 28 residential apartment buildings consisting of 73 apartments. The buildings ranging in age from 30 to 97 years and all are in various stages of disrepair, having been maintained sporadically throughout the years.
- The buildings have multiple code violations, all are considered substandard and severe overcrowded conditions existed. These properties were the focus of County efforts to improve living conditions for tenants.
- In August 2000, tenants of the existing Salinas Road properties organized and in and effort to improve living conditions began taking action against the property owners.
- In the spring of 2001, South County Housing began negotiations with the property owners to acquire the properties and in January 2002, the properties were acquired, utilizing funds from the County, LISC and RCAC.
- The buildings are scheduled for demolition in May 2005.
- The new improvements will consist of 63 residential units in 5 residential buildings of 3 stories each. There will be 8 one-bedroom, 1 bath units, 22 two-bedroom, 1 bath units, 21 three-bedroom 2 bath units, 10 three-bedroom 2 ½ bath townhomes and 2 four-bedroom, 2 bath units.
- The units will have garbage disposals and electric wall heaters. Hot water will be supplied via 2 boilers per building.
- The units will built on top of parking garages and there will be 2 tandem parking spaces for each 2, 3 and 4 bedroom unit. One bedroom units will have one space.

- One building containing 8 units has an elevator to all floors and is handicap accessible. The remaining units are defined as multi-story units with "carriage houses" underneath and are therefore exempt from accessibility requirements. Approval of this definition is required by the County Building Department and by HCD prior to closing the construction loan.
- The property is currently in a 100 year floodplain. The buildings are being elevated 2 feet above existing grade in order to bring them out of the floodplain. In addition, parking has been placed below living units so that living areas are out of the potential floodplain.
- There will be a single story community building containing the leasing offices, a meeting room, computer room, class room area and a community kitchen. This building will have central heating and air conditioning.
- The construction will be type V wood frame construction, Hardi-Plank siding, wood trim detailing and a combination of corrugated metal roofs on lower roof sections and composition shingle roofs on higher roof sections.
- Landscaping includes a tot lot, two open-space community areas with barbeques and benches and a community garden. A laundry room is located near the tot lot area.

Off-Site Improvements

All utilities to the site exist and sufficient street lighting and bus stop improvements exist and no traffic attenuation measures are required. The only off-site improvements required to be installed for this project are new sidewalks.

Relocation

- A temporary relocation plan dated March 3, 2005 outlines the relocation requirements for this project, which are in compliance with applicable Federal Uniform Relocation Act and California Relocation Assistance requirements.
- In August 2001, a census of all occupants was taken to determine eligibility for relocations benefits. The properties were purchased in January 2002 and tenants were given relocation notices advising them of their relocation rights and options. New leases were executed, rents were lowered and tenants in overcrowded units were offered a separate unit within the project.
- In July 2004 a draft temporary relocation was prepared and presented to the Salinas Road residents, informing them of their relocation benefits during the reconstruction. A resident leadership group reviewed this plan and provided input to SCH regarding relocation and management issues throughout the planning stages of this project and the resident's input has been incorporated into the relocation plan.
- There are currently 56 tenants living in the project, 50 of whom are eligible for either temporary or permanent relocation benefits. Six tenants moved in after purchase negotiations began and are ineligible to receive relocation benefits. Prior to moving, SCH will provide these tenants with referrals to affordable housing projects in the area.
- According to relocation law, if a tenant is displaced for less than 12 months, they are eligible for temporary relocation benefits. If a tenant is displaced for over 12 months, they are eligible for permanent relocation benefits.
- Tenants eligible for temporary relocation benefits can receive rental assistance, calculated as the difference between the rent the tenant currently pays or 30% of gross household income, whichever is greater, and the cost of the replacement housing. Rental assistance payments are made for the duration the tenant is temporarily displaced.

- Tenants who are eligible for permanent relocation benefits can receive rental assistance payments as calculated above, for a period of either 60 months for those earning less than 80% of area median income or 42 months for those exceeding 80%. Permanently-displaced tenants have the following options: (1) they can receive rental assistance payments while temporarily displaced and return to the project upon completion; (2) they can remain in replacement rental housing and not return to the project; or (3) not return to the project and purchase replacement housing. The rental assistance payment is paid in a lump-sum towards the purchase of a home.
- Tenants are also eligible for a moving expense payment that is based on the size of the unit ($1,500 for a studio, $1,850 for a 1-bedroom, $2,200 for a 2-bedroom and $2,650 for a 3-bedroom unit). Tenants returning to the project receive the payment upon the initial move and the return move. Those moving permanently receive the payment for the initial move.
- Temporarily displaced tenants are offered relocation benefits and make their choice prior to their initial move. Tenants that are permanently displaced are offered relocation benefits at the initial move and prior to the completion of the project. It is up to each tenant to decide not only the relocation option but also where to move.
- Forty-one tenants will be temporarily displaced. Of these, 19 will be relocated to Kent's Court, which is a mobile home project being developed on land leased from the County to SCH for the purpose of supplying temporary housing for Salinas Road. Twenty-two tenants will be relocated to market rate housing or other affordable apartments in the area. All 41 tenants will be relocated just prior to demolition of the project.
- Thirteen tenants, eligible for permanent relocation benefits, have either moved or are in the process of moving and are expected to be displaced for up to 18 months. Of these, 9 tenants are moving to Corralitos Creek, another project owned by SCH and financed by CalHFA, two have accepted a Section 8 voucher in lieu of relocation benefits and two have chosen to move to market-rate housing.
- Construction of the project will be phased and all buildings are estimated to be completed within 11-13 months. The relocation budget is based on the following assumptions: (1) Two buildings are completed within 11 months and are available for occupancy and all 22 tenants temporarily relocated to market rate housing are able to return to the project within 12 months; (2) All of the tenants in Kent's Court and Corralitos Creek are eligible for permanent relocation (relocated for over 12 months) and half of them choose permanent relocation benefits; (3) Moving allowances are paid as shown above. The capitalized relocation budget is sufficient to cover the relocation costs assumed, the relocation consultant's fee and a cushion.
- Prior to construction loan closing, the Relocation Plan will be approved by HCD and the County Board of Supervisors.

MARKET

Market Overview

- The community of Pajaro is primarily an agricultural community with most of the population working in agriculture within the Santa Cruz and Monterey County areas. Pajaro has an estimated population of 3,479 people.
- The subject's Primary Market Area (PMA) includes the community of Pajaro, the City of Watsonville and the southerly portion of Corralitos. The population of the PMA was 71,787 in 2004 and the population in the community of Pajaro is 3,479.

- The number of households in the PMA in 2004 was 17,536 and the number of households in the Pajaro community was 744. The population in the PMA and in Pajaro is expected to grow steadily over the next 10 years by .7% annually.
- There are 3,001 farm worker households within the PMA.
- The number of households in the PMA that are renters is 8,066, or 46% of total households. The number of renter households in Pajaro is 445 and the percentage of renter households is 60%.
- Among the rental households in the PMA 5,436 households, or 31%, contain 6 or more persons, requiring larger units. In the community of Pajaro, 350 households, or 47%, have six or more persons.
- The median income in the PMA was $44,872. The median income range for farm workers is from a low of $12,420 for one person to a high of $35,952 for a two-person household. The median income for Monterey County is $60,400.
- Thirty percent of the households in the PMA qualify as earning less than 50% of AMI and 100% of the farm worker population qualifies as earning less than 50% of AMI.
- The major employers in the PMA consist of services (35%), agriculture (18%), trade (16%) and manufacturing (13%).

Housing Supply and Demand

- There are an estimated 18,457 housing units in the PMA and 11,835, or 70% are single family homes and 3,714 or 22% of the rental housing stock consisted of apartments of 2 or more units. Based on the high number of renters in the PMA, there exists a large demand for affordable apartments.
- A high percentage of the housing stock in the community of Pajaro is substandard: 84% of the housing units are overcrowded, 60% were built before 1960 and 6% lack complete plumbing facilities.
- There is demand for 2,968 general occupancy rental units (excluding farm worker units) with rents from 30% to 60% of AMI. For the 37 general occupancy units, the subject property would need to capture only 1.2% of the eligible households in the PMA. There is demand for 3,037 units targeted for farm workers units in the PMA. For the 26 farm worker units, the subject property will need to capture only .9% of the eligible farm worker households in the market.
- This demand analysis does not reflect the fact that the majority of the existing tenants will be returning to the property upon completion of construction.
- Occupancy rates for market rate and affordable housing is 98%. Many affordable projects have waiting lists of over a year.
- Sixteen properties were surveyed for the market study, 8 of which are affordable. The majority of the market rate projects were built before 1985.
- No market rate or affordable housing projects are in the planning stages in the PMA.
- Of the market rate projects surveyed, 67% of the units were studios or 1-bedroom units, 18% of the units have 2 bedrooms, 12% of the units were 3 bedrooms and only 2% were four bedroom units.

PROJECT FEASIBILITY

Estimated Lease-up Period

The project is estimated to take 11 months to build. The market study assumes that the existing tenants do not return to the subject property. Based on this assumption, the property will be leased up at a rate of 32 units per month and will take 2 months to reach 95% stabilized occupancy. In this case, the total construction and lease-up period is estimated to be 14 months. However, since 53 of the units will be occupied by existing tenants, it is anticipated that the project will be completed and fully occupied within 12 months.

ENVIRONMENTAL

A Phase I Environmental Assessment report, completed April 23, 2001, reported that gasoline and oil underground storage tanks were located in front of 17 Salinas Road around the early 1940's. There has been no reported impact from the tanks, nor any reported removal. In addition, thirteen Leaking Underground Storage Tank sites are located within a ½ mile radius of the subject. These sites are located down-gradient from the site. Only one site, across the street from the subject, was reported to be an open site having contaminated ground water. The contaminant plume is heading away from the property and down-gradient. The possibility from impact from all of these sites was considered low. A Phase II investigation of ground water was completed in May 30, 2001 to determine if there had been impact from any of these conditions. The Phase II concluded that there was no significant chemical contamination form gasoline and oil tanks and that no further action is required to be taken. Prior to close of the construction loan, an updated Phase II Environmental Assessment is required.

A report assessing the existence of asbestos-containing materials (ACMs) and lead-based paints (LBP) was performed April 20, 2001. Based on the results of the samples taken of various materials throughout the existing buildings, it was verified that the drywall joint compound contained ACMs above allowable levels. All drywall surfaces are to be treated and disposed of as ACMs.

Based on the results of samples taken of various components, it was found that LBP exists in limited areas as follows: wood trim on the exterior and exterior paint on window trim of one building; paint on interior walls of one unit; exterior wall siding and door trim paint on building 5. The report recommends proper remediation and disposal of these materials. In addition, demolition should be monitored and materials disposed of as LPB materials.

Prior to closing the construction loan, an ACM and LBP abatement plan is subject to review and approval by CalHFA. In addition, all remediation is to have been completed and an acceptable clearance issued.

Geotechnical report

The Geotechnical Study dated June 20, 2002 concluded that there was moderate potential for expansion and settlement. The report recommended mitigation by removing four feet of existing soil and replacing it with compacted select fill. These measures have been implemented in the current plans. In addition to the geotechnical study, a cone penetration test was performed and a supplemental report dated February 1, 2005 concluded that there was low potential for liquefaction.

DEVELOPMENT TEAM

Borrower
Salinas Road Associates, LP

Salinas Road Associates, L.P. is a limited partnership formed for the development and ownership of the subject project. South County Housing Corporation, a 501(c)3 corporation, (SCH) is the general partner and was founded in 1979. Since then, SCH has developed or rehabilitated 28 affordable apartment projects totaling 1,212 units. Of these, five projects totaling 204 units are financed by CalHFA, including Monticelli a closed permanent loan, Corralitos, a loan to lender project completed in December 2004; Pacific Grove Senior, a loan to lender and Gilroy Transitional Housing, a transitional apartment project for families, both of which started construction in November, and Seacliff Highlands, a construction loan on a 39 unit family project which is scheduled to close in April. SCH has also built 15 below-market rate single family projects totaling 648 units and 8 self-help single family projects totaling 212 homes.

Management Agent
South County Property Management Corporation (SCPMC)

SCPMC was incorporated in 1994 to provide managerial, development, and consulting services for low-income and moderate-income rental properties for South County Housing. SCPMC currently manages all 28 rental properties owned by South County Housing. They are headquartered in Gilroy, California.

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.

KTGY has completed several projects financed by CalHFA, which most recently include Dove Canyon, Copper Creek and the Dublin Transit Center.

Contractor
Segue Construction Inc.

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

Segue 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 which started construction in November 2004.

PROJECT SUMMARY

PROJECT NUMBER: 057-C/N

Final Commitment

Project:	**Salinas Road Apartments**		
Location:	15 Salinas Road	***Developer:***	**South County Housing**
City:	Pajaro	***Partner:***	South County Housing Corp.
County:	Monterey	***Investor:***	Yet to be determined
Zip Code:	95067		

		No. of Buildings:	6	
Project Type:	New Construction	*No. of Stories:*	3	
Occupancy:	Family	*Residential Space*	60,209	sq. ft.
Total Units:	63	*Office Space*	0	sq. ft.
Style Units:	Townhomes & Flats	*Commercial Space*	0	sq. ft.
Elevators:	yes	*Gross Area*	77,674	sq. ft.
Total Parking	140	*Land Area*	111,419	sq. ft.
Covered	119	*Units per acre*	25	

CalHFA Construction Financing	Amount	Rate	Term (Mths)
CalHFA Construction Financing	$11,835,000	4.65%	15

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	**$805,000**	**5.90%**	**30**
CalHFA Bridge Loan	**$0**	**0.00%**	**0**
CalHFA Second Mortgage	**$0**	**0.00%**	**0**
USDA 514 Program	$3,000,000	1.00%	33
RCAC	$1,500,000	1.00%	32
Joe Serna FWHG	$3,300,000	3.00%	55
Monterey County RDA	$1,308,727	3.00%	30
Monterey County Grant	$80,000	0.00%	30
HOME	$3,413,000	3.00%	55
AHP	$427,000	0.00%	30
Sponsor Equity (NRC)	$283,986	0.00%	0
Cowell Foundation Grant	$200,000	0.00%	0
RCAC/Endowment Health Grant	$20,000	0.00%	0
Rental Income	$420,000	0.00%	0
Income from Operations	$0		
Developer Contribution (developer fee)	$847,500		
Deferred Dev. Fee	$187,357		
Tax Credit Equity	$6,602,159		

Construction Valuation		Appraisal		Value Upon Completion	
Investment Value	$12,300,000	**Appraisal Date:**	**31-Jan-05**	**Restricted Value**	$6,200,000
Loan / Cost	57%	**Cap Rate:**	**6.25%**	**Perm. Loan / Cost**	4%
Loan / Value	96%			**Perm. Loan / Value**	13%

Letter of Credit Required **$765,000**

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	**Amount**	**Required Reserves**	**Amount**
CalHFA Construction Loan Fee	$118,350	Other Reserve	$0
CalHFA Permanent Loan Fees	$4,025	Replacement Resv. Initial Deposit	$0
Other Fee	$0	Repl. Reserve - Per Unit/ Per Yr	$400
Construction Loan - Guarantees and Fees		CalHFA Operating Expense Reserve	$71,616
Completion Guarantee Fee	$12,410,851	Rent Up Reserve	$0
Contractors Payment Bond	$12,410,851	Other Reserve	$0
Contractors Performance Bond	$12,410,851	Other Reserve	$0

Date: 3/5/2005 **Senior Staff Date:** 3/8/2005

UNIT MIX AND RENT SUMMARY — Salinas Road Apartments

03-057-C/N

Total Unit Mix

# of Units	Unit Type	# of Baths	Average Sq. Ft.
8	1 Bedroom Flat	1	612
22	2 Bedroom Flat	1	871
21	3 Bedroom Flat	2	1,078
10	3 Bedroom Townhome	2.5	1,024
2	4 Bedroom Flat	2	1,422
63			

Number of Regulated Units By Agency

Agency	40%	50%	50%	60%	80%
CalHFA		13			
Tax Credits				62	
USDA			26		
Joe Serna FWH		53		9	
RCAC		53		9	
HOME	10	15			
RDA					31
AHP		38			25

Restricted Rents Compared to Average Market Rents

Median Income Rent Levels	Units Restricted	Restricted Rents	Avg. Market Rate Rents	Dollars Difference	% of Market
One Bedroom			$850		
40%	1	$431		$419	51%
50%	2	$535		$315	63%
50%	5	$535		$315	63%
60%	0	$0		$0	0%
0%	0	$0		$0	0%
Two Bedroom			$989		
40%	6	$514		$475	52%
50%	8	$645		$344	65%
50%	4	$646		$343	65%
60%	4	$782		$207	79%
80%	0	$0		$0	0%
Three Bedroom			$1,226		
40%	6	$594		$632	48%
50%	11	$748		$478	61%
50%	9	$748		$478	61%
60%	4	$906		$320	74%
80%	0	$0		$0	0%
Four Bedroom			$1,783		
40%	0	$0		$1,783	0%
50%	0	$0		$0	0%
50%	1	$834		$949	47%
60%	1	$1,011		$772	57%
80%	0	$0		$0	0%

Sources and Uses of Funds — Salinas Road Apartments

03-057-C/N
Final Commitment

SOURCES OF FUNDS:	Funds in during Construction ($)	Funds in at Permanent ($)	Total Sources of Funds ($)	Sources per Unit	%
CalHFA Construction Financing	11,835,000				
Construction Only Source 2	-				
Construction Only Source 3	-				
CalHFA First Mortgage		805,000	805,000	12,778	4%
CalHFA Second Mortgage		-	-	-	0%
USDA 514 Program	-	3,000,000	3,000,000	47,619	13%
RCAC	1,500,000	-	1,500,000	23,810	7%
Joe Serna FWHG	1,657,887	1,642,113	3,300,000	52,381	15%
Monterey County RDA	1,308,727	-	1,308,727	20,773	6%
Monterey County Grant	80,000	-	80,000	1,270	0%
HOME	3,413,000	-	3,413,000	54,175	15%
AHP		427,000	427,000	6,778	2%
Sponsor Equity (NRC)	-	283,986	283,986	4,508	1%
Cowell Foundation Grant	200,000	-	200,000	3,175	1%
RCAC/Endowment Health Grant	20,000	-	20,000	317	0%
Rental Income	420,000	-	420,000	6,667	2%
Income from Operations	-	-	-	-	0%
Developer Contribution (developer fee)	-	847,500	847,500	13,452	4%
Deferred Developer Fee	-	187,357	187,357	2,974	1%
Tax Credit Equity	288,665	6,313,494	6,602,159	104,796	29%
Total Sources	20,723,279	13,506,450	22,394,729	355,472	100%
(Gap)/Surplus	-	-	-		

Total Development Sources (columns 4–6 above)

USES OF FUNDS:	Construction ($)	Permanent ($)	Total Uses of Funds ($)	Cost per Unit	%
LOAN PAYOFFS & ROLLOVERS					
Construction Loan payoffs		**$11,835,000**			
ACQUISITION					
Lesser of Land Cost or Value	4,250,000	-	4,250,000	67,460	19%
ACM/LBP Remediation	120,000	-	120,000	1,905	1%
Legal - Acquisition Related Fees	55,350	-	55,350	879	0%
Subtotal - Land Cost / Value	4,425,350	-	4,425,350		
Existing Improvements Value	-	-	-	-	0%
Off-Site Improvements	-	-	-	-	0%
Other	-	-	-	-	0%
Total Acquisition	**4,425,350**	**-**	**4,425,350**	**70,244**	**20%**
REHABILITATION					
Site Work	-	-	-	-	0%
Rehab to Structures	-	-	-	-	0%
General Requirements	-	-	-	-	0%
Contractors Overhead	-	-	-	-	0%
Contractors Profit	-	-	-	-	0%
Contractor's Bond	-	-	-	-	0%
General Liability Insurance	-	-	-	-	0%
Environmental Mitigation Expense	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Rehabilitation	**-**	**-**	**-**	**-**	**0%**
RELOCATION EXPENSES					
Relocation Expense	-	-	-	-	0%
Relocation Compliance Monitoring	-	-	-	-	0%
Total Relocation	**-**	**-**	**-**	**-**	**0%**

Total Development Costs (columns 4–6 above)

(Continued on Next 2 Pages)

USES OF FUNDS (Cont'd):	Construction ($)	Permanent ($)	Total Development Costs: Total Uses of Funds ($)	Cost per Unit per Unit	%
NEW CONSTRUCTION					
Site Work	1,100,000	-	1,100,000	17,460	5%
Structures (Hard Costs)	10,172,746	-	10,172,746	161,472	45%
General Requirements	448,605	-	448,605	7,121	2%
Contractors Overhead	214,500	-	214,500	3,405	1%
Contractors Profit	475,000	-	475,000	7,540	2%
Contractor's Perf. & Pymt Bond	25,000	-	25,000	397	0%
General Liability Insurance	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total New Construction	**12,435,851**	**-**	**12,435,851**	**197,394**	**56%**
ARCHITECTURAL & ENGINEERING					
Architectural Design	400,000	-	400,000	6,349	2%
Architect's Supv during Construction	50,000	-	50,000	794	0%
Total Architectural	**450,000**	**-**	**450,000**	**7,143**	**2%**
Engineering Expense	150,000	-	150,000	2,381	1%
Engineers Supv. during Construction	-	-	-	-	0%
ALTA Survey	-	-	-	-	0%
Total Engineering & Survey	**150,000**	**-**	**150,000**	**2,381**	**1%**
CONSTRUCTION LOAN COSTS					
Construction Loan Interest	411,000	-	411,000	6,524	2%
CalHFA Construction Loan Fee	118,350	-	118,350	1,879	1%
Other Construction Loan Fees	-	-	-	-	0%
CalHFA Outside Legal Counsel Fees	20,000	-	20,000	317	0%
Other Lender Req'd Legal Fees	-	-	-	-	0%
Title and Recording fees	25,000	-	25,000	397	0%
CalHFA Req'd Inspection Fees	22,500	-	22,500	357	0%
Other Req'd Inspection Fees	-	-	-	-	0%
Prevailing Wage Monitoring Expense	40,000	-	40,000	635	0%
Taxes & Insurance during construction	22,500	-	22,500	357	0%
RCAC Interest	22,500	-	22,500	357	0%
Cost for Completion Guarantee	-	-	-	-	0%
Other -Bond premium	-	-		-	0%
Total Construction Loan Expense	**681,850**	**-**	**681,850**	**10,823**	**3%**
PERMANENT LOAN COSTS					
CalHFA Perm Loan Fees	4,025	-	4,025	64	0%
CalHFA Bridge Loan Fees	-	-	-	-	0%
CalHFA Loan Application Fee	500	-	500	8	0%
Other Lender Perm. Loan Fees	-	-	-	-	0%
Title and Recording	-	4,000	4,000	63	0%
Perm. Bridge Loan Interest Expense	-	-	-	-	0%
Bond Origination Guarantee Fee	-	-	-	-	0%
Tax Exempt Bond Allocation Fee	600	-	600	10	0%
Other	-	-	-	-	0%
Total Permanent Loan Expense	**5,125**	**4,000**	**9,125**	**145**	**0%**
LEGAL FEES					
Borrower Legal Fee	10,000	-	10,000	159	0%
Other	75,000	-	75,000	1,190	0%
Total Attorney Expense	**85,000**	**-**	**85,000**	**1,349**	**0%**

USES OF FUNDS (Cont'd):	Construction ($)	Permanent ($)	Total Development Costs Permanent of Funds ($)	Per Unit per Unit	%
CONTRACT / REPORT COSTS					
Appraisal	10,000	-	10,000	159	0%
Market Study	10,000	-	10,000	159	0%
Physical Needs Assessment	-	-	-	-	0%
HUD Risk Share Environ. Review	-	-	-	-	0%
CalHFA EQ Waiver Seismic Review Fee	-	-	-	-	0%
Environmental Phase I / II Reports	65,000	-	65,000	1,032	0%
Soils / Geotech Reports	-	-	-	-	0%
Asbestos / Lead-based Paint Report	-	-	-	-	0%
Noise/Acoustical/Traffic Study Report	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Contract Costs	**85,000**	**-**	**85,000**	**1,349**	**0%**
CONTINGENCY					
Hard Cost Contingency	1,215,000	-	1,215,000	19,286	5%
Soft Cost Contingency	80,000	-	80,000	1,270	0%
Total Contingency	**1,295,000**	**-**	**1,295,000**	**20,556**	**6%**
RESERVES					
CalHFA Operating Expense Reserve	-	71,616	**71,616**	1,137	0%
Construction Defects Reserve	-	-	-	-	0%
Rent-Up Reserve	-	-	-	-	0%
Capitalized Investor Req'd Reserve	-	-	-	-	0%
Other	-	60,834	**60,834**	966	0%
Total Reserves	**-**	**132,450**	**132,450**	**2,102**	**1%**
OTHER					
CTCAC App/Alloc/Monitor Fees	34,503	-	34,503	548	0%
Local Permit Fees	-	-	-	-	0%
Local Development Impact Fees	-	-	-	-	0%
Other Local Fees	-	-	-	-	0%
Advertising & Marketing Expenses	20,000	-	20,000	317	0%
1st Year Taxes & Insurance	-	-	-	-	0%
Furnishings	20,000	-	20,000	317	0%
Final Cost Audit Expense	-	-	-	-	0%
Miscellaneous Admin Fees	-	-	-	-	0%
Other -relocation	743,600	-	743,600	11,803	3%
Other-audit	-	12,000	12,000	190	0%
Other	-	-	-	-	0%
Total Other Expenses	**818,103**	**12,000**	**830,103**	**13,176**	**4%**
SUBTOTAL PROJECT COSTS	**20,431,279**	**11,983,450**	**20,579,729**	**326,662**	**92%**
DEVELOPER COSTS					
Developer Overhead/Profit (5% Acq.)	212,000	1,483,000	1,695,000	26,905	8%
Developer Overhead/Profit (NC/Rehab)	-	-	-	-	0%
Consultant / Processing Agent	20,000	20,000	40,000	635	0%
Project Administration	-	-	-	-	0%
Broker Fees to a related party	-	-	-	-	0%
Construction Mgmt. Oversight	40,000	-	40,000	635	0%
Other - resident services	20,000	20,000	40,000	635	0%
Total Developer Fee / Costs	**292,000**	**1,523,000**	**1,815,000**	**28,810**	**8%**
Total Costs	**20,723,279**	**13,506,450**	**22,394,729**	**355,472**	**100%**

Annual Operating Budget — Salinas Road Apartments

Final Commitment

INCOME:	$ Amount	Per Unit	% of Total
Total Rental Income	$511,068	$8,112	86.82%
Laundry	$7,560	$120	1.28%
Rental Subsidies	$70,000	$1,111	11.89%
Gross Potential Income (GPI)	**$588,628**	**$9,343**	100.00%
Less:			
Vacancy Loss	$25,631	$407	4.55%
Effective Gross Income	**$562,997**	**$8,936**	

EXPENSES:	Total Cost	Per Unit	% of Total
Payroll	$104,358	$1,656	34.79%
Administrative	$15,759	$250	5.25%
Management fee	$29,568	$469	9.86%
Utilities	$42,025	$667	14.01%
Operating and Maintenance	$59,840	$950	19.95%
Insurance and Business Taxes	$21,500	$341	7.17%
Locality Compliance Monitoring Fee	$0	$0	0.00%
Other	$0	$0	0.00%
Subtotal Expenses	**$273,050**	**$4,334**	**91.02%**
Replacement Reserves	$25,200	$400	8.40%
Taxes & Assessments	$1,750	$28	0.58%
Total Expenses	**$300,000**	**$4,762**	**100.00%**
Financial Expenses			
CalHFA First Mortgage	$57,297	$909	
RCAC Debt Service	$75,985	$1,206	
Other Required Debt Service	$106,770	$1,695	
NET OPERATING INCOME	**$22,945**	**$364**	

Cash Flow | Final Commitment | CalHFA Project Number: 03-057-C/N | Salinas Road Apartments

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Affordable Rents	505,068	515,169	525,473	535,982	546,702	557,636	568,789	580,164	591,768	603,603
Affordable Rent Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Rental Subsidies	70,000	70,000	70,000	70,000	73,500	73,500	73,500	73,500	73,500	77,175
Rental Subsidy Increases	0.00%	0.00%	0.00%	5.00%	0.00%	0.00%	0.00%	0.00%	5.00%	0.00%
Manager's Unit	6,000	6,120	6,242	6,367	6,495	6,624	6,757	6,892	7,030	7,171
Unrestricted Unit Increases	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL RENTAL INCOME	581,068	591,289	601,715	612,349	626,696	637,760	649,046	660,556	672,298	687,949
OTHER INCOME										
Laundry	7,560	7,711	7,865	8,023	8,183	8,347	8,514	8,684	8,858	9,035
Other Income	0	0	0	0	0	0	0	0	0	0
Other Income Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL OTHER INCOME	7,560	7,711	7,865	8,023	8,183	8,347	8,514	8,684	8,858	9,035
GROSS POTENTIAL INCOME	588,628	599,001	609,581	620,372	634,880	646,107	657,559	669,241	681,155	696,983
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unrestricted Units	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Laundry & Other Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	25,631	26,144	26,667	27,200	27,744	28,299	28,865	29,442	30,031	30,632
EFFECTIVE GROSS INCOME	562,997	572,857	582,914	593,172	607,135	617,808	628,694	639,798	651,124	666,352
OPERATING EXPENSES										
Expenses	273,050	282,607	292,498	302,735	313,331	324,298	335,648	347,396	359,555	372,139
Annual Expense Increase	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Taxes and Assessments	1,750	1,785	1,821	1,857	1,894	1,932	1,971	2,010	2,050	2,091
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Replacement Reserve	25,200	25,200	25,200	25,200	25,200	26,460	26,460	26,460	26,460	26,460
Percentage Increase Yearly	0.00%	0.00%	0.00%	0.00%	5.00%	0.00%	0.00%	0.00%	0.00%	5.00%
TOTAL EXPENSES	300,000	309,592	319,519	329,793	340,425	352,690	364,079	375,866	388,065	400,691
NET OPERATING INCOME	262,997	263,265	263,395	263,379	266,710	265,118	264,615	263,932	263,059	265,661
DEBT SERVICE										
CalHFA - 1st Mortgage	57,297	57,297	57,297	57,297	57,297	57,297	57,297	57,297	57,297	57,297
CalHFA - Bridge Loan	0	0	0	0	0					
USDA 514 Program	106,770	106,770	106,770	106,770	106,770	106,770	106,770	106,770	106,770	106,770
RCAC	75,985	75,985	75,985	75,985	75,985	75,985	75,985	75,985	75,985	75,985
DEBT COVERAGE RATIO-With R/A	1.10	1.10	1.10	1.10	1.11	1.10	1.10	1.10	1.10	1.11

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Affordable Rents	**615,675**	**627,989**	**640,548**	**653,359**	**666,426**	**679,755**	**693,350**	**707,217**	**721,361**	**735,789**
Affordable Rent Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Rental Subsidies	**77,175**	**77,175**	**77,175**	**77,175**	**81,034**	**81,034**	**81,034**	**81,034**	**81,034**	**85,085**
Rental Subsidy Increases	*0.00%*	*0.00%*	*0.00%*	*5.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*5.00%*	*0.00%*
Manager's Unit	**7,314**	**7,460**	**7,609**	**7,762**	**7,917**	**8,075**	**8,237**	**8,401**	**8,569**	**8,741**
Unrestricted Unit Increases	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
TOTAL RENTAL INCOME	**700,164**	**712,624**	**725,333**	**738,296**	**755,377**	**768,864**	**782,621**	**796,652**	**810,965**	**829,615**
OTHER INCOME										
Laundry	**9,216**	**9,400**	**9,588**	**9,780**	**9,975**	**10,175**	**10,378**	**10,586**	**10,798**	**11,013**
Other Income	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other Income Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
TOTAL OTHER INCOME	**9,216**	**9,400**	**9,588**	**9,780**	**9,975**	**10,175**	**10,378**	**10,586**	**10,798**	**11,013**
GROSS POTENTIAL INCOME	**709,380**	**722,024**	**734,921**	**748,076**	**765,352**	**779,039**	**792,999**	**807,238**	**821,762**	**840,629**
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Rental Subsidy Income	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Unrestricted Units	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Laundry & Other Income	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
LESS: VACANCY LOSS	**31,245**	**31,869**	**32,507**	**33,157**	**33,820**	**34,496**	**35,186**	**35,890**	**36,608**	**37,340**
EFFECTIVE GROSS INCOME	**678,135**	**690,154**	**702,414**	**714,919**	**731,532**	**744,542**	**757,812**	**771,348**	**785,154**	**803,288**
OPERATING EXPENSES										
Expenses	385,164	398,645	412,597	427,038	441,985	457,454	473,465	490,036	507,187	524,939
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Taxes and Assessments	2,133	2,176	2,219	2,264	2,309	2,355	2,402	2,450	2,499	2,549
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Replacement Reserve	27,783	27,783	27,783	27,783	27,783	29,172	29,172	29,172	29,172	29,172
Percentage Increase Yearly	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*5.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*5.00%*
TOTAL EXPENSES	**415,080**	**428,604**	**442,600**	**457,085**	**472,077**	**488,981**	**505,039**	**521,659**	**538,859**	**556,661**
NET OPERATING INCOME	**263,055**	**261,551**	**259,814**	**257,834**	**259,456**	**255,561**	**252,773**	**249,689**	**246,295**	**246,628**
DEBT SERVICE										
CalHFA - 1st Mortgage	57,297	57,297	57,297	57,297	57,297	57,297	57,297	57,297	57,297	57,297
CalHFA - Bridge Loan										
USDA 514 Program	106,770	106,770	106,770	106,770	106,770	106,770	106,770	106,770	106,770	106,770
RCAC	75,985	75,985	75,985	75,985	75,985	75,985	75,985	75,985	75,985	75,985
DEBT COVERAGE RATIO-With R/A	**1.10**	**1.09**	**1.08**	**1.07**	**1.08**	**1.06**	**1.05**	**1.04**	**1.03**	**1.03**

Cash Flow | CalHFA Project Number: 03-057-C/N | Salinas Road Apartments

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Affordable Rents	750,504	765,515	780,825	796,441	812,370	828,618	845,190	862,094	879,336	896,922
Affordable Rent Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Rental Subsidies	85,085	85,085	85,085	85,085	89,340	89,340	89,340	89,340	89,340	93,807
Rental Subsidy Increases	0.00%	0.00%	0.00%	5.00%	0.00%	0.00%	0.00%	0.00%	5.00%	0.00%
Manager's Unit	8,916	9,094	9,276	9,461	9,651	9,844	10,041	10,241	10,446	10,655
Unrestricted Unit Increases	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL RENTAL INCOME	844,506	859,694	875,186	890,988	911,361	927,801	944,570	961,675	979,121	1,001,384
OTHER INCOME										
Laundry	11,234	11,458	11,688	11,921	12,160	12,403	12,651	12,904	13,162	13,425
Other Income	0	0	0	0	0	0	0	0	0	0
Other Income Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL OTHER INCOME	11,234	11,458	11,688	11,921	12,160	12,403	12,651	12,904	13,162	13,425
GROSS POTENTIAL INCOME	855,739	871,152	886,874	902,910	923,520	940,204	957,221	974,579	992,284	1,014,809
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unrestricted Units	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Laundry & Other Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	38,087	38,849	39,626	40,418	41,226	42,051	42,892	43,750	44,625	45,517
EFFECTIVE GROSS INCOME	817,652	832,304	847,248	862,491	882,294	898,153	914,329	930,829	947,659	969,292
OPERATING EXPENSES										
Expenses	543,312	562,328	582,009	602,380	623,463	645,284	667,869	691,244	715,438	740,478
Annual Expense Increase	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Taxes and Assessments	2,600	2,652	2,705	2,760	2,815	2,871	2,928	2,987	3,047	3,108
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Replacement Reserve	30,631	30,631	30,631	30,631	30,631	32,162	32,162	32,162	32,162	32,162
Percentage Increase Yearly	0.00%	0.00%	0.00%	0.00%	5.00%	0.00%	0.00%	0.00%	0.00%	5.00%
TOTAL EXPENSES	576,543	595,611	615,345	635,770	656,908	680,317	702,960	726,394	750,647	775,748
NET OPERATING INCOME	241,109	236,693	231,903	226,722	225,385	217,835	211,369	204,435	197,012	193,544
DEBT SERVICE										
CalHFA - 1st Mortgage	57,297	57,297	57,297	57,297	57,297	57,297	57,297	57,297	57,297	57,297
CalHFA - Bridge Loan										
USDA 514 Program	106,770	106,770	106,770	106,770	106,770	106,770	106,770	106,770	106,770	106,770
RCAC	75,985	75,985								
DEBT COVERAGE RATIO-With R/A	1.00	0.99	1.41	1.38	1.37	1.33	1.29	1.25	1.20	1.18

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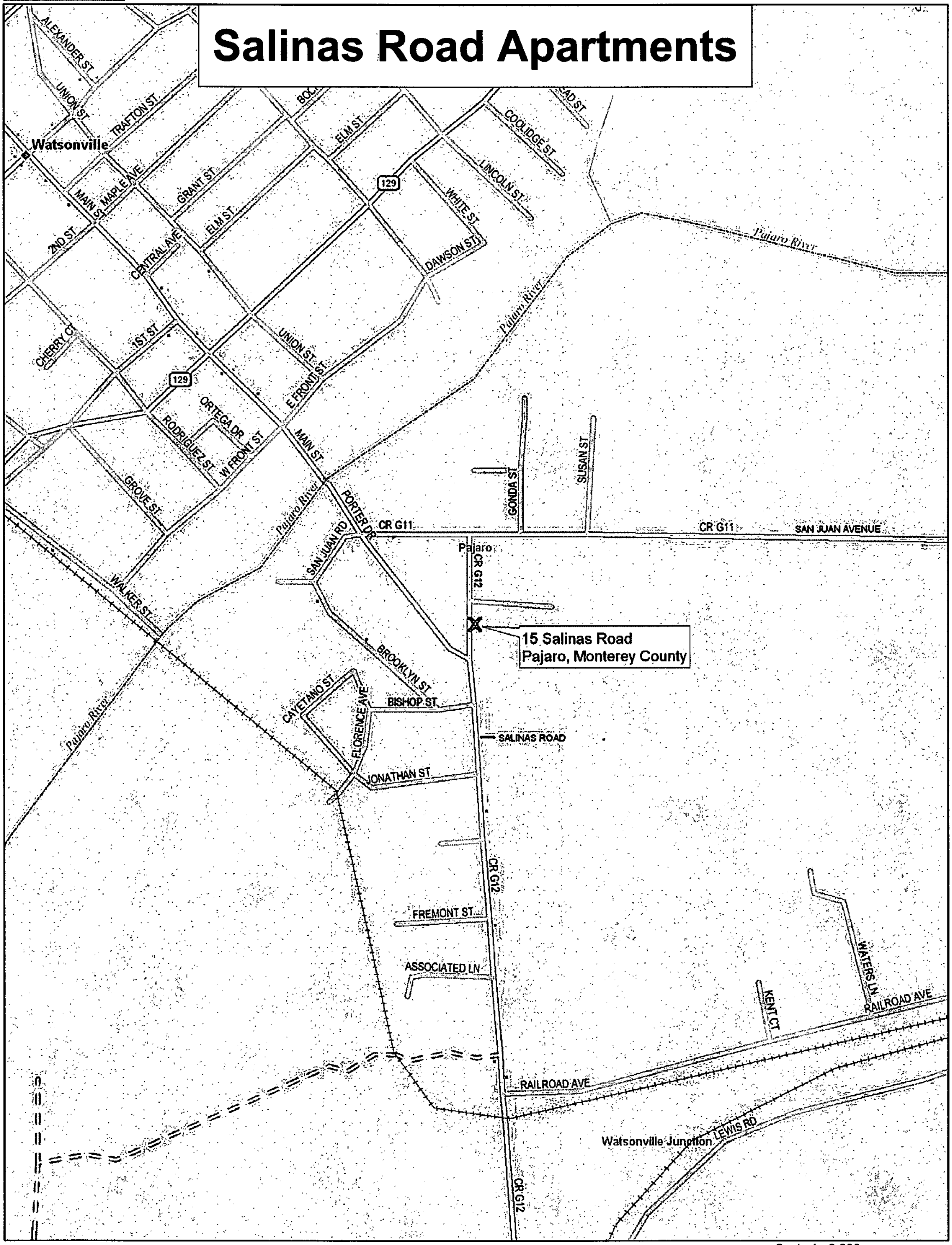
Street Atlas USA® 2004

Salinas Road Apartments



TN
MN (14.5°E)

Scale 1 : 8,800

1" = 733.3 ft

Data Zoom 14-5

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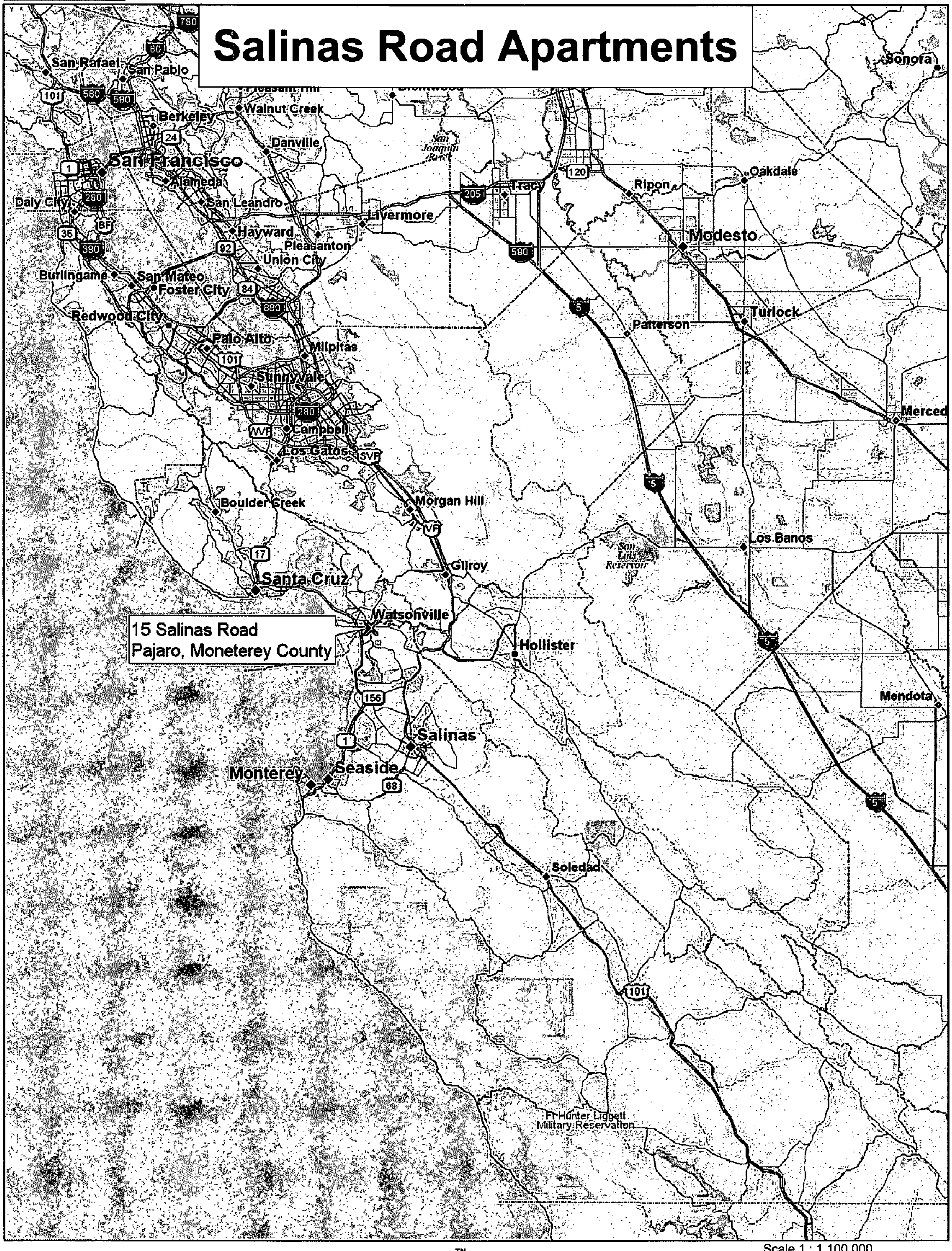

TN
MN (14.5°E)

Scale 1 : 1,100,000

1" = 17.36 mi   Data Zoom 7-5

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RESOLUTION 05-08

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Salinas Road Associates, a California limited partnership (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amounts described herein, the proceeds of which are to be used to provide construction and permanent mortgage loans on a 63-unit multifamily housing development located in the City of Pajaro to be known as Salinas Road (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated March 2, 2005 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

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

WHEREAS, on November 12, 2003, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

1. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to execute and deliver a final commitment letter, subject to his/her recommended terms and conditions, 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
03-057-C/N	Salinas Road Pajaro/Monterey	63	
		Construction First Mortgage:	$11,835,000
		Permanent First Mortgage:	$ 805,000

Resolution 05-08
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 05-08 adopted at a duly constituted meeting of the Board of the Agency held on March 22, 2005, at Sacramento, California.

ATTEST: ______________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Grizzly Hollow Phase III
Galt, Sacramento County, CA
CalHFA # 04-018 C/N

SUMMARY

This is a final commitment request for a construction and permanent loan. Security for the loans will be a 54-unit family housing project located at Beaver Park Way and Elk Hills Drive, Galt, whose non-profit managing general partner is Mercy Housing California.

The project is an affordable, low-density family project on 8 acres, consisting of 18 detached one-story, three-bedroom single-family style homes and 18 duplex style homes containing 36 one and two-bedroom units.

LOAN TERMS

Construction

First Mortgage	$9,900,000
Interest Rate	4.65%, variable
Term	18 Months, interest only
Financing	Tax-exempt

Permanent

First Mortgage	$950,000
Interest Rate	5.70%
Term	20 year fixed, fully amortized
Financing	Tax-exempt

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

This project is being developed as part of the City of Galt's General Plan to develop affordable housing. Therefore, the City of Galt Redevelopment Agency has recorded a regulatory agreement with affordability restrictions for 55 years that are subordinate to CalHFA's financing.

OTHER FINANCING

Source	Type	Loan Amount	Term	Interest Rate	Repayment
HCD-Joe Serna Farmworker Program	Loan	2,202,655	55	3%	Residual receipts
Sacramento Housing and RDA-HOME	Loan	$800,000	55	4%	Residual receipts
AHP-Bank of the West	Loan	270,000	55	0%	None
MHP	Loan	$3,308,378	55	3%	Residual receipts
MHP-NSSS	Loan	$500,000	55	3%	None

There are 18 units assisted by the Joe Serna Farm worker Program (4 one-bedroom units, 8 two-bedroom units and 6 three-bedroom units) all at 30% of median income.

PROJECT DESCRIPTION

Project Location

- The project is located in the northern section of Galt, off of Beaver Park Way and Elk Hills Drive, 1 block east of Highway 99.
- The area is a combination of newer single family and multifamily residential and rural residential and farmland.
- The City of Galt is located 25 miles south of downtown Sacramento.
- The site is 1.2 miles from a major grocery store/pharmacy, 1.8 miles from a medical facility and .5 mile from a public park. Elementary and high schools are 1 and 2 miles away respectively.
- Public transportation is provided by the City of Galt's Dial a Ride program, as there is currently no regularly-scheduled public transportation available.
- Downtown Galt is 3 miles away.

Site

- The subject site is 8 acres and is zoned R2-PQ, allowing for multifamily development of up to 8 units per acre. The subject is 6.7 units per acre and is in compliance with zoning requirements.
- Access to the site is from both Elk Hills Drive and Beaver Park Way.
- A tentative map has been approved. Prior to closing the construction loan, the final map is to be approved by the City of Galt and recorded against the property.

Improvements

- The project consists of 54 units in 36 one-story buildings. Eighteen buildings are single-family style three-bedroom, two bath apartments; there are 10 duplex-style buildings with 20 two-bedroom, 1 bath units and 8 duplex buildings with 16 one-bedroom, one bath apartments.
- The units will have dishwashers, garbage disposals, central heat and air, a front patio, back yards open to the common area and fenced-in 6 foot side yards with 250 cubic feet of lockable storage area.

- There will be a single story community building of 5,022 square feet containing the leasing offices, meeting and computer rooms and a kitchen. Child care space totaling 2,000 square feet will also be included in the community building and will share the community kitchen during operating hours.
- The childcare space will be leased by Headstart at an estimated annual rent of $24,000. Only half of the rent is included as income towards the project and a reserve of one year's income from Headstart has been set aside in the event that a new tenant must be found.
- Two tot lots will be built on the interior of the project next to the community room. One of the tot lots will be for use by the child-care center and a separate tot lot will be available for the residents.
- There will be 117 uncovered parking spaces which will be landscaped with shade trees that will provide coverage in the summer months.
- The buildings will be type V wood frame construction and will have Hardi-plank siding, pitched roofs with composition shingle roofing, front porches and architectural finishes reminiscent of New England-style design.
- Prior to issuance of a building permit, the developer is required to complete to the City's satisfaction all on-site and off-site public improvements. CalHFA will require issuance of the building permit prior to funding hard construction costs.

Off-site improvements

- Off-site improvements will consist of installation of street lighting, curbs, gutters, sidewalks, water, storm drains, a manhole and sanitary sewer serving the site. In addition, the developer must re-pave roads fronting the site along Beaver Park Way.

MARKET

Market Overview

- The subject's Primary Market Area (PMA) includes the City of Galt and portions of the City of Sacramento County surrounding Galt. The population of the PMA was 40,186 in 2004.
- The population in the PMA increased by 5,534, or 5% annually from 2000 to 2004 and is anticipated to maintain an average of 3.4% annually over the next two years.
- There are 12,128 households in the PMA, which represents an increase of 1,631, or 4% annually from 2000 to 2004. This growth rate is expected to continue during the next five years.
- There are 2,280 renter households in the PMA, which represents 19% of the total households in the area.
- The median income in the PMA was $51,997, compared to Sacramento County, which is $64,100.
- There are 3,335 households in the PMA (27.5% of all households) earning less than 50% of the area median income and the majority of the renters in the PMA (64%, or 1,459 households) earn less than 50% of area median income.
- The major employers in the PMA consist of services (36%), trade (16%), manufacturing (10%) and agriculture (7%).
- Primary agricultural jobs in the Sacramento Valley consist of wine grapes, cattle and milk products, vegetable and tree crops.

Housing Supply and Demand

- A total of 8 properties were found in the PMA; six projects containing 156 units were market rate and 2 projects containing 112 units were affordable.
- The market rate projects were typically smaller, older properties of 20 or less units, lacked community amenities such as a playground, and were inferior in quality to the subject property. Only one market rate and one affordable project were considered comparable to the subject property.
- Occupancy rates for market rate housing are 97%. For those projects considered comparable to the subject, the occupancy rate is 100% with waiting lists.
- The two affordable projects in the PMA have no vacancy and long waiting lists. One of the projects is a Section 8 project containing 1-bedroom units and the other is a tax-credit project, with rents set at 50% and 60% of median.
- No market rate or affordable housing projects are in the planning stages in the PMA.
- The market study showed a demand for 638 units targeting households earning from 30% to 50% of AMI (excluding farm worker households). The project's 35 general-population units would need to capture only 5.5% of these households to achieve 100% lease-up.
- There are no projects in the PMA designated as farm worker housing. There is only one other affordable family complex which serves similar income level tenants and this project is fully occupied.
- The market study showed a demand for 106 units targeting farm worker households with incomes at 30% of AMI. The project's 18 farm worker units would need to capture 17% of the income-eligible farm worker households in the PMA.

PROJECT FEASIBILITY

Estimated Lease-up Period

- The project is estimated to take 12 months to build. Per the market study, the property will be leased up at a rate of 18 units per month and will take 3 months after completion to reach 95% stabilized occupancy. Therefore, the total estimated construction and lease-up period is estimated to be 15 months.

ENVIRONMENTAL

A Phase I Environmental Assessment report was completed on September 29, 2004. The report concludes that there are no adverse environmental conditions that warrant further investigation or remedial action. Prior to close of the construction loan, an updated Phase I Environmental Assessment is required.

The Borrower has requested an earthquake insurance waiver and the waiver has been approved.

Geotechnical report

The Geotechnical Study dated February 2003 indicates that the project has no subsurface conditions requiring more than the standard Uniform Building Code Requirements for structural design.

DEVELOPMENT TEAM

Borrower

Mercy Housing California XXIX, a California Limited Partnership

The project will be owned by a partnership to be formed between Mercy Housing West and Rural California Housing Corporation. Mercy Housing West will be the managing general partner. Mercy Housing has developed and rehabilitated 77 projects in California with over 4,000 units during the past 34 years. All 77 projects are under the ownership of Mercy Housing California. Five of these projects with a total of 364 units, were financed by CalHFA.

Rural California Housing Corporation ("RCHC") is a non-profit corporation with 32 years of affordable housing and community housing experience in Northern California. RCHC has developed over 2,200 units of self-help housing, developed 9 multifamily projects totaling over 371 units and is the co-general partner in 7 projects totaling 472 units. RCHC also assists low-income rural communities develop infrastructure improvements, such as sanitary water and sewer systems, improving water supply systems and assisting local government with planning and development of community buildings and programs.

Management Agent

Mercy Services Corporation

Mercy Services Corporation, a nonprofit affiliate of Mercy Housing founded in 1992 will manage the project. It is the property manager of all multifamily projects developed and owned by Mercy Housing and its affiliates. They currently manage 139 properties with 7,955 units nationwide, including 79 sites with over 4,000 units in California.

Architect

Shimotsu Architecture

Shimotsu Architecture is a Sacramento-based architectural, planning and interior design firm which has been in business since 1984. The company has a great deal of experience in designing multi-family, single-family, self-help and remodeling projects and has completed 32 affordable housing projects totaling over 1,835 units. Currently, the company has 19 projects in the plan-check and construction phases and 39 projects in various stages of design. These projects range from single-family, multifamily, commercial design and remodels.

Contractor

Walsh & Forster, Inc.

Walsh & Forster Inc. is the general contractor, has been in business since 1961 and has built projects including commercial, mixed-use, multi-family, special needs, medical facilities and educational facilities. The company has offices in Sacramento and Portland and has completed over 750 million in affordable housing projects over the past 13 years. Currently Walsh & Forster Inc. has 6 projects under construction and 3 projects, including Grizzly Hollow, at pre-development phases. The projects include construction of custom homes, multifamily projects, commercial improvements and school facilities.

PROJECT SUMMARY

PROJECT NUMBER: 04-018

Final Commitment

Project:	**Grizzly Hollow Phase III**		
Location:	Beaver Park Way and Elk Hills Drive	***Developer:***	**Mercy Housing California**
City:	Galt	***Partner:***	Mercy Housing West
County:	Sacramento	***Investor:***	Yet to be determined
Zip Code:	95632		

		No. of Buildings:	37	
Project Type:	New Construction	*No. of Stories:*	1	
Occupancy:	Family	*Residential Space*	50,602	sq. ft.
Total Units:	54	*Office Space*	5,022	sq. ft.
Style Units:	SFR, duplex	*Commercial Space*	0	sq. ft.
Elevators:	none	*Gross Area*	55,624	sq. ft.
Total Parking	117	*Land Area*	350,932	sq. ft.
Covered	0	*Units per acre*	7	

CalHFA Construction Financing	Amount	Rate	Term (Mths)
CalHFA Construction Financing	$9,900,000	4.65%	18

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	**$950,000**	**5.70%**	**20**
CalHFA Bridge Loan	**$0**	**0.00%**	**3**
CalHFA Second Mortgage	**$0**	**0.00%**	**10**
HCD-Joe Serna Farmworker program	$2,202,655	3.00%	55
SHRA-HOME	$800,000	4.00%	55
AHP Loan	$270,000	0.00%	55
MHP	$3,308,378	3.00%	55
MHP-NSSS	$500,000	3.00%	55
GP cash from land sale	$200,000	0.00%	0
GP Equity	$617,932	0.00%	0
Source 9	$0	0.00%	0
Source 10	$0	0.00%	0
Source 11	$0	0.00%	0
AHP Loan	$0	0.00%	0
Income during Construction			
Developer Contribution	$0		
Deferred Developer Fee	$231,375		
Tax Credit Equity	$5,984,550		

Construction Valuation		Appraisal		Value Upon Completion	
Investment Value	$11,289,604	**Appraisal Date:**	**21-Sep-04**	**Restricted Value:**	$1,599,604
Loan / Cost	72%	**Cap Rate:**	**7.00%**	**Perm. Loan / Cost**	6%
Loan / Value	88%			**Perm. Loan / Value**	59%

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	**Amount**	**Required Reserves**	**Amount**
CalHFA Construction Loan Fee	$99,000	Other Reserve	$0
CalHFA Permanent Loan Fees	$4,750	Replacement Resv. Initial Deposit	$0
Inspection Fee	$21,000	Repl. Reserve - Per Unit/ Per Yr	$400
Construction Loan - Guarantees and Fees		CalHFA Operating Expense Reserve	$35,944
Completion Guarantee Fee	$0	Rent Up Reserve	$0
Contractors Payment Bond	$9,300,224	Construction Defects Reserve	$0
Contractors Performance Bond	$9,300,224	Other Reserve	$0

Date: 3/4/2005 **Senior Staff Date:** 3/8/2005

UNIT MIX AND RENT SUMMARY — Grizzly Hollow Phase III

04-018

Total Unit Mix

# of Units	Unit Type	# of Baths	Average Sq. Ft.
16	1 Bedroom Flat	1	741
20	2 Bedroom Flat	1	878
	2 Bedroom Townhome	1.5	
	2 Bedroom Townhome	2	
18	3 Bedroom single family home	2	1,208
	4 Bedroom Townhome	2.5	
54			

Number of Regulated Units By Agency

Agency	30%	50%	50%	55%	80%
CalHFA		11			
Tax Credits	19	14		20	
SHRA-HOME	19	14		20	
HCD	19	14		20	
AHP				53	
Zoning					
Other					

Restricted Rents Compared to Average Market Rents

Median Income Rent Levels	Units Restricted	Restricted Rents	Avg. Market Rate Rents	Dollars Difference	% of Market
One Bedroom			$745		
30%	5	$309		$436	41%
50%	4	$550		$195	74%
50%	0	$0		$0	0%
55%	7	$610		$135	82%
80%	0	$0		$0	0%
Two Bedroom			$853		
30%	8	$340		$513	40%
50%	5	$629		$224	74%
50%	0	$0		$0	0%
55%	7	$701		$152	82%
80%	0	$0		$0	0%
Three Bedroom			$1,344		
30%	6	$399		$945	30%
50%	5	$733		$611	55%
50%	0	$0		$0	0%
55%	6	$816		$528	61%
80%	0	$0		$0	0%
Four Bedroom			$0		
30%	0	$0		$0	0%
50%	0	$0		$0	0%
50%	0	$0		$0	0%
55%	0	$0		$0	0%
80%	0	$0		$0	0%

Sources and Uses of Funds — Grizzly Hollow Phase III

04-018

Final Commitment

SOURCES OF FUNDS:	Funds in during Construction ($)	Funds in at Permanent ($)	Total Sources of Funds ($)	Sources per Unit	%
CalHFA Construction Financing	9,900,000				
Construction Only Source 2	-				
Construction Only Source 3	-				
CalHFA First Mortgage		950,000	950,000	17,593	6%
CalHFA Second Mortgage		-	-	-	0%
HCD-Joe Serna Farmworker program	2,202,655		2,202,655	40,790	15%
SHRA-HOME	800,000		800,000	14,815	5%
AHP Loan	270,000		270,000	5,000	2%
MHP		3,308,378	3,308,378	61,266	22%
MHP-NSSS		500,000	500,000	9,259	3%
GP cash from land sale		200,000	200,000	3,704	1%
GP Equity		617,932	617,932	11,443	4%
Source 9		-	-	-	0%
Source 10		-	-	-	0%
Source 11		-	-	-	0%
AHP Loan	-	-	-	-	0%
Income during Construction	-	-	-	-	0%
Developer Contribution	-	-	-	-	0%
Deferred Developer Fee	-	231,375	231,375	4,285	2%
Tax Credit Equity	492,291	5,492,259	5,984,550	110,825	40%
Total Sources	13,664,946	11,299,944	15,064,890	278,979	100%
(Gap)/Surplus	-	-	0		

(Total Development Sources)

USES OF FUNDS:	Construction ($)	Permanent ($)	Total Uses of Funds ($)	Cost per Unit	%
LOAN PAYOFFS & ROLLOVERS					
Construction Loan payoffs		**9,900,000**			
ACQUISITION					
Lesser of Land Cost or Value	359,000	-	359,000	6,648	2%
Demolition	-	-	-	-	0%
Legal - Acquisition Related Fees	-	-	-	-	0%
Subtotal - Land Cost / Value	359,000	-	359,000		
Existing Improvements Value	-	-	-	-	0%
Off-Site Improvements	543,703	-	543,703	10,069	4%
Other-predev. Interest	85,000	-	85,000	1,574	1%
Total Acquisition	**987,703**	**-**	**987,703**	**18,291**	**7%**
REHABILITATION					
Site Work	-	-	-	-	0%
Rehab to Structures	-	-	-	-	0%
General Requirements	-	-	-	-	0%
Contractors Overhead	-	-	-	-	0%
Contractors Profit	-	-	-	-	0%
Contractor's Bond	-	-	-	-	0%
General Liability Insurance	-	-	-	-	0%
Environmental Mitigation Expense	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Rehabilitation	-	-	-	-	**0%**
RELOCATION EXPENSES					
Relocation Expense	-	-	-	-	0%
Relocation Compliance Monitoring	-	-	-	-	0%
Total Relocation	-	-	-	-	**0%**

(Total Development Costs)

(Continued on Next 2 Pages)

USES OF FUNDS (Cont'd):	Construction ($)	Permanent ($)	Total Development Costs: Total Uses of Funds ($)	Cost per Unit per Unit	%
NEW CONSTRUCTION					
Site Work	2,187,449	-	2,187,449	40,508	15%
Structures (Hard Costs)	5,864,174	-	5,864,174	108,596	39%
General Requirements	368,108	-	368,108	6,817	2%
Contractors Overhead	168,395	-	168,395	3,118	1%
Contractors Profit	168,395	-	168,395	3,118	1%
Contractor's Bond	201,687	-	201,687	3,735	1%
General Liability Insurance	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total New Construction	**8,958,208**	**-**	**8,958,208**	**165,893**	**59%**
ARCHITECTURAL & ENGINEERING					
Architectural Design	249,375	-	249,375	4,618	2%
Architect's Supv during Construction	83,125	-	83,125	1,539	1%
Total Architectural	**332,500**	**-**	**332,500**	**6,157**	**2%**
Engineering Expense	98,800	-	98,800	1,830	1%
Engineers Supv. during Construction	-	-	-	-	0%
ALTA Survey	-	-	-	-	0%
Total Engineering & Survey	**98,800**	**-**	**98,800**	**1,830**	**1%**
CONSTRUCTION LOAN COSTS					
Construction Loan Interest	435,000		435,000	8,056	3%
CalHFA Construction Loan Fee	99,000		99,000	1,833	1%
Other Construction Loan Fees	-		-	-	0%
Construction Lender Legal Fees	10,000		10,000	185	0%
Other Lender Req'd Legal Fees	-		-	-	0%
Title and Recording fees	20,000		20,000	370	0%
CalHFA Req'd Inspection Fees	21,000		21,000	389	0%
Bank Req'd Inspection Fees	-		-	-	0%
Prevailing Wage Monitoring Expense	-		-	-	0%
Taxes & Insurance during construction	79,556		79,556	1,473	1%
Predevelopment Interest	-		-	-	0%
Other	-		-	-	0%
Other	-		-	-	0%
Total Construction Loan Expense	**664,556**	**-**	**664,556**	**12,307**	**4%**
PERMANENT LOAN COSTS					
CalHFA Perm Loan Fees	4,750	-	4,750	88	0%
CalHFA Bridge Loan Fees	-	-	-	-	0%
CalHFA Loan Application Fee	500	-	500	9	0%
Other Lender Perm. Loan Fees	-	-	-	-	0%
Title and Recording	-	6,000	6,000	111	0%
Perm. Bridge Loan Interest Expense	-	-	-	-	0%
Bond Origination Guarantee Fee	-	-	-	-	0%
Other -permanent legal	-	5,000	5,000	93	0%
Other - misc. CalHFA costs	-			-	0%
Total Permanent Loan Expense	**5,250**	**11,000**	**16,250**	**301**	**0%**
LEGAL FEES					
Syndication Legal Fee	20,000	10,000	30,000	556	0%
Owner Legal	15,000	-	15,000	278	0%
Total Attorney Expense	**35,000**	**10,000**	**45,000**	**833**	**0%**

USES OF FUNDS (Cont'd):	Construction ($)	Permanent ($)	Total Development Costs Permanent of Funds ($)	Per Unit per Unit	%
CONTRACT / REPORT COSTS					
Appraisal	9,500	-	9,500	176	0%
Market Study	2,600	-	2,600	48	0%
Physical Needs Assessment	-	-	-	-	0%
HUD Risk Share Environ. Review	-	-	-	-	0%
CalHFA EQ Waiver Seismic Review Fee	10,000	-	10,000	185	0%
Environmental Phase I / II Reports	1,500	-	1,500	28	0%
Soils / Geotech Reports	-	-	-	-	0%
Asbestos / Lead-based Paint Report	-	-	-	-	0%
Noise/Acoustical/Traffic Study Report	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Contract Costs	**23,600**	**-**	**23,600**	**437**	**0%**
CONTINGENCY					
Hard Cost Contingency	615,826	-	615,826	11,404	4.09%
Soft Cost Contingency	65,000	-	65,000	1,204	0%
Total Contingency	**680,826**	**-**	**680,826**	**12,608**	**5%**
RESERVES					
CalHFA Operating Expense Reserve	-	35,944	35,944	666	0%
Construction Defects Reserve	-	-	-	-	0%
Rent-Up Reserve	-	-	-	-	0%
Capitalized Investor Req'd Reserve	-	-	-	-	0%
Other-Headstart Lease Reserve	-	18,000	18,000	333	0%
Total Reserves	**-**	**53,944**	**53,944**	**999**	**0%**
OTHER					
CTCAC App/Alloc/Monitor Fees	31,374	-	31,374	581	0%
Local Permit Fees	128,758	-	128,758	2,384	1%
Local Development Impact Fees	1,393,371	-	1,393,371	25,803	9%
Other Local Fees	-	-	-	-	0%
Advertising & Marketing Expenses	40,000	-	40,000	741	0%
1st Year Taxes & Insurance	-	-	-	-	0%
Furnishings	25,000	-	25,000	463	0%
Final Cost Audit Expense	-	10,000	10,000	185	0%
Miscellaneous Admin Fees	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Other Expenses	**1,618,503**	**10,000**	**1,628,503**	**30,157**	**11%**
SUBTOTAL PROJECT COSTS	**13,404,946**	**84,944**	**13,489,890**	**249,813**	**90%**
DEVELOPER COSTS					
Developer Overhead/Profit (5% Acq.)	200,000	1,300,000	1,500,000	27,778	10%
Developer Overhead/Profit (NC/Rehab)	-	-	-	-	0%
Consultant / Processing Agent	20,000	15,000	35,000	648	0%
Project Administration	-	-	-	-	0%
Broker Fees to a related party	-	-	-	-	0%
Construction Mgmt. Oversight	40,000	-	40,000	741	0%
Other	-	-	-	-	0%
Total Developer Fee / Costs	**260,000**	**1,315,000**	**1,575,000**	**29,167**	**10%**
Total Costs	**13,664,946**	**1,399,944**	**15,064,890**	**278,979**	**100%**

Annual Operating Budget			Grizzly Hollow Phase III
Final Commitment			

INCOME:	$ Amount	Per Unit	% of Total
Total Rental Income	$356,904	$6,609	92.52%
Laundry	$4,860	$90	1.26%
Child Care	$24,000	$444	6.22%
Gross Potential Income (GPI)	**$385,764**	**$7,144**	100.00%
Less:			
Vacancy Loss	$26,328	$488	7.32%
Effective Gross Income	**$359,436**	**$6,656**	

EXPENSES:	Total Cost	Per Unit	% of Total
Payroll	$64,303	$1,191	25.83%
Administrative	$42,362	$784	17.02%
Management fee	$23,632	$438	9.49%
Utilities	$27,248	$505	10.94%
Operating and Maintenance	$44,595	$826	17.91%
Insurance and Business Taxes	$6,200	$115	2.49%
Locality Compliance Monitoring Fee	$0	$0	0.00%
Other	$0	$0	0.00%
Subtotal Expenses	**$208,340**	$3,858	83.68%
Replacement Reserves	$18,900	$350	7.59%
Taxes & Assessments	$21,725	$402	8.73%
Total Expenses	$248,965	$4,610	100.00%
Financial Expenses			
CalHFA First Mortgage	$79,712	$1,476	
MHP	$13,895	$257	
Other Required Debt Service	$0	$0	
NET OPERATING INCOME	**$16,864**	**$312**	

Cash Flow		Final Commitment			CalHFA Project Number:		04-018		Grizzly Hollow Phase III		
RENTAL INCOME		**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Affordable Rents		**356,904**	**364,042**	**371,323**	**378,749**	**386,324**	**394,051**	**401,932**	**409,971**	**418,170**	**426,533**
Affordable Rent Increase		*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Rental Subsidies		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Rental Subsidy Increases		*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Manager		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Unrestricted Unit Increases		*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
TOTAL RENTAL INCOME		**356,904**	**364,042**	**371,323**	**378,749**	**386,324**	**394,051**	**401,932**	**409,971**	**418,170**	**426,533**
OTHER INCOME											
Laundry		**4,860**	**4,957**	**5,056**	**5,157**	**5,261**	**5,366**	**5,473**	**5,583**	**5,694**	**5,808**
Child Care		**24,000**	**24,480**	**24,970**	**25,469**	**25,978**	**26,498**	**27,028**	**27,568**	**28,120**	**28,682**
Other Income Increase		*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
TOTAL OTHER INCOME		**28,860**	**29,437**	**30,026**	**30,626**	**31,239**	**31,864**	**32,501**	**33,151**	**33,814**	**34,490**
GROSS POTENTIAL INCOME		**385,764**	**393,479**	**401,349**	**409,376**	**417,563**	**425,915**	**434,433**	**443,122**	**451,984**	**461,024**
VACANCY ASSUMPTIONS											
Affordable (Blended Average)		*3.95%*	*3.95%*	*3.95%*	*3.95%*	*3.95%*	*3.95%*	*3.95%*	*3.95%*	*3.95%*	*3.95%*
Headstart	**3.34%**	*50.00%*	*50.00%*	*50.00%*	*50.00%*	*50.00%*	*50.00%*	*50.00%*	*50.00%*	*50.00%*	*50.00%*
Unrestricted Units		*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Laundry & Other Income		*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
LESS: VACANCY LOSS		**26,328**	**26,854**	**27,391**	**27,939**	**28,498**	**29,068**	**29,649**	**30,242**	**30,847**	**31,464**
EFFECTIVE GROSS INCOME		**359,436**	**366,625**	**373,958**	**381,437**	**389,065**	**396,847**	**404,784**	**412,879**	**421,137**	**429,560**
OPERATING EXPENSES											
Expenses		208,340	215,632	223,179	230,990	239,075	247,443	256,103	265,067	274,344	283,946
Annual Expense Increase		*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Taxes and Assessments		21,725	21,725	21,725	21,725	21,725	21,725	21,725	21,725	21,725	21,725
Annual Tax Increase		*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Replacement Reserve		18,900	18,900	18,900	18,900	18,900	18,900	19,845	19,845	19,845	19,845
Percentage Increase Yearly		*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*5.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
TOTAL EXPENSES		**248,965**	**256,257**	**263,804**	**271,615**	**279,700**	**288,068**	**297,673**	**306,637**	**315,914**	**325,516**
NET OPERATING INCOME		**110,471**	**110,368**	**110,154**	**109,821**	**109,366**	**108,779**	**107,111**	**106,243**	**105,223**	**104,044**
DEBT SERVICE											
CalHFA - 1st Mortgage		79,712	79,712	79,712	79,712	79,712	79,712	79,712	79,712	79,712	79,712
MHP		13,895	13,895	13,895	13,895	13,895	13,895	13,895	13,895	13,895	13,895
CalHFA - 2nd Mortgage		0	0	0	0	0	0	0	0	0	0
None		0	0	0	0	0	0	0	0	0	0
None		0	0	0	0	0	0	0	0	0	0
Sum of all req'd debt service		93,607	93,607	93,607	93,607	93,607	93,607	93,607	93,607	93,607	93,607
Cash flow after CalHFA debt service		**30,759**	**30,656**	**30,441**	**30,109**	**29,653**	**29,067**	**27,398**	**26,530**	**25,511**	**24,331**
DEBT COVERAGE RATIO		**1.18**	**1.18**	**1.18**	**1.17**	**1.17**	**1.16**	**1.14**	**1.13**	**1.12**	**1.11**

Cash Flow		CalHFA Project Number: 04-018								Grizzly Hollow Phase III
RENTAL INCOME		Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Affordable Rents		435,064	443,765	452,641	461,693	470,927	480,346	489,953	499,752	509,747	519,942
Affordable Rent Increase		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Rental Subsidies		0	0	0	0	0	0	0	0	0	0
Rental Subsidy Increases		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Manager		0	0	0	0	0	0	0	0	0	0
Unrestricted Unit Increases		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME		435,064	443,765	452,641	461,693	470,927	480,346	489,953	499,752	509,747	519,942
OTHER INCOME											
Laundry		5,924	6,043	6,164	6,287	6,413	6,541	6,672	6,805	6,941	7,080
Child Care		29,256	29,841	30,438	31,047	31,667	32,301	32,947	33,606	34,278	34,963
Other Income Increase		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL OTHER INCOME		35,180	35,884	36,601	37,333	38,080	38,842	39,619	40,411	41,219	42,044
GROSS POTENTIAL INCOME		470,244	479,649	489,242	499,027	509,007	519,188	529,571	540,163	550,966	561,985
VACANCY ASSUMPTIONS											
Affordable (Blended Average)		3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%	3.95%
Headstart	3.34%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Unrestricted Units		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income		5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS		32,093	32,735	33,390	34,058	34,739	35,434	36,142	36,865	37,602	38,354
EFFECTIVE GROSS INCOME		438,151	446,914	455,852	464,969	474,269	483,754	493,429	503,298	513,364	523,631
OPERATING EXPENSES											
Expenses		293,884	304,170	314,816	325,835	337,239	349,042	361,259	373,903	386,989	400,534
Annual Expense Increase		3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Taxes and Assessments		21,725	21,725	21,725	21,725	0	0	0	0	0	0
Annual Tax Increase		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Replacement Reserve		19,845	20,837	20,837	20,837	20,837	20,837	21,879	21,879	21,879	21,879
Percentage Increase Yearly		5.00%	0.00%	0.00%	0.00%	0.00%	5.00%	0.00%	0.00%	0.00%	0.00%
TOTAL EXPENSES		335,454	346,732	357,378	368,397	358,076	369,879	383,138	395,782	408,868	422,413
NET OPERATING INCOME		102,697	100,182	98,474	96,572	116,193	113,875	110,291	107,516	104,495	101,218
DEBT SERVICE											
CalHFA - 1st Mortgage		79,712	79,712	79,712	79,712	79,712	79,712	79,712	79,712	79,712	79,712
MHP		13,895	13,895	13,895	13,895	13,895	13,895	13,895	13,895	13,895	13,895
CalHFA - 2nd Mortgage		0	0	0	0	0	0	0	0	0	0
None		0	0	0	0	0	0	0	0	0	0
None		0	0	0	0	0	0	0	0	0	0
Sum of all req'd debt service		93,607	93,607	93,607	93,607	93,607	93,607	93,607	93,607	93,607	93,607
Cash flow after CalHFA debt service		22,984	20,469	18,761	16,860	36,480	34,162	30,579	27,803	24,783	21,505
DEBT COVERAGE RATIO		1.10	1.07	1.05	1.03	1.24	1.22	1.18	1.15	1.12	1.08

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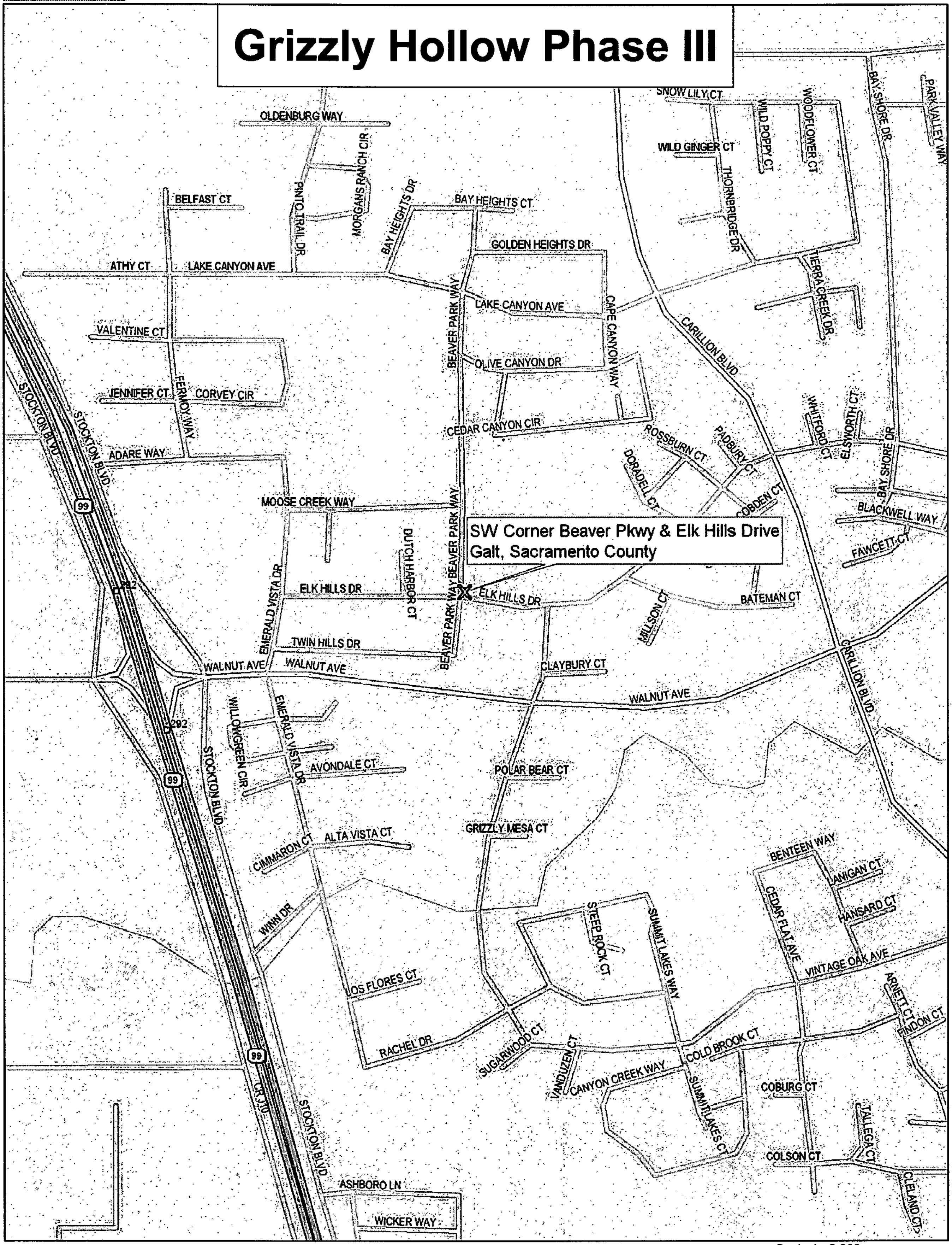

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Scale 1 : 8,800

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1" = 733.3 ft

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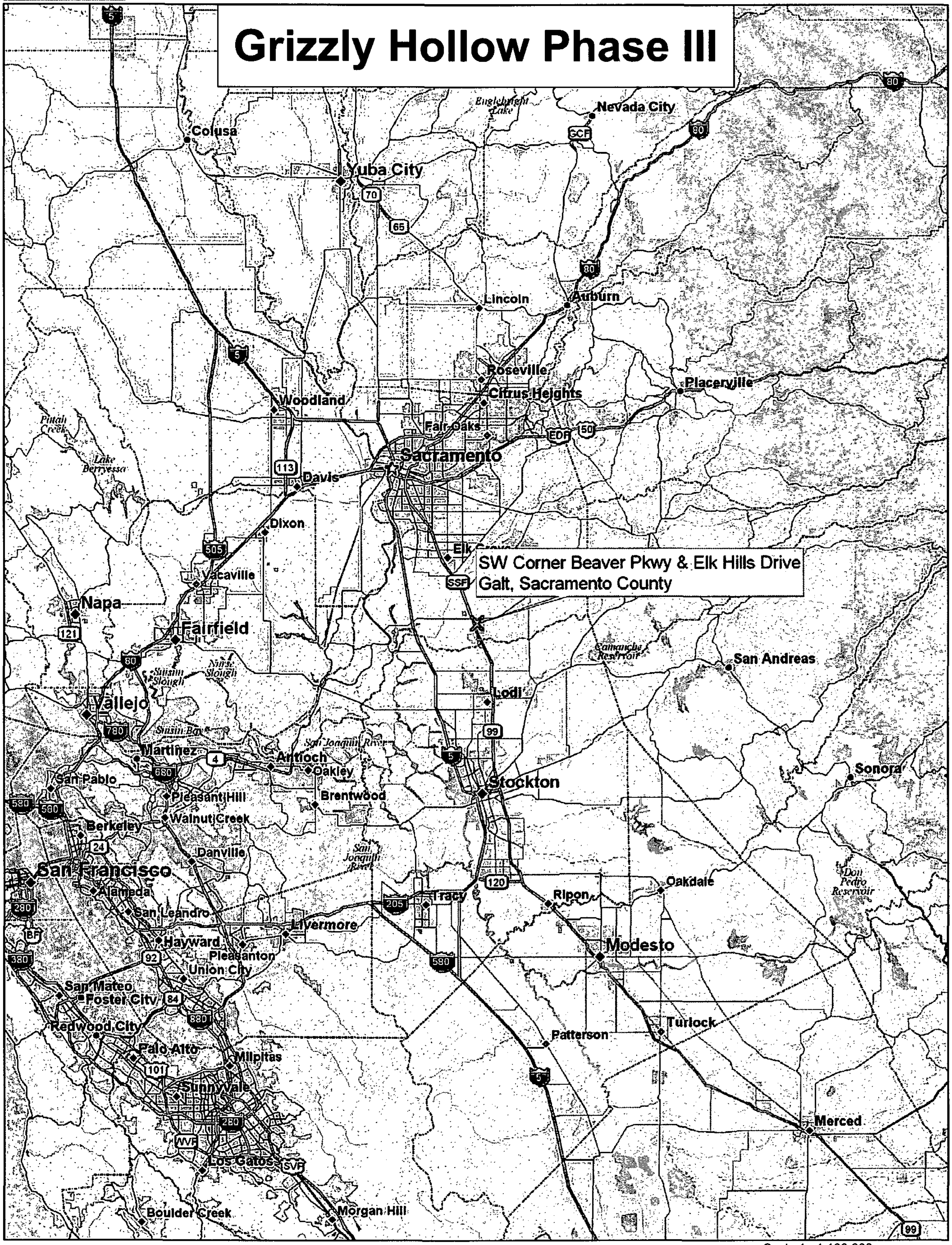

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RESOLUTION 05-09

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Mercy Housing California XXIX, 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 54-unit multifamily housing development located in the City of Galt to be known as Grizzly Hollow Phase III (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated March 2, 2005 (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 January 6, 2005, 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
04-018-C/N	Grizzly Hollow Phase III Galt/Sacramento	63	
		Construction First Mortgage:	$9,900,000
		Permanent First Mortgage:	$ 950,000

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 05-09 adopted at a duly constituted meeting of the Board of the Agency held on March 22, 2005, at Sacramento, California.

ATTEST: ________________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Flower Park Plaza Apartments
Santa Ana, Orange County, CA
CalHFA # 04-007 A/S

SUMMARY

This is a final commitment request for a tax-exempt Acquisition/Rehabilitation Loan in the amount of Fourteen Million Seven Hundred Twenty Five Thousand Dollars ($14,725,000) and a tax-exempt Permanent Loan in the amount of Ten Million Three Hundred Sixty Thousand Dollars ($10,360,000). Security for the loans will be a 199-unit senior apartment complex known as Flower Park Plaza Apartments, located at 901 West 1st Street, Santa Ana, California. CCHNC Flower Park Plaza Associates, a California limited partnership (to be formed), whose managing general partner is CCHNC Flower Park Plaza LLC (to be formed), will own the property, and Christian Church Homes of Northern California, Inc. will be the sponsor.

Flower Park Plaza Apartments is an existing portfolio loan currently owned by Birchpark Associates. The project was constructed in 1984 and will be an acquisition/rehabilitation of an 11-story, 199 unit high-rise senior apartment complex in Santa Ana. The project is 100% Section 8 and the initial 20-year term of its HAP contract expired October 31, 2004. A valid HAP contract is required for this project. The Borrower is currently in the process of seeking a new 20-year HAP contract. CalHFA loan terms and conditions may be modified in the event that said approvals impact the transaction.

LOAN TERMS

Acquisition/Rehabilitation

First Mortgage	$14,725,000
Interest Rate	4.15%, variable
Term	12 Months, interest only
Financing	Tax-exempt

Permanent

First Mortgage	$10,360,000
Interest Rate	5.80%
Term	20 year fixed, fully amortized
Financing	Tax-exempt
Insurance	FHA Risk Share

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

OTHER FINANCING

There is no other financing involved in this transaction

HOUSING ASSISTANCE PAYMENT ("HAP") CONTRACT

The original HAP contract was executed on November 1, 1984, for a term of 20 years. The HAP contract expired on October 31, 2004, and by its terms, was extended for the first of two (2) additional 5-year terms (10 years total). The contract is in the first 5-year renewal period. CalHFA is the Section 8 Contract Administrator.

Assignment of the HAP contract to the Borrower, any required modification to the HAP contract, and the general plan of financing, are all subject to the approval of the Department of Housing and Urban Development ("HUD").

On January 18, 2005, CalHFA submitted its request to the Los Angeles HUD office recommending that 1) the existing 10-year HAP contract remain in place with HUD approving an additional 10-year extension **or** 2) HUD terminates the current HAP contract and provides a new HAP contract based on current rents, with a 20-year term. A response from HUD is still pending. In addition, a transition reserve of $712,500 will be accumulated over the first 8 years of the loan from residual cash flow to provide approximately 10 months of debt service contingency reserve towards any shortfall in Section 8 funding.

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

This project is a post 1980 HAP contract with limited distribution to the project sponsor. The existing residual receipts reserve along with the existing replacement reserves will be transferred to the property and CCHNC Flower Park Plaza Associates upon ownership. In addition, the project is subject to a FAF Refunding Agreement dated June 1, 1992.

PROJECT DESCRIPTION

Project Location

- The project is located in Santa Ana, in central Orange County.
- The central Orange County region is served north and south by Interstate 5 and Highway 55, and east and west by Garden Grove Highway 22. Interstate 5 is located 3 miles east of the project.
- Santa Ana is surrounded by the cities of Tustin, Garden Grove, Orange, Fountain Valley, and Westminster.
- The site is located north of First Street and west of Flower Street. First Street runs east and west through Santa Ana, intersecting with Interstate Highway 5 and Highway 55, east of the site.
- The subject is surrounded by single family and multifamily residential residences.
- A sheltered bus stop sits directly in front of the project's gate and serves as a main transit terminal area serving the cities of Westminster, Tustin, Costa Mesa, and Huntington Beach.

- The project is centrally located within .3 miles or less of two grocery stores, a community park, a gas station, and public library. There is a bank and two senior centers within a half mile and the local hospital, Kindred Hospital, is located 1.4 miles from the project.

Site

- The site is rectangular in shape and is 1.67 acres in size.
- The site is zoned SD18, Specific Development Plan #18, and is legally non-conforming. The density allowed under the City of Santa Ana's general plan was higher when the project was originally approved. Since then, the general plan for the subject area was reduced to allow a maximum of 15 units per acre. Therefore, the revised general plan would now allow approximately 25 units on the site.
- The subject and surrounding land uses are consistent with the zoning of the area.

Improvements

- The project was built in 1984 and is a 199-unit, 11-story high-rise consisting of 51 studios, 147 one bedrooms, and one (1) two bedroom manager's unit. The basic structure is steel and concrete with exterior concrete panels and glass windows. A new roof was installed in 1994 and is comprised of an insulated PVC membrane over the structural concrete deck. Access for all the units is through central hallways with two electric elevators providing access from the ground floor to the top floor. Each unit is served by hydronic-forced air heating and air conditioning.
- All the units are flat style units, with sheet vinyl in the kitchen and bath areas and wall-to-wall carpet in the remaining areas. Each unit has a garbage disposal, electric range/oven, and refrigerator.
- The common area amenities include a community room with a kitchen, a laundry room, a leasing office, a reception area, a TV sitting area, a classroom, and a billiard room. The landscaping includes a garden area and koi pond.
- The project offers 80 uncovered, secured parking spaces. Street parking is also available.

PHYSICAL NEEDS ASSESSMENT / SCOPE OF WORK

- The project is in good overall condition for a development of this type and in good condition when compared to other developments of similar type and age in the City of Santa Ana.
- The scope of rehabilitation work is as follows:
- **Site work, $40,000** – new fencing, asphalt repair and restriping, seismic gas shut-off valve, concrete trash pad.
- **Building and common areas, $904,000** – exterior painting ($75,000), common area dual pane windows ($121,000), corridor finishes ($314,000), furnishings ($57,000), lighting upgrades ($51,000) fire code upgrades ($100,000), and ADA compliance upgrades ($186,000).
- **Mechanical systems, $1,154,000** – boiler replacement ($250,000), chiller replacement ($300,000), new circulation pumps (200,000), elevator modernization ($300,000), solar panel removal ($80,000), new trash compactor and trash chute doors ($24,000).
- **Residential Units, $1,040,000** – dual pane windows ($746,000), electrical ($150,000), refrigerators ($50,000 for 100 units), and waterproofing ($94,000).

- The total amount of immediate rehabilitation is $4,381,000 or $22,200 per unit.
- Work is scheduled to commence no later than June 2005 and be completed within 10 months after commencement.

Off-site improvements

- No off-site improvements and/or costs are required.

Relocation

- There is no relocation expense required for this project. Most of the renovation will take place around the occupied units. The specific unit renovation such as window replacement and smoke detection wiring can take place without displacing the tenant. The Borrower will conduct tenant orientation meetings prior to the purchase of the property and before and during the rehabilitation period regarding the scope of work, timelines, and address any tenant issue or concerns regarding the project.

MARKET

Market Overview

The Primary Market Area (PMA) consists of a three-mile radius from the center of the city of Santa Ana. It is estimated that 80+% of the tenant population will be from this area. The estimated PMA senior population (65+) is 23,757 persons (2005) and is expected to grow by 3.1% to 24,485 by 2009. There are 11,767 households within the PMA senior population, of which 67.7% are owners and 32.3 % are renters.

Housing Supply and Demand

- The rental housing stock in the PMA is primarily comprised of recently rehabilitated LIHTC apartments (1997-2001) in good condition and newer market rate apartments (1990-1997) in good condition.
- Occupancy rates for market rate units range from 96-98%. LIHTC properties have an average occupancy rate of 100%, with waiting list ranging from six months to several years long.
- There are 2,558 Section 8 vouchers administered by the Santa Ana Housing Authority with 2,510 presently being utilized. The Housing Authority is reviewing its waiting list to utilize the remaining 48 vouchers. The waiting list has been closed since June 30, 2004 and the current waiting list is estimated at five to eight years.
- There are no new affordable or market rate housing currently planned within the PMA.

Estimated Lease-up Period

- The project is currently 100% leased and the proposed rehabilitation will not interfere with occupancy.

ENVIRONMENTAL

A Phase I Environmental Assessment report was completed on September 22, 2004. The report concludes that there are no adverse environmental conditions that warrant further investigation or remedial action.

A seismic evaluation is currently in process.

DEVELOPMENT TEAM

Borrower

CCHNC Flower Park Plaza Associates, a California limited partnership (to be formed)

- The non-profit Managing General Partner will be CCHNC Flower Park Plaza LLC (to be formed) located in Oakland, California.
- The co-general partner and sponsor/developer, Christian Church Homes of Northern California, Inc. (CCHNC), will be an initial general partner in the LLC. CCHNC was founded in 1961 in Oakland, California, and has over 40 years of experience developing affordable quality rental housing. CCHNC has developed 20 senior facilities representing over 1,600 units, all in 11 cities throughout Northern California.

  CCHNC has developed projects with CalHFA include Plaza de Las Flores (101-unit, senior facility), South Lake Tower (130-unit, senior facility), and St. Mary's Gardens (101-unit, senior facility)

Management Agent

Christian Church Homes of Northern California, Inc. (CCHNC)

- CCHNC will also manage the property. CCHNC provides management services and social services coordination for 60 facilities throughout Northern California, managing over 5,200 residential units for low-income to extremely low-income persons. All but one of these facilities are reserved for seniors 62 years of age and older. CCHNC manages various types of properties including senior communities, tax credit projects, HUD, and Section 8 properties.

Architect

Not applicable

- Given that there are no structural modifications or additions, an architect was not recommended. However, the Borrower has engaged Swinerton Management and Consulting to assist them in project design, renovation, and construction management during the rehabilitation process. In addition, a mechanical engineer has been hired to oversee the HVAC/Chiller upgrade process.

Contractor

ICON Builders

- ICON Builders has been a general contractor since 1984. Their work includes primarily multi-family, single family, government assisted (Low Income Housing and Tax Credit assisted) and commercial properties. They specialize in all aspects of construction and development in Arizona, California, Nevada and Washington state, representing over 15,000 units.

PROJECT SUMMARY

PROJECT NUMBER: 04-007-A/S

Final Commitment

Project:	**Flower Park Plaza**		
Location:	907 West 1st Street	***Developer:***	**Christian Church Homes**
City:	Santa Ana	***Partner:***	CCHNC Flower Park Plaza LLC
County:	Orange	***Investor:***	Yet to be determined
Zip Code:	92703-5202		

		No. of Buildings:	1	
Project Type:	Rehabilitation	*No. of Stories:*	11	
Occupancy:	Senior	*Residential Space*	108,375	sq. ft.
Total Units:	199	*Office Space*	0	sq. ft.
Style Units:	Highrise Apts.	*Commercial Space*	0	sq. ft.
Elevators:	yes	*Gross Area*	108,375	sq. ft.
Total Parking	80	*Land Area*	162,080	sq. ft.
Covered	0	*Units per acre*	53	

CalHFA Acq/Rehab Financing	Amount	Rate	Term (Mths)
CalHFA Acq/Rehab Financing	$14,725,000	4.15%	10

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	**$10,360,000**	**5.80%**	**20**
CalHFA Bridge Loan	**$0**	**0.00%**	**0**
CalHFA Second Mortgage	**$0**	**0.00%**	**0**
Source 2	$0	0.00%	0
Source 3	$0	0.00%	0
Source 4	$0	0.00%	0
Source 5	$0	0.00%	0
Source 6	$0	0.00%	0
Source 7	$0	0.00%	0
Source 8	$0	0.00%	0
Source 9	$0	0.00%	0
Seller's Replacement Reserves (held by CalHFA)	$1,258,429	0.00%	0
Residual Receipts Reserve (held by CalHFA)	$4,579,433	0.00%	0
AHP Loan	$0	0.00%	0
Income during Construction			
Developer Contribution	$0		
Deferred Developer Fee	$0		
Tax Credit Equity	$6,261,241		

Construction Valuation		Appraisal		Value Upon Completion	
Investment Value	$19,775,000	**Appraisal Date:**	**3/24/04**	**Restricted Value:**	$13,175,000
Loan / Cost	69%	**Cap Rate:**	**7.25%**	**Perm. Loan / Cost**	45%
Loan / Value	74%			**Perm. Loan / Value**	79%

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	**Amount**	**Required Reserves**	**Amount**
CalHFA Construction Loan Fee	$147,250	Other Reserve	$0
CalHFA Permanent Loan Fees	$51,800	Replacement Resv. Initial Deposit	$199,000
Other Fee	$0	Repl. Reserve - Per Unit/ Per Yr	$543
Construction Loan - Guarantees and Fees		CalHFA Operating Expense Reserve	$458,568
Completion Guarantee Fee	$2,292,000	Rent Up Reserve	$0
Contractors Payment Bond	$2,292,000	Construction Defects Reserve	$7,700
Contractors Performance Bond	$2,292,000	Transitional Operating Reserve	$712,500

Date: 3/9/2005 **Senior Staff Date:** 3/2/2005

UNIT MIX AND RENT SUMMARY — Flower Park Plaza

04-007-A/S

Total Unit Mix

# of Units	Unit Type	# of Baths	Average Sq. Ft.
51	Studio	1	
147	1 Bedroom Flat	1	
1	2 Bedroom Flat	1	
	2 Bedroom Townhome	2	
	3 Bedroom Townhome	2	
	4 Bedroom Townhome	2.5	
199			

Number of Regulated Units By Agency

Agency	35%	45%	50%	60%	80%
CalHFA			40		
Tax Credits				199	
Locality					
HCD					
AHP					
Zoning					
Other					

Restricted Rents Compared to Average Market Rents

Median Income Rent Levels	Units Restricted	Restricted Rents	Section 8 Rents	Avg. Market Rents	Dollars Difference	% of Market
STUDIO			$825	$919		
35%	0	$0			$0	0%
45%	0	$0			$0	0%
50%	25	$640			$279	70%
60%	26	$749			$170	82%
80%	0	$0			$0	0%
One Bedroom*			$882	$944		
35%	0	$0			$0	0%
45%	0	$0			$0	0%
50%	74	$685			$259	73%
60%	73	$775			$169	82%
80%	0	$0			$0	0%
Two Bedroom			N/A	N/A		
35%	0	$0			$0	0%
45%	0	$0			$0	0%
50%	0	$0			$0	0%
60%	0	$0			$0	0%
80%	0	$0			$0	0%

* manager's unit not in mix

Sources and Uses of Funds — Flower Park Plaza

04-007-A/S

Final Commitment

SOURCES OF FUNDS:	Funds in during Construction ($)	Funds in at Permanent ($)	Total Development Sources: Total Sources of Funds ($)	Sources per Unit	%
CalHFA Acq/Rehab Financing	14,725,000				
Construction Only Source 2	-				
Construction Only Source 3	-				
CalHFA First Mortgage		10,360,000	10,360,000	52,060	45%
CalHFA Second Mortgage		-	-	-	0%
Source 2		-	-	-	0%
Source 3		-	-	-	0%
Source 4		-	-	-	0%
Source 5		-	-	-	0%
Source 6		-	-	-	0%
Source 7		-	-	-	0%
Source 8		-	-	-	0%
Source 9		-	-	-	0%
Seller's Replacement Reserves (held by CalHF	1,258,429	-	1,258,429	6,324	5%
Residual Receipts Reserve (held by CalHFA)	4,579,433	-	4,579,433	23,012	20%
AHP Loan	-	-	-	-	0%
Income during Construction	-	-	-	-	0%
Developer Contribution	-	-	-	-	0%
Deferred Developer Fee	-	-	-	-	0%
Tax Credit Equity	630,616	6,261,241	6,891,857	34,632	30%
Total Sources	21,193,478	16,621,241	23,089,719	116,615	100%
(Gap)/Surplus	-	0	0		

USES OF FUNDS:	Construction ($)	Permanent ($)	Total Development Costs: Total Uses of Funds ($)	Cost per Unit	%
LOAN PAYOFFS & ROLLOVERS					
Construction Loan payoffs		**$14,725,000**			
ACQUISITION					
Lesser of Land Cost or Value	1,300,000	-	1,300,000	6,533	6%
Demolition	-	-	-	-	0%
Legal - Acquisition Related Fees	-	-	-	-	0%
Subtotal - Land Cost / Value	1,300,000	-	1,300,000		
Existing Improvements Value	13,225,000	-	13,225,000	66,457	57%
Off-Site Improvements	-	-	-	-	0%
Prepayment Penalty	360,000	-	360,000	1,809	2%
Total Acquisition	**14,885,000**	**-**	**14,885,000**	**74,799**	**64%**
REHABILITATION					
Site Work	-	-	-	-	0%
Rehab to Structures	3,080,110	-	3,080,110	15,478	13%
General Requirements	271,530	-	271,530	1,364	1%
Contractors Overhead	67,885	-	67,885	341	0%
Contractors Profit	135,765	-	135,765	682	1%
Contractor's Bond	7,000	-	7,000	35	0%
General Liability Insurance	-	-	-	-	0%
Environmental Mitigation Expense	-	-	-	-	0%
Prevailing Wage/Davis Bacon Prem.	-	-	-	-	0%
Other	-	-	-	-	0%
Total Rehabilitation	**3,562,290**	**-**	**3,562,290**	**17,901**	**15%**
RELOCATION EXPENSES					
Relocation Expense	-	-	-	-	0%
Relocation Compliance Monitoring	-	-	-	-	0%
Total Relocation	**-**	**-**	**-**	**-**	**0%**

(Continued on Next 2 Pages)

USES OF FUNDS (Cont'd):	Construction ($)	Permanent ($)	Total Development Costs		
			Total Uses of Funds ($)	Cost per Unit per Unit	%
NEW CONSTRUCTION					
Site Work	-	-	-	-	0%
Structures (Hard Costs)	-	-	-	-	0%
General Requirements	-	-	-	-	0%
Contractors Overhead	-	-	-	-	0%
Contractors Profit	-	-	-	-	0%
Contractor's Bond	-	-	-	-	0%
General Liability Insurance	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total New Construction	**-**	**-**	**-**	**-**	**0%**
ARCHITECTURAL & ENGINEERING					
Architectural Design	112,000	-	112,000	563	0%
Architect's Supv during Construction	16,800	-	16,800	84	0%
Total Architectural	**128,800**	**-**	**128,800**	**647**	**1%**
Engineering Expense	-	-	-	-	0%
Engineers Supv. during Construction	-	-	-	-	0%
ALTA Survey	7,000	-	7,000	35	0%
Total Engineering & Survey	**7,000**	**-**	**7,000**	**35**	**0%**
CONSTRUCTION LOAN COSTS					
Construction Loan Interest	164,450		164,450	826	1%
CalHFA Construction Loan Fee	147,250		147,250	740	1%
Other Construction Loan Fees	-		-	-	0%
Construction Lender Legal Fees	-		-	-	0%
Other Lender Req'd Legal Fees	-		-	-	0%
Title and Recording fees	15,000		15,000	75	0%
CalHFA Req'd Inspection Fees	15,000		15,000	75	0%
Bank Req'd Inspection Fees	-		-	-	0%
Prevailing Wage Monitoring Expense	-		-	-	0%
Taxes & Insurance during construction	45,000		45,000	226	0%
Predevelopment Interest	-		-	-	0%
Other	-		-	-	0%
Other	-		-	-	0%
Total Construction Loan Expense	**386,700**	**-**	**386,700**	**1,943**	**2%**
PERMANENT LOAN COSTS					
CalHFA Perm Loan Fees	51,800	-	51,800	260	0%
CalHFA Bridge Loan Fees	-	-	-	-	0%
CalHFA Loan Application Fee	500	-	500	3	0%
Other Lender Perm. Loan Fees	-	-	-	-	0%
Title and Recording	-	-	-	-	0%
Perm. Bridge Loan Interest Expense	-	-	-	-	0%
Bond Origination Guarantee Fee	-	-	-	-	0%
Bond Issuance Costs	600	-	600	3	0%
Other	-	-	-	-	0%
Total Permanent Loan Expense	**52,900**	**-**	**52,900**	**266**	**0%**
LEGAL FEES					
Borrower Legal Fee	10,000	-	10,000	50	0%
Organization and Syndication	15,000	-	15,000	75	0%
Total Attorney Expense	**25,000**	**-**	**25,000**	**126**	**0%**

USES OF FUNDS (Cont'd):	Construction ($)	Permanent ($)	Total Development Costs Permanent of Funds ($)	Per Unit per Unit	%
CONTRACT / REPORT COSTS					
Appraisal	21,000	-	21,000	106	0%
Market Study	5,000	-	5,000	25	0%
Physical Needs Assessment	16,750	-	16,750	84	0%
HUD Risk Share Environ. Review	-	-	-	-	0%
CalHFA EQ Waiver Seismic Review Fee	-	-	-	-	0%
Environmental Phase I / II Reports	16,000	-	16,000	80	0%
Soils / Geotech Reports	-	-	-	-	0%
Asbestos / Lead-based Paint Report	-	-	-	-	0%
Noise/Acoustical/Traffic Study Report	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Contract Costs	**58,750**	**-**	**58,750**	**295**	**0%**
CONTINGENCY					
Hard Cost Contingency	475,179	-	475,179	2,388	2%
Soft Cost Contingency	35,913	-	35,913	180	0%
Total Contingency	**511,092**	**-**	**511,092**	**2,568**	**2%**
RESERVES					
CalHFA Operating Expense Reserve	-	458,568	458,568	2,304	2%
Construction Defects Reserve	-	-	-	-	0%
Replacement Resv. Initial Deposit	-	199,000	199,000	1,000	1%
Other	-	-	-	-	0%
Tranisitional Operating Reserve	-	-	-	-	0%
Total Reserves	**-**	**657,568**	**657,568**	**3,304**	**3%**
OTHER					
CTCAC App/Alloc/Monitor Fees	90,219	-	90,219	453	0%
Local Permit Fees	19,900	-	19,900	100	0%
Local Development Impact Fees	-	-	-	-	0%
Other Local Fees	-	-	-	-	0%
Advertising & Marketing Expenses	5,000	-	5,000	25	0%
1st Year Taxes & Insurance	-	-	-	-	0%
Furnishings	57,000	-	57,000	286	0%
Final Cost Audit Expense	7,500	-	7,500	38	0%
Miscellaneous Admin Fees	-	-	-	-	0%
Insurance	45,000	-	45,000	226	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Other Expenses	**224,619**	**-**	**224,619**	**1,129**	**1%**
SUBTOTAL PROJECT COSTS	**19,842,151**	**15,382,568**	**20,499,719**	**103,014**	**89%**
DEVELOPER COSTS					
Developer Overhead/Profit (5% Acq.)	-	-	-	-	0%
Developer Overhead/Profit (NC/Rehab)	1,261,327	1,238,673	2,500,000	12,563	11%
Consultant / Processing Agent	-	-	-	-	0%
Project Administration	-	-	-	-	0%
Broker Fees to a related party	-	-	-	-	0%
Construction Mgmt. Oversight	90,000	-	90,000	452	0%
Other	-	-	-	-	0%
Total Developer Fee / Costs	**1,351,327**	**1,238,673**	**2,590,000**	**13,015**	**11%**
Total Costs	**21,193,478**	**16,621,241**	**23,089,719**	**116,615**	**100%**

Annual Operating Budget — Flower Park Plaza

Final Commitment

INCOME:	$ Amount	Per Unit	% of Total
Total Rental Income	$2,272,320	$11,419	99.37%
Laundry	$14,487	$73	0.63%
Other Income	$0	$0	0.00%
Gross Potential Income (GPI)	**$2,286,807**	**$11,491**	100.00%
Less:			
Vacancy Loss	$103,151	$518	4.72%
Effective Gross Income	**$2,183,656**	**$10,973**	

EXPENSES:	Total Cost	Per Unit	% of Total
Payroll	$269,000	$1,352	24.68%
Administrative	$91,578	$460	8.40%
Management fee	$109,848	$552	10.08%
Utilities	$175,830	$884	16.13%
Operating and Maintenance	$252,716	$1,270	23.19%
Insurance and Business Taxes	$68,895	$346	6.32%
Locality Compliance Monitoring Fee	$0	$0	0.00%
Other	$0	$0	0.00%
Subtotal Expenses	**$967,867**	$4,864	88.80%
Replacement Reserves	$108,057	$543	9.91%
Taxes & Assessments	$14,000	$70	1.28%
Total Expenses	$1,089,924	$5,477	100.00%
Financial Expenses			
CalHFA First Mortgage	$876,383	$4,404	
CalHFA Second Mortgage	$0	$0	
Other Required Debt Service	$0	$0	
NET OPERATING INCOME	**$217,349**	**$1,092**	

Cash Flow | **Final Commitment** | **CalHFA Project Number: 04-007-A/S** | **Flower Park Plaza**

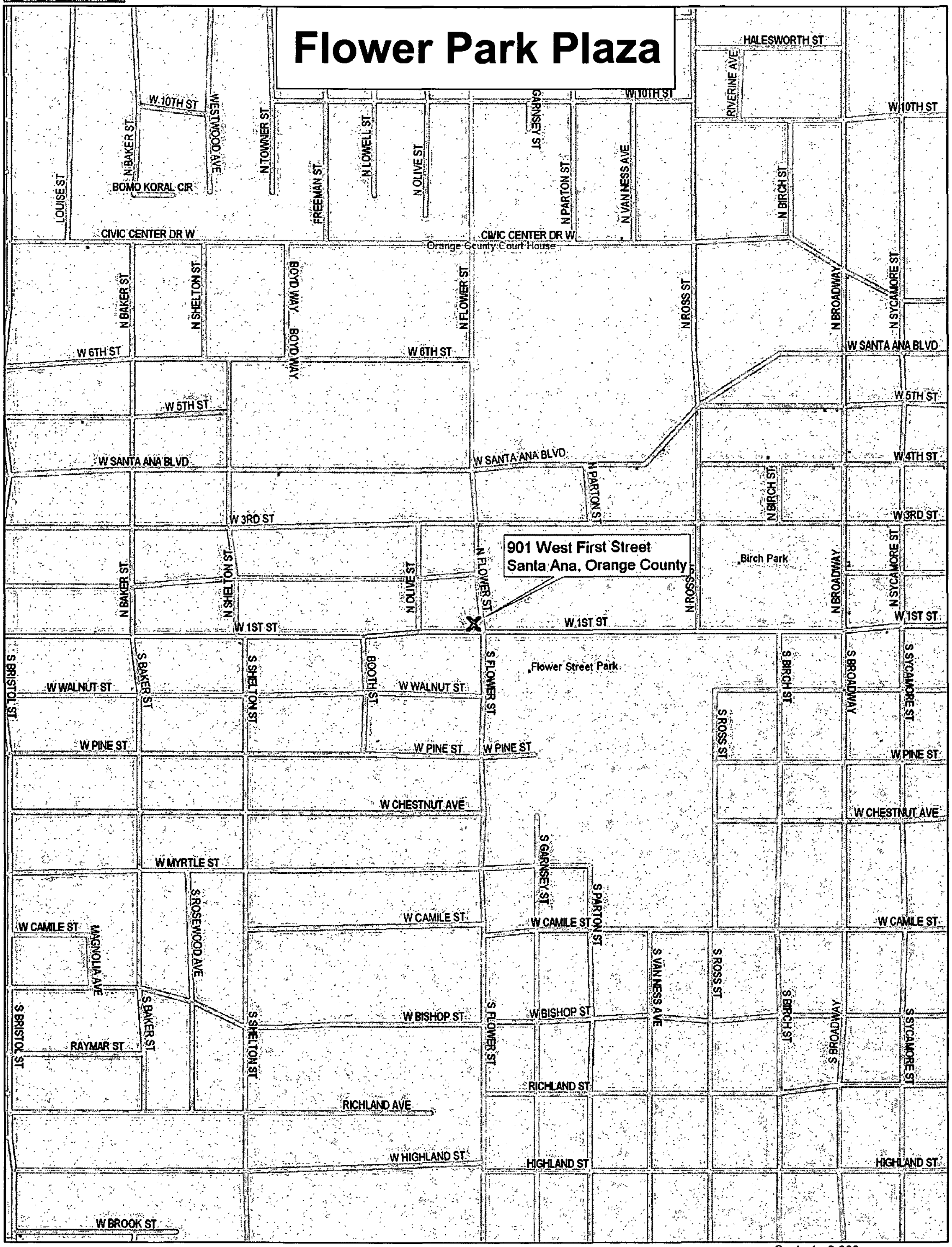
	Rehab-1 Yr.	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
RENTAL INCOME										
Affordable Rents	1,678,610	**1,712,868**	**1,747,125**	**1,782,068**	**1,817,709**	**1,854,063**	**1,891,145**	**1,928,968**	**1,967,547**	**2,006,898**
Affordable Rent Increase		*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Rental Subsidies	548,262	**559,452**	**570,641**	**582,054**	**593,695**	**605,569**	**617,680**	**630,034**	**642,634**	**655,487**
Rental Subsidy Increases		*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Unrestricted Units		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Unrestricted Unit Increases		*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
TOTAL RENTAL INCOME	2,226,872	**2,272,320**	**2,317,766**	**2,364,122**	**2,411,404**	**2,459,632**	**2,508,825**	**2,559,001**	**2,610,181**	**2,662,385**
OTHER INCOME										
Laundry	14,197	**14,487**	**14,777**	**15,072**	**15,374**	**15,681**	**15,995**	**16,315**	**16,641**	**16,974**
Other Income		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other Income Increase		*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
TOTAL OTHER INCOME	14,197	**14,487**	**14,777**	**15,072**	**15,374**	**15,681**	**15,995**	**16,315**	**16,641**	**16,974**
GROSS POTENTIAL INCOME	2,241,069	**2,286,807**	**2,332,543**	**2,379,194**	**2,426,778**	**2,475,314**	**2,524,820**	**2,575,316**	**2,626,823**	**2,679,359**
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	10%	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Rental Subsidy Income	10%	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Unrestricted Units		*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Laundry & Other Income	10%	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
LESS: VACANCY LOSS	224,107	**103,151**	**105,214**	**107,319**	**109,465**	**111,654**	**113,887**	**116,165**	**118,488**	**120,858**
EFFECTIVE GROSS INCOME	2,016,962	**2,183,656**	**2,227,329**	**2,271,876**	**2,317,313**	**2,363,659**	**2,410,933**	**2,459,151**	**2,508,334**	**2,558,501**
OPERATING EXPENSES										
Expenses	955,314	974,811	1,008,929	1,054,242	1,091,140	1,129,330	1,168,857	1,209,767	1,252,109	1,295,932
Annual Expense Increase		*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Taxes and Assessments	39,200	14,000	14,280	14,566	14,857	15,154	15,457	15,766	16,082	16,403
Annual Tax Increase		*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Replacement Reserve	0	108,057	108,057	108,057	108,057	108,057	108,057	113,460	113,460	113,460
Percentage Increase Yearly		*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*5.00%*	*0.00%*	*0.00%*	*0.00%*
TOTAL EXPENSES	994,514	**1,096,868**	**1,131,266**	**1,176,865**	**1,214,054**	**1,252,541**	**1,292,371**	**1,338,993**	**1,381,650**	**1,425,796**
NET OPERATING INCOME	1,022,448	**1,086,788**	**1,096,063**	**1,095,011**	**1,103,259**	**1,111,118**	**1,118,562**	**1,120,158**	**1,126,684**	**1,132,705**
DEBT SERVICE										
CalHFA - 1st Mortgage	684,713	876,383	876,383	876,383	876,383	876,383	876,383	876,383	876,383	876,383
CalHFA - Bridge Loan		0	0	0	0	0				
CalHFA - 2nd Mortgage		0	0	0	0	0	0	0	0	0
None		0	0	0	0	0	0	0	0	0
None		0	0	0	0	0	0	0	0	0
Cash flow after CalHFA debt service	**337,735**	**210,405**	**219,680**	**218,628**	**226,876**	**234,735**	**242,179**	**243,776**	**250,301**	**256,323**
DEBT COVERAGE RATIO	**1.49**	**1.24**	**1.25**	**1.25**	**1.26**	**1.27**	**1.28**	**1.28**	**1.29**	**1.29**
Cash Available for distribution	**0.00**	**210,405**	**219,680**	**218,628**	**226,876**	**234,735**	**242,179**	**243,776**	**250,301**	**256,323**
Transition Operating Reserve		**100,000**	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**	**12,500**	

Cash Flow		Final Commitment		CalHFA Project Number:				04-007-A/S	Flower Park Plaza	
RENTAL INCOME	Yr.	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
Affordable Rents	1,678,610	1,712,868	1,747,125	1,782,068	1,817,709	1,854,063	1,891,145	1,928,968	1,967,547	2,006,898
Affordable Rent Increase		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Rental Subsidies	548,262	559,452	570,641	582,054	593,695	605,569	617,680	630,034	642,634	655,487
Rental Subsidy Increases		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Unrestricted Units		0	0	0	0	0	0	0	0	0
Unrestricted Unit Increases		0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME	2,226,872	2,272,320	2,317,766	2,364,122	2,411,404	2,459,632	2,508,825	2,559,001	2,610,181	2,662,385
OTHER INCOME										
Laundry	14,197	14,487	14,777	15,072	15,374	15,681	15,995	16,315	16,641	16,974
Other Income		0	0	0	0	0	0	0	0	0
Other Income Increase		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL OTHER INCOME	14,197	14,487	14,777	15,072	15,374	15,681	15,995	16,315	16,641	16,974
GROSS POTENTIAL INCOME	2,241,069	2,286,807	2,332,543	2,379,194	2,426,778	2,475,314	2,524,820	2,575,316	2,626,823	2,679,359
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	10%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income	10%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Unrestricted Units		0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income	10%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	224,107	103,151	105,214	107,319	109,465	111,654	113,887	116,165	118,488	120,858
EFFECTIVE GROSS INCOME	2,016,962	2,183,656	2,227,329	2,271,876	2,317,313	2,363,659	2,410,933	2,459,151	2,508,334	2,558,501
OPERATING EXPENSES										
Expenses	955,314	974,811	1,008,929	1,054,242	1,091,140	1,129,330	1,168,857	1,209,767	1,252,109	1,295,932
Annual Expense Increase		3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Taxes and Assessments	39,200	14,000	14,280	14,566	14,857	15,154	15,457	15,766	16,082	16,403
Annual Tax Increase		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Replacement Reserve	0	108,057	108,057	108,057	108,057	108,057	108,057	113,460	113,460	113,460
Percentage Increase Yearly		0.00%	0.00%	0.00%	0.00%	0.00%	5.00%	0.00%	0.00%	0.00%
TOTAL EXPENSES	994,514	1,096,868	1,131,266	1,176,865	1,214,054	1,252,541	1,292,371	1,338,993	1,381,650	1,425,796
NET OPERATING INCOME	1,022,448	1,086,788	1,096,063	1,095,011	1,103,259	1,111,118	1,118,562	1,120,158	1,126,684	1,132,705
DEBT SERVICE										
CalHFA - 1st Mortgage		876,383	876,383	876,383	876,383	876,383	876,383	876,383	876,383	876,383
CalHFA - Bridge Loan		0	0	0	0	0				
CalHFA - 2nd Mortgage		0	0	0	0	0	0	0	0	0
None		0	0	0	0	0	0	0	0	0
None		0	0	0	0	0	0	0	0	0
Cash flow after CalHFA debt service		210,405	219,680	218,628	226,876	234,735	242,179	243,776	250,301	256,323
DEBT COVERAGE RATIO		1.24	1.25	1.25	1.26	1.27	1.28	1.28	1.29	1.29
Cash Available for distribution		210,405	219,680	218,628	226,876	234,735	242,179	243,776	250,301	256,323
Transition Operating Reserve		100,000	100,000	100,000	100,000	100,000	100,000	100,000	12,500	

Cash Flow	CalHFA Project Number: 04-007-A/S								Flower Park Plaza		
RENTAL INCOME	**Year 10**	**Year 11**	**Year 12**	**Year 13**	**Year 14**	**Year 15**	**Year 16**	**Year 17**	**Year 18**	**Year 19**	**Year 20**
Affordable Rents	**2,047,036**	**2,087,977**	**2,129,736**	**2,172,331**	**2,215,777**	**2,260,093**	**2,305,295**	**2,351,401**	**2,398,429**	**2,446,397**	**2,495,325**
Affordable Rent Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Rental Subsidies	**668,597**	**681,969**	**695,608**	**709,520**	**723,711**	**738,185**	**752,949**	**768,008**	**783,368**	**799,035**	**815,016**
Rental Subsidy Increases	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Unrestricted Units	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Unrestricted Unit Increases	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
TOTAL RENTAL INCOME	**2,715,633**	**2,769,945**	**2,825,344**	**2,881,851**	**2,939,488**	**2,998,278**	**3,058,244**	**3,119,408**	**3,181,797**	**3,245,433**	**3,310,341**
OTHER INCOME											
Laundry	**17,314**	**17,660**	**18,013**	**18,373**	**18,741**	**19,116**	**19,498**	**19,888**	**20,286**	**20,691**	**21,105**
Other Income	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other Income Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
TOTAL OTHER INCOME	**17,314**	**17,660**	**18,013**	**18,373**	**18,741**	**19,116**	**19,498**	**19,888**	**20,286**	**20,691**	**21,105**
GROSS POTENTIAL INCOME	**2,732,946**	**2,787,605**	**2,843,357**	**2,900,224**	**2,958,229**	**3,017,394**	**3,077,741**	**3,139,296**	**3,202,082**	**3,266,124**	**3,331,446**
VACANCY ASSUMPTIONS											
Affordable (Blended Average)	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Rental Subsidy Income	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Unrestricted Units	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Laundry & Other Income	*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	**123,275**	**125,741**	**128,256**	**130,821**	**133,437**	**136,106**	**138,828**	**141,605**	**144,437**	**147,325**	**150,272**
EFFECTIVE GROSS INCOME	**2,609,671**	**2,661,864**	**2,715,102**	**2,769,404**	**2,824,792**	**2,881,288**	**2,938,913**	**2,997,692**	**3,057,645**	**3,118,798**	**3,181,174**
OPERATING EXPENSES											
Expenses	1,341,290	1,388,235	1,436,824	1,487,112	1,539,161	1,593,032	1,648,788	1,706,496	1,766,223	1,828,041	1,892,022
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Taxes and Assessments	16,731	17,066	17,407	17,755	18,110	18,473	18,842	19,219	19,603	19,995	20,395
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%*
Replacement Reserve	113,460	113,460	119,133	119,133	119,133	119,133	119,133	125,089	125,089	125,089	125,089
Percentage Increase Yearly	*0.00%*	*5.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*5.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
TOTAL EXPENSES	**1,471,481**	**1,518,761**	**1,573,364**	**1,624,001**	**1,676,405**	**1,730,637**	**1,786,763**	**1,850,804**	**1,910,916**	**1,973,126**	**2,037,507**
NET OPERATING INCOME	**1,138,190**	**1,143,103**	**1,141,738**	**1,145,403**	**1,148,387**	**1,150,650**	**1,152,150**	**1,146,887**	**1,146,730**	**1,145,673**	**1,143,667**
DEBT SERVICE											
CalHFA - 1st Mortgage	876,383	876,383	876,383	876,383	876,383	876,383	876,383	876,383	876,383	876,383	876,383
CalHFA - Bridge Loan											
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0	0
Cash flow after CalHFA debt service	**261,807**	**266,721**	**265,355**	**269,020**	**272,005**	**274,267**	**275,768**	**270,505**	**270,347**	**269,290**	**267,285**
DEBT COVERAGE RATIO	**1.30**	**1.30**	**1.30**	**1.31**	**1.31**	**1.31**	**1.31**	**1.31**	**1.31**	**1.31**	**1.30**
Cash Available for distribution	**261,807**	**266,721**	**265,355**	**269,020**	**272,005**	**274,267**	**275,768**	**270,505**	**270,347**	**269,290**	**267,285**
Transition Operating Reserve											

DELORME

Street Atlas USA® 2004



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Scale 1 : 8,800

1" = 733.3 ft   Data Zoom 14-5

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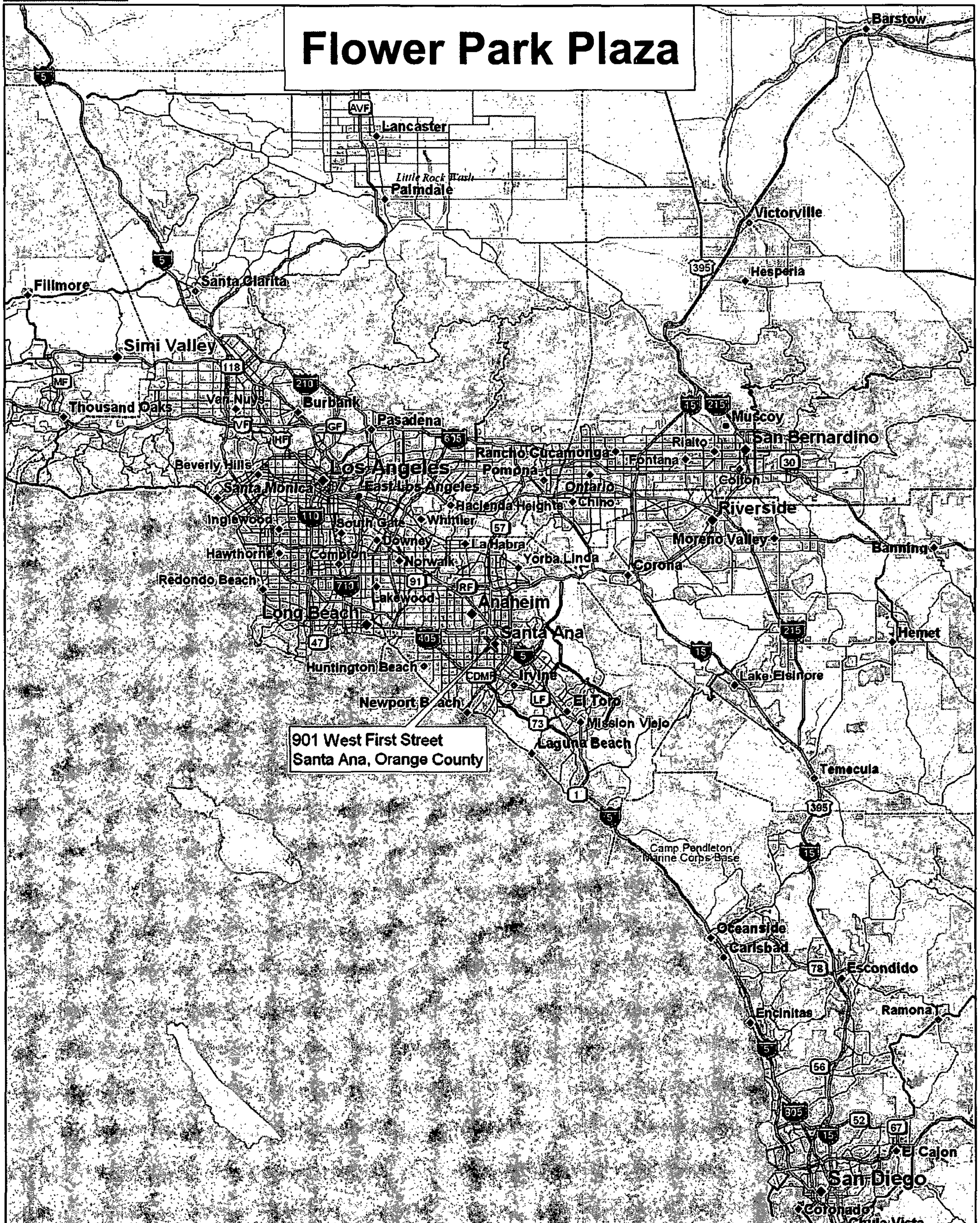
DELORME

Street Atlas USA® 2004

Flower Park Plaza



Scale 1 : 1,100,000

1" = 17.36 mi

Data Zoom 7-5

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RESOLUTION 05-10

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from CCHNC Flower Park Plaza Associates, a California limited partnership (the "Borrower"), seeking a loan commitment under the Agency's preservation acquisition program and a rehabilitation and permanent tax-exempt loan in the mortgage amount described herein, the proceeds of which are to be used to provide a permanent mortgage loan on a 199-unit multifamily housing development located in the City of Santa Ana to be known as Flower Park Plaza (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated March 2, 2005 (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 January 6, 2005, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

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

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNT
04-007-A/S	Flower Park Plaza Santa Ana/Orange	199	
	CalHFA Acquisition/Rehabilitation First Mortgage:		$14,725,000
	Permanent First Mortgage:		$10,360,000

Resolution 05-10
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 05-10 adopted at a duly constituted meeting of the Board of the Agency held on March 22, 2005, at Sacramento, California.

ATTEST: ______________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Hillview Glen
San Jose, Santa Clara County, CA
CalHFA # 05-003-A/N

SUMMARY

This is a final commitment request for taxable permanent loan financing in the amount of Eleven Million Eight Hundred Thousand Dollars ($11,800,000). Security for the loan will be the existing 138 unit family apartment complex owned by Hillview Glen Limited Partnership. The managing general partner is Eden Housing, Inc, A Nonprofit Housing Corporation. The administrative general partner is Pearl Avenue Joint Venture, A California Limited Partnership.

The project is located at 3230 Pearl Avenue in San Jose. The project was built in 1993 and was the first major low-income tax credit financed by the City of San Jose Department of Housing. The project does not have any HAP Section 8 project-based rents.

LOAN TERMS

Rehabilitation

First Mortgage	$11,800,000
Interest Rate	4.65%, variable
Term	24 months
Financing	Taxable

Permanent

First Mortgage	$11,800,000
Interest Rate	6.75%
Term	30 years fixed, fully amortized
Financing	Taxable

LOCALITY FINANCING

There is an existing loan from the City of San Jose Department of Housing totaling six million dollars ($6,000,000) that will be assumed by the existing partnership. The terms of the city loan are zero interest, fifty-five year term, with residual receipts payment.

BACKGROUND

The original sources of financing were equity from the sales of low-income housing tax credits totaling $6.1 million, gap financing from the City of San Jose Department of Housing totaling $6.0 million and permanent financing of $5.5 million by California Community Reinvestment Corporation ("CCRC"). The subject is also restricted by a regulatory agreement with CTCAC, and a Restatement of 55-Year Affordability Restriction document that runs with the land.

Several years after the project opened, some of the ground floor units began experiencing water intrusion that eventually lead to a mold problem. Related took the necessary legal steps to remedy the problem and settled with the contractor's insurance company to repair the units. It was determined the most efficient method of renovating the buildings was to relocate or move the current tenants, perform an expeditious renovation and re-lease the property.

Related's objective is to take the proceeds of the law-suit settlement, and along with proceeds from a new CalHFA permanent loan, pay off the original CCRC loan and renovate the complex.

PROJECT DESCRIPTION

Project Location

The subject is located in the southern San Jose, three-quarter mile east of the Almaden Expressway, a thoroughfare that provides easy access to both highway 87 and 82. It is less than one-half mile north of West Capitol Expressway, a major arterial running east and west and connecting to highway 82 and 87. The neighborhood is primarily commercial along main thoroughfares and multifamily residential with a limited amount of single family residential on smaller streets. The neighborhood boundaries are the Almaden Expressway and Almaden Road to the west, Monterrey Road to the east, West Alma Avenue to the north, and West Capitol Expressway to the south. The area includes five elementary schools within one mile of the subject, and six high schools within two miles of the subject.

Site

The site is approximately 241,322 square feet, or 5.54 acres, and is irregular in shape. The subject is zoned for A (PD), a Planned Development District. The A indicates agriculture land use. In 1992, the City of San Jose issued a Planned Development permit for the subject authorizing development of 24.8 units per acre. The General Plan designation is MHDR, Medium High Density Residential. This designation permits development of 12 to 25 dwelling units per acre. The subject is developed to a density of 24.91 units per acre. While many agriculture uses are permitted, any development must comply with the San Jose 2020 General Plan. According to the general plan, sites with this land use designation should be developed at the upper end of the permitted density range and are intended to support local transit. The city further encourages developers of large residential projects to address the need for child care facilities and services.

Improvements

The subject consists of 6 three-story buildings containing 138-units, community building, child care center, and four laundry rooms. The child care center is lease by Montessori. The capacity of the child care center is 40 students. The lease is $1,300 per month and the tenant pays taxes, utilities, and maintenance. The term of the lease is 10 years, with optional renewals of 10 year terms. There are 252 parking spaces and a swimming pool.

Each kitchen will be equipped with an electric stove/oven, refrigerator, disposal, dishwasher and non-vented fan. The kitchen cabinets will be plywood. The lighting fixtures will be florescent. New carpeting and vinyl flooring will be installed as needed. The bathrooms will contain an enamel tub with fiberglass shower surround, a toilet and vanity cabinet. Heating is provided through electric baseboard and electric wall heaters. Air conditioning is not provided in the units.

Relocation

Rehabilitation work at the project will take place over a 24 month period. The rehabilitation will commence immediately upon acquisition and residential improvements will be phased upon a building-by-building basis. During the past two years, the owner has not been renewing leases and attrition has gradually taken place. The project is currently vacant and the past tenants do not have relocation rights

Physical Needs Assessment/ Scope of Work

The developer plans on performing major rehabilitation. A partial list is as follows:

- Exterior Water Intrusion at Building Exteriors: Remove all siding from the breezeways; Repair or replace structurally damaged support beams; Replace damaged exterior drywall; Replace damaged shear panel plywood; Replace sheet metal flashing at beam pockets and siding; Replace wood decking material; Replace wooden stair enclosures; Install waterproof deck coating system; Repaint the exterior of the buildings; Install new retrofit windows at all openings; Repair roofs as needed.
- Interior Unit Rehab Scope: Replace all damaged drywall; Replace all kitchen and bathroom cabinets; Replace all plumbing fixtures and sinks; Repaint all interior walls; Replace all damaged wood trim such as doors, casings, and baseboards; Replace light fixtures; Replace door hardware; Replace carpet and vinyl flooring; Replace appliances as needed; Upgrade ventilation systems (install high performance output kitchen hoods, bathroom, and laundry room fans).
- Site related issues such as landscaping, drainage adjacent to buildings, and re-grading will be fixed.

MARKET

Market Overview

The Primary Market Area (PMA) is San Jose. The subject property is located in the southern quadrant of the Silicon Valley. Market conditions have been volatile during the past few years for Santa Clara County due to high unemployment and increasing housing vacancy rates. The past six months, however, reflect lower unemployment rates, increases in homeownership and a decrease in rental vacancy rates that indicate the market may be recovering. Furthermore, projections for 2010 and 2015 indicate moderate increases in both population and job growth.

Housing Demand and Supply

Rental vacancy rates have increased from 1.3% in 2000 to 6.0% in 2004 according to Real Facts' Market Overview for the fourth quarter of 2004. This increase in rental vacancy is due to the economic downturn of the early 2000's. While the increase is significant, the rate has decreased from a high of 6.6% at the conclusion of 2003. This decrease is likely due to gradual economic improvement and may also indicate that the rental market is approaching stabilization at lower rent levels.

The continued high cost of housing in the San Jose area has caused workers to pursue housing in smaller outlying cities. With more households in San Jose are in the lower income brackets compared to the rest of Santa Clara County and fewer households are in the top-tier income categories. Mean household income in San Jose lost ground relative to levels in Santa Clara County as a whole over the past decade. This trend is predicted to continue through 2015.

PROJECT FEASIBILITY

Estimated Lease-up Period

Rent-up is estimated at 23 units per month over a six month period to reach sustaining stabilized occupancy. Due to demand and existing waiting lists, the units should be leased within six months.

ENVIRONMENTAL

A Phase I Environmental Assessment report was completed by D & M Consulting Engineers, Inc. dated February 24, 2005. No adverse conditions were noted (mold contamination matters associated with the site structures were not a part of the subject scope).

Pearl Avenue Joint Venture has engaged RGA Environmental, Inc. to do an independent assessment of the moisture and mold damage at the project. RGA will coordinate abatement work during the rehabilitation phase and issue a final clearance report. CalHFA will require an Indemnification Agreement to protect the Agency. The Indemnification Agreement will be subject to CalHFA review and approval prior to acquisition of the property.

A seismic evaluation was completed on February 24, 2005 by URS and the project meets CalHFA standards.

DEVELOPMENT TEAM

Borrower

Hillview Glen Limited Partnership

The Hillview Glen project is to be undertaken jointly by Pearl Avenue Joint Venture, A California Limited Partnership, as the administrative general partner, and Eden Housing, Inc., a non-profit public benefit corporation as the managing general partner. The Related Residential Corporation of California is a general partner of Pearl Avenue Joint Venture, a California Limited Partnership. Related has fourteen year's of multi-family experience in California, and they have currently over 3,000 units of affordable housing under development in California. Eden Housing, Inc was originally founded in 1968 and has developed 4,500 units of affordable housing in communities throughout Northern California. Eden Housing also provides property management and residential services through two affiliates-Eden Housing Management, Inc. (EHMI) and Eden Housing Resident Services, Inc. (EHRSI). Through these independent nonprofit agencies, Eden provides extensive on-site property management, as well as free on-site resident programs and service coordination.

Management Agent

Related Management Company

Related Management Company, L.P. ("RMC") will manage the project in conjunction with Eden Housing. RMC currently manages 125 apartment complexes consisting of approximately 20,000+ units of housing. Developments are located in the states of New York, New Jersey, Connecticut, Pennsylvania, Illinois, Rhode Island, Georgia, Alabama, Florida, and California. Eden Housing, Inc. will be the social service provider.

Architect

Charles Perry & Associates

The firm is located in San Mateo, California. The firm is experienced in architectural design; feasibility studies and cost estimating of commercial and residential projects; production construction documents; project coordination and scheduling. The firm specializes in foundation failures and structural collapses, water intrusion, and rehabilitation of buildings.

Contractor

The borrower will solicit bids for the proposed rehabilitation based upon the final scope of work. Preliminary rehab costs were derived from Portrait Homes, Inc., and in-house estimates from The Related Companies of California.

Portrait Homes, Inc. was incorporated in 1989 and has built more than 2,000 apartments in California. The Chairman of the Board of Directors of Portrait Homes, Inc. is Thomas A. Day. The offices are located in Corona, California.

PROJECT SUMMARY

PROJECT NUMBER: 05-003-A/N

Final Commitment

Project:	**Hillview Glen**			
Location:	3220 Pearl Avenue	***Developer:***	**Related Capital Companies**	
City:	San Jose	***Partner:***	Same	
County:	Santa Clara	***Investor:***	Yet to be determined	
Zip Code:	95136			
		No. of Buildings:	6	
Project Type:	Existing	*No. of Stories:*	3	
Occupancy:	Family	*Residential Space*	129,738	sq. ft.
Total Units:	138	*Office Space*	0	sq. ft.
Style Units:	Walk-up	*Commercial Space*	2,295	sq. ft.
Elevators:	none	*Gross Area*	132,033	sq. ft.
Total Parking	252	*Land Area*	241,322	sq. ft.
Covered	0	*Units per acre*	25	

CalHFA Acquisition Financing	Amount	Rate	Term (Mths)
CalHFA Acquisition Financing	$11,800,000	4.65%	24

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	**$11,800,000**	**6.75%**	**30**
CalHFA Bridge Loan	**$0**	**0.00%**	**0**
CalHFA Second Mortgage	**$0**	**0.00%**	**0**
Insurance/Lawsuit Proceeds	$6,850,000	0.00%	0
Cashflow	$856,035	0.00%	0
Source 4	$0	0.00%	0
Source 5	$0	0.00%	0
Source 6	$0	0.00%	0
Source 7	$0	0.00%	0
Source 8	$0	0.00%	0
Source 9	$0	0.00%	0
Source 10	$0	0.00%	0
Source 11	$0	0.00%	0
Source 12	$0	0.00%	0
Income from Operations	$0		
Developer Contribution	$0		
Deferred Dev. Fee	$0		
Tax Credit Equity	$0		

Acquistion Valuation		Appraisal		Value Upon Completion	
Investment Value	$17,500,000	**Appraisal Date:**	**8-Feb-05**	**Restricted Value**	$10,500,000
Loan / Cost	62%	**Cap Rate:**	**7.00%**	**Perm. Loan / Cost**	60%
Loan / Value	67%			**Perm. Loan / Value**	112%

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	**Amount**	**Required Reserves**	**Amount**
CalHFA Acquisition Loan Fee	$118,000	Other Reserve	$0
CalHFA Permanent Loan Fees	$59,000	Replacement Resv. Initial Deposit	$138,000
Other Fee	$0	Repl. Reserve - Per Unit/ Per Yr	$350
Acquisition Loan - Guarantees and Fees		CalHFA Operating Expense Reserve	$170,516
Completion Guarantee Fee	$0	Rent Up Reserve	$0
Contractors Payment Bond	$0	Construction Inspection Fee	$12,000
Contractors Performance Bond	$0	Other Reserve	$0

Date: 3/9/2005 **Senior Staff Date:** 3/2/2005

UNIT MIX AND RENT SUMMARY — Hillview Glen

05-003-A/N

Total Unit Mix

# of Units	Unit Type	# of Baths	Average Sq. Ft.
30	1 Bedroom Flat	1	669
48	2 Bedroom Flat	1	881
	2 Bedroom Townhome	1.5	
	2 Bedroom Townhome	2	
60	3 Bedroom Townhome	2	1,123
	4 Bedroom Townhome	2.5	
138			

Number of Regulated Units By Agency

Agency	35%	45%	50%	60%	80%
CalHFA			28		
Tax Credits			124	13	
Locality			124	13	
HCD					
AHP					
Zoning					
Other					

Restricted Rents Compared to Average Market Rents

Median Income Rent Levels	Units Restricted	Restricted Rents	Avg. Market Rate Rents	Dollars Difference	% of Market
One Bedroom			$1,100		
35%	0	$0		$0	0%
45%	0	$0		$0	0%
50%	30	$864		$236	79%
60%	0	$0		$0	0%
80%	0	$0		$0	0%
Two Bedroom			$1,325		
35%	0	$0		$0	0%
45%	0	$0		$0	0%
50%	44	$1,026		$299	77%
60%	3	$1,192		$133	90%
80%	0	$0		$0	0%
Three Bedroom			$1,575		
35%	0	$0		$0	0%
45%	0	$0		$0	0%
50%	50	$1,172		$403	74%
60%	10	$1,421		$154	90%
80%	0	$0		$0	0%
Four Bedroom			$0		
35%	0	$0		$0	0%
45%	0	$0		$0	0%
50%	0	$0		$0	0%
60%	0	$0		$0	0%
80%	0	$0		$0	0%

Sources and Uses of Funds

Hillview Glen
05-003-A/N
Final Commitment

SOURCES OF FUNDS:	Funds in during Acquisition ($)	Funds in at Permanent ($)	Total Sources of Funds ($)	Sources per Unit	%
CalHFA Acquisition Financing	11,800,000				
Construction Only Source 2	-				
Construction Only Source 3	-				
CalHFA First Mortgage		11,800,000	11,800,000	85,507	60%
CalHFA Second Mortgage		-	-	-	0%
Insurance/Lawsuit Proceeds	6,850,000	-	6,850,000	49,638	35%
Cashflow	535,348	320,687	856,035	6,203	4%
Source 4	-	-	-	-	0%
Source 5	-	-	-	-	0%
Source 6	-	-	-	-	0%
Source 7	-	-	-	-	0%
Source 8	-	-	-	-	0%
Source 9	-	-	-	-	0%
Source 10	-	-	-	-	0%
Source 11	-	-	-	-	0%
Source 12	-	-	-	-	0%
Income from Operations	-	-	-	-	0%
Developer Contribution	-	-	-	-	0%
Deferred Developer Fee	-	-	-	-	0%
Tax Credit Equity	-	-	-	-	0%
Total Sources	19,185,348	12,120,687	19,506,035	141,348	100%
(Gap)/Surplus	-	0	0		

Total Development Sources (right-hand columns)

USES OF FUNDS:	Acquisition ($)	Permanent ($)	Total Uses of Funds ($)	Cost per Unit	%
LOAN PAYOFFS & ROLLOVERS					
Acquisition Loan payoffs		**$11,800,000**			
ACQUISITION					
Lesser of Land Cost or Value	-	-	-	-	0%
Demolition	400,000	-	400,000	2,899	2%
Legal - Acquisition Related Fees	-	-	-	-	0%
Subtotal - Land Cost / Value	400,000	-	400,000		
Existing Improvements Value	10,500,139	-	10,500,139	76,088	54%
Off-Site Improvements	-	-	-	-	0%
Other	-	-	-	-	0%
Total Acquisition	**10,900,139**	**-**	**10,900,139**	**78,987**	**56%**
REHABILITATION					
Site Work	-	-	-	-	0%
Rehab to Structures	5,602,547	-	5,602,547	40,598	29%
General Requirements	360,414	-	360,414	2,612	2%
Contractors Overhead	300,345	-	300,345	2,176	2%
Contractors Profit	180,207	-	180,207	1,306	1%
Contractor's Bond	68,479	-	68,479	496	0%
General Liability Insurance	-	-	-	-	0%
Environmental Mitigation Expense	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Rehabilitation	**6,511,992**	**-**	**6,511,992**	**47,188**	**33%**
RELOCATION EXPENSES					
Relocation Expense	150,000	-	150,000	1,087	1%
Relocation Compliance Monitoring	-	-	-	-	0%
Total Relocation	**150,000**	**-**	**150,000**	**1,087**	**1%**

Total Development Costs (right-hand columns)

(Continued on Next 2 Pages)

USES OF FUNDS (Cont'd):	Acquisition ($)	Permanent ($)	Total Development Costs Total Uses of Funds ($)	Cost per Unit per Unit	%
NEW CONSTRUCTION					
Site Work	-	-	-	-	0%
Structures (Hard Costs)	-	-	-	-	0%
General Requirements	-	-	-	-	0%
Contractors Overhead	-	-	-	-	0%
Contractors Profit	-	-	-	-	0%
Contractor's Perf. & Pymt Bond	-	-	-	-	0%
General Liability Insurance	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total New Construction	**-**	**-**	**-**	**-**	**0%**
ARCHITECTURAL & ENGINEERING					
Architectural Design	150,000	-	150,000	1,087	1%
Architect's Supv during Construction	50,000	-	50,000	362	0%
Total Architectural	**200,000**	**-**	**200,000**	**1,449**	**1%**
Engineering Expense	100,000	-	100,000	725	1%
Engineers Supv. during Construction	-	-	-	-	0%
ALTA Survey	6,000	-	6,000	43	0%
Total Engineering & Survey	**106,000**	**-**	**106,000**	**768**	**1%**
CONSTRUCTION LOAN COSTS					
Construction Loan Interest	-		-	-	0%
CalHFA Construction Loan Fee	118,000		118,000	855	1%
Other Construction Loan Fees	-		-	-	0%
CalHFA Outside Legal Counsel Fees	20,000		20,000	145	0%
Other Lender Req'd Legal Fees	-		-	-	0%
Title and Recording fees	25,000		25,000	181	0%
CalHFA Req'd Inspection Fees	12,000		12,000	87	0%
Other Req'd Inspection Fees	-		-	-	0%
Prevailing Wage Monitoring Expense	-		-	-	0%
Taxes & Insurance during construction	27,000		27,000	196	0%
Misc.	10,000		10,000	72	0%
Cost for Completion Guarantee	-		-	-	0%
Other	-		-	-	0%
Total Construction Loan Expense	**212,000**	**-**	**212,000**	**1,536**	**1%**
PERMANENT LOAN COSTS					
CalHFA Perm Loan Fees	59,000	-	59,000	428	0%
CalHFA Bridge Loan Fees	-	-	-	-	0%
CalHFA Loan Application Fee	500	-	500	4	0%
Other Lender Perm. Loan Fees	-	-	-	-	0%
Title and Recording	-	-	-	-	0%
Perm. Bridge Loan Interest Expense	-	-	-	-	0%
Bond Origination Guarantee Fee	-	-	-	-	0%
Tax Exempt Bond Allocation Fee	-	-	-	-	0%
Other	600	171	771	6	0%
Total Permanent Loan Expense	**60,100**	**171**	**60,271**	**437**	**0%**
LEGAL FEES					
Borrower Legal Fee	25,000	-	25,000	181	0%
Other	-	-	-	-	0%
Total Attorney Expense	**25,000**	**-**	**25,000**	**181**	**0%**

USES OF FUNDS (Cont'd):	Acquisition ($)	Permanent ($)	Total Development Costs Permanent of Funds ($)	Per Unit per Unit	%
CONTRACT / REPORT COSTS					
Appraisal	7,500	-	7,500	54	0%
Market Study	-	-	-	-	0%
Physical Needs Assessment	4,000	-	4,000	29	0%
HUD Risk Share Environ. Review	-	-	-	-	0%
CalHFA EQ Waiver Seismic Review Fee	-	-	-	-	0%
Environmental Phase I / II Reports	10,000	-	10,000	72	0%
Soils / Geotech Reports	5,000	-	5,000	36	0%
Asbestos / Lead-based Paint Report	12,000	-	12,000	87	0%
Noise/Acoustical/Traffic Study Report	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Contract Costs	**38,500**	**-**	**38,500**	**279**	**0%**
CONTINGENCY					
Hard Cost Contingency	345,817	-	345,817	2,506	2%
Soft Cost Contingency	50,000	-	50,000	362	0%
Total Contingency	**395,817**	**-**	**395,817**	**2,868**	**2%**
RESERVES					
CalHFA Operating Expense Reserve	-	170,516	170,516	1,236	1%
Replacement Resv. Initial Deposit	-	138,000	138,000	1,000	1%
Rent-Up Reserve	-	-	-	-	0%
Capitalized Investor Req'd Reserve	-	-	-	-	0%
Other	-	-	-	-	0%
Total Reserves	**-**	**308,516**	**308,516**	**2,236**	**2%**
OTHER					
CTCAC App/Alloc/Monitor Fees	-	-	-	-	0%
Local Permit Fees	75,000	-	75,000	543	0%
Local Development Impact Fees	-	-	-	-	0%
Other Local Fees	-	-	-	-	0%
Advertising & Marketing Expenses	75,000	-	75,000	543	0%
1st Year Taxes & Insurance	62,000	-	62,000	449	0%
Furnishings	50,000	-	50,000	362	0%
Final Cost Audit Expense		12,000	12,000	87	0%
Miscellaneous Admin Fees	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Other Expenses	**262,000**	**12,000**	**274,000**	**1,986**	**1%**
SUBTOTAL PROJECT COSTS	**18,861,548**	**12,120,687**	**19,182,235**	**139,002**	**98%**
DEVELOPER COSTS					
Developer Overhead/Profit (5% Acq.)	323,800	-	323,800	2,346	2%
Developer Overhead/Profit (NC/Rehab)	-	-	-	-	0%
Consultant / Processing Agent	-	-	-	-	0%
Project Administration	-	-	-	-	0%
Broker Fees to a related party	-	-	-	-	0%
Construction Mgmt. Oversight	-	-	-	-	0%
Other	-	-	-	-	0%
Total Developer Fee / Costs	**323,800**	**-**	**323,800**	**2,346**	**2%**
Total Costs	**19,185,348**	**12,120,687**	**19,506,035**	**142,380**	**100%**

Annual Operating Budget — Hillview Glen

Final Commitment

INCOME:	$ Amount	Per Unit	% of Total
Total Rental Income	$1,769,400	$12,822	98.58%
Laundry	$9,903	$72	0.55%
Other Income	$15,600	$113	0.87%
Gross Potential Income (GPI)	**$1,794,903**	**$13,007**	100.00%
Less:			
Vacancy Loss	$89,745	$650	5.26%
Effective Gross Income	**$1,705,158**	**$12,356**	

EXPENSES:	Total Cost	Per Unit	% of Total
Payroll	$169,389	$1,227	26.70%
Administrative	$62,233	$451	9.81%
Management fee	$85,258	$618	13.44%
Utilities	$60,627	$439	9.56%
Operating and Maintenance	$123,726	$897	19.50%
Insurance and Business Taxes	$59,858	$434	9.44%
Locality Compliance Monitoring Fee	$0	$0	0.00%
Other	$0	$0	0.00%
Subtotal Expenses	**$561,091**	$4,066	88.45%
Replacement Reserves	$48,300	$350	7.61%
Taxes & Assessments	$25,000	$181	3.94%
Total Expenses	$634,391	$4,597	100.00%
Financial Expenses			
CalHFA First Mortgage	$918,415	$6,655	
CalHFA Second Mortgage	$0	$0	
Other Required Debt Service	$0	$0	
NET OPERATING INCOME	**$152,352**	**$1,104**	

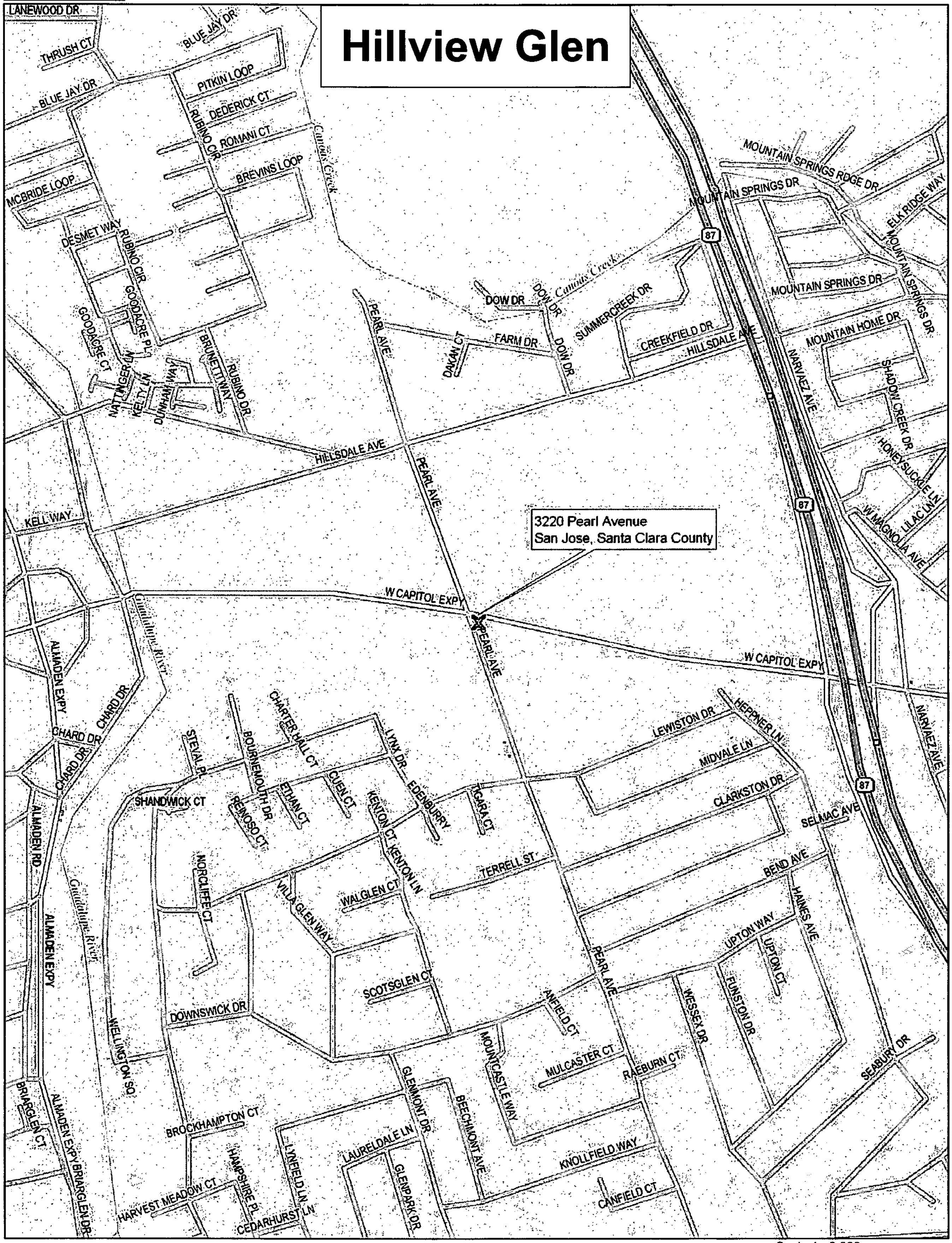
Cash Flow	Final Commitment					CalHFA Project Number: 05-003-A/N					Hillview Glen
RENTAL INCOME	Rehab-Yr 1	Rehab-Yr 2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
Affordable Rents	1,434,894	1,734,012	1,769,400	1,804,788	1,840,884	1,877,701	1,915,255	1,953,561	1,992,632	2,032,484	2,073,134
Affordable Rent Increase			2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Rental Subsidies			0	0	0	0	0	0	0	0	0
Rental Subsidy Increases			0%	0%	0%	0%	0%	0%	0%	0%	0%
Unrestricted Units			0	0	0	0	0	0	0	0	0
Unrestricted Unit Increases			0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME	1,434,894	1,734,012	1,769,400	1,804,788	1,840,884	1,877,701	1,915,255	1,953,561	1,992,632	2,032,484	2,073,134
OTHER INCOME											
Laundry	0		9,903	10,101	10,303	10,509	10,719	10,934	11,152	11,375	11,603
Day Care Lease			15,600	15,912	16,230	16,555	16,886	17,224	17,568	17,919	18,278
Other Income Increase			2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL OTHER INCOME	20,117	25,356	25,503	26,013	26,533	27,064	27,605	28,157	28,720	29,295	29,881
GROSS POTENTIAL INCOME	1,455,011	1,759,368	1,794,903	1,830,801	1,867,417	1,904,765	1,942,861	1,981,718	2,021,352	2,061,779	2,103,015
VACANCY ASSUMPTIONS											
Affordable (Blended Average)			5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income			0%	0%	0%	0%	0%	0%	0%	0%	0%
Unrestricted Units			0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income			5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	51,660	89,828	89,745	91,540	93,371	95,238	97,143	99,086	101,068	103,089	105,151
EFFECTIVE GROSS INCOME	1,403,351	1,669,540	1,705,158	1,739,261	1,774,046	1,809,527	1,845,718	1,882,632	1,920,285	1,958,690	1,997,864
OPERATING EXPENSES											
Expenses			561,091	580,729	601,054	622,091	643,864	666,400	689,724	713,864	738,849
Annual Expense Increase			3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Taxes and Assessments			25,000	25,500	26,010	26,530	27,061	27,602	28,154	28,717	29,291
Annual Tax Increase			2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Replacement Reserve			48,300	48,300	48,300	48,300	48,300	48,300	50,715	50,715	50,715
Percentage Increase Yearly			0.00%	0.00%	0.00%	0.00%	0.00%	5.00%	0.00%	0.00%	0.00%
TOTAL EXPENSES	493,892	622,668	634,391	654,529	675,364	696,921	719,225	742,302	768,593	793,296	818,856
NET OPERATING INCOME	909,459	1,046,872	1,070,767	1,084,732	1,098,682	1,112,606	1,126,492	1,140,330	1,151,692	1,165,394	1,179,008
DEBT SERVICE											
CalHFA - 1st Mortgage	548,700	548,700	918,415	918,415	918,415	918,415	918,415	918,415	918,415	918,415	918,415
CalHFA - Bridge Loan			0	0	0	0	0				
CalHFA - 2nd Mortgage			0	0	0	0	0	0	0	0	0
None			0	0	0	0	0	0	0	0	0
None			0	0	0	0	0	0	0	0	0
DEBT COVERAGE RATIO			1.17	1.18	1.20	1.21	1.23	1.24	1.25	1.27	1.28
Cash Available for distribution	360,759	498,172	152,352	166,317	180,267	194,191	208,077	221,915	233,277	246,979	260,593

Cash Flow | CalHFA Project Number: 05-003-A/N | Hillview Glen

RENTAL INCOME	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Affordable Rents	2,114,597	2,156,889	2,200,027	2,244,027	2,288,908	2,334,686	2,381,379	2,429,007	2,477,587	2,527,139	2,577,682
Affordable Rent Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Rental Subsidies	0	0	0	0	0	0	0	0	0	0	0
Rental Subsidy Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Unrestricted Units	0	0	0	0	0	0	0	0	0	0	0
Unrestricted Unit Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME	2,114,597	2,156,889	2,200,027	2,244,027	2,288,908	2,334,686	2,381,379	2,429,007	2,477,587	2,527,139	2,577,682
OTHER INCOME											
Laundry	11,835	12,072	12,313	12,559	12,810	13,067	13,328	13,595	13,866	14,144	14,427
Day Care Lease	18,643	19,016	19,397	19,785	20,180	20,584	20,996	21,415	21,844	22,281	22,726
Other Income Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL OTHER INCOME	30,478	31,088	31,710	32,344	32,991	33,651	34,324	35,010	35,710	36,424	37,153
GROSS POTENTIAL INCOME	2,145,075	2,187,977	2,231,736	2,276,371	2,321,898	2,368,336	2,415,703	2,464,017	2,513,297	2,563,563	2,614,835
VACANCY ASSUMPTIONS											
Affordable (Blended Average)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Unrestricted Units	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income	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	107,254	109,399	111,587	113,819	116,095	118,417	120,785	123,201	125,665	128,178	130,742
EFFECTIVE GROSS INCOME	2,037,821	2,078,578	2,120,149	2,162,552	2,205,803	2,249,919	2,294,918	2,340,816	2,387,632	2,435,385	2,484,093
OPERATING EXPENSES											
Expenses	764,709	791,474	819,175	847,846	877,521	908,234	940,023	972,923	1,006,976	1,042,220	1,078,697
Annual Expense Increase	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Taxes and Assessments	29,877	30,475	31,084	31,706	32,340	32,987	33,647	34,320	35,006	35,706	36,420
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%
Replacement Reserve	50,715	50,715	53,251	53,251	53,251	53,251	53,251	55,913	55,913	55,913	55,913
Percentage Increase Yearly	0.00%	5.00%	0.00%	0.00%	0.00%	0.00%	5.00%	0.00%	0.00%	0.00%	0.00%
TOTAL EXPENSES	845,301	872,664	903,510	932,803	963,112	994,472	1,026,920	1,063,156	1,097,895	1,133,839	1,171,031
NET OPERATING INCOME	1,192,520	1,205,914	1,216,639	1,229,749	1,242,691	1,255,447	1,267,998	1,277,660	1,289,738	1,301,546	1,313,062
DEBT SERVICE											
CalHFA - 1st Mortgage	918,415	918,415	918,415	918,415	918,415	918,415	918,415	918,415	918,415	918,415	918,415
CalHFA - Bridge Loan											
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0	0
DEBT COVERAGE RATIO	1.30	1.31	1.32	1.34	1.35	1.37	1.38	1.39	1.40	1.42	1.43
Cash Available for distribution	274,105	287,499	298,224	311,334	324,276	337,032	349,583	359,245	371,323	383,131	394,647

Cash Flow | CalHFA Project Number: 05-003-A/N | Hillview Glen

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Affordable Rents	2,629,235	2,681,820	2,735,456	2,790,166	2,845,969	2,902,888	2,960,946	3,020,165	3,080,568	3,142,180
Affordable Rent Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Rental Subsidies	0	0	0	0	0	0	0	0	0	0
Rental Subsidy Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Unrestricted Units	0	0	0	0	0	0	0	0	0	0
Unrestricted Unit Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME	2,629,235	2,681,820	2,735,456	2,790,166	2,845,969	2,902,888	2,960,946	3,020,165	3,080,568	3,142,180
OTHER INCOME										
Laundry	14,715	15,009	15,310	15,616	15,928	16,247	16,572	16,903	17,241	17,586
Day Care Lease	23,181	23,644	24,117	24,600	25,092	25,593	26,105	26,627	27,160	27,703
Other Income Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL OTHER INCOME	37,896	38,654	39,427	40,215	41,020	41,840	42,677	43,531	44,401	45,289
GROSS POTENTIAL INCOME	2,667,131	2,720,474	2,774,883	2,830,381	2,886,989	2,944,728	3,003,623	3,063,695	3,124,969	3,187,469
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Unrestricted Units	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	133,357	136,024	138,744	141,519	144,349	147,236	150,181	153,185	156,248	159,373
EFFECTIVE GROSS INCOME	2,533,775	2,584,450	2,636,139	2,688,862	2,742,639	2,797,492	2,853,442	2,910,511	2,968,721	3,028,095
OPERATING EXPENSES										
Expenses	1,116,452	1,155,528	1,195,971	1,237,830	1,281,154	1,325,995	1,372,404	1,420,439	1,470,154	1,521,609
Annual Expense Increase	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Taxes and Assessments	37,149	37,892	38,649	39,422	40,211	41,015	41,835	42,672	43,526	44,396
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Replacement Reserve	55,913	58,709	58,709	58,709	58,709	58,709	61,644	61,644	61,644	61,644
Percentage Increase Yearly	5.00%	0.00%	0.00%	0.00%	0.00%	5.00%	0.00%	0.00%	0.00%	0.00%
TOTAL EXPENSES	1,209,514	1,252,128	1,293,330	1,335,962	1,380,074	1,425,719	1,475,884	1,524,755	1,575,324	1,627,650
NET OPERATING INCOME	1,324,261	1,332,322	1,342,810	1,352,900	1,362,565	1,371,773	1,377,558	1,385,756	1,393,397	1,400,445
DEBT SERVICE										
CalHFA - 1st Mortgage	918,415	918,415	918,415	918,415	918,415	918,415	918,415	918,415	918,415	918,415
CalHFA - Bridge Loan										
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0
DEBT COVERAGE RATIO	1.44	1.45	1.46	1.47	1.48	1.49	1.50	1.51	1.52	1.52
Cash Available for distribution	405,846	413,907	424,395	434,485	444,150	453,358	459,143	467,341	474,982	482,031



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Scale 1 : 8,800

1" = 733.3 ft   Data Zoom 14-5

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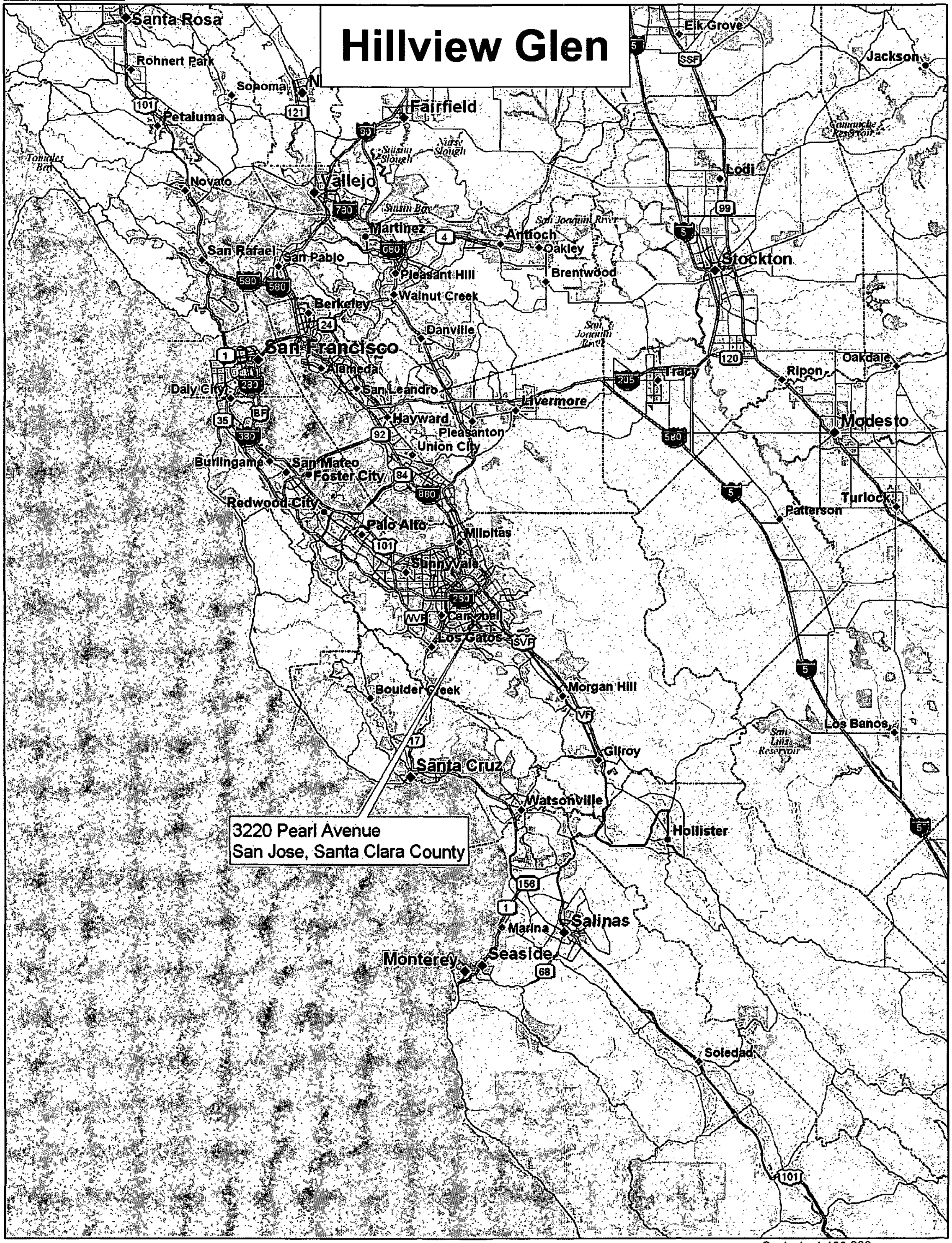
DELORME

Street Atlas USA® 2004



www.delorme.com

TN
MN (14.6°E)

Scale 1 : 1,100,000
1" = 17.36 mi
Data Zoom 7-5

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RESOLUTION 05-11

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from Hillview Glen Limited Partnership (the "Borrower"), seeking a loan commitment under the Agency's preservation acquisition program and a rehabilitation and permanent taxable loan in the mortgage amount described herein, the proceeds of which are to be used to provide a permanent mortgage loan on a 138-unit multifamily housing development located in the City of San Jose to be known as Hillview Glen (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated March 2, 2005 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

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

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNT
05-003-N	Hillview Glen San Jose/Santa Clara	138	
		CalHFA Rehabilitation First Mortgage:	$11,800,000
		Permanent First Mortgage:	$11,800,000

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

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

I hereby certify that this is a true and correct copy of Resolution 05-11 adopted at a duly constituted meeting of the Board of the Agency held on March 22, 2005, at Sacramento, California.

ATTEST: ______________________
Secretary

State of California

MEMORANDUM

To: **Board of Directors** **Date:** March 8, 2005

From: Tom Hughes, General Counsel
CALIFORNIA HOUSING FINANCE AGENCY

Subject: Agenda Item 6-Updates to CalHFA's Conflict of Interest Code (Resolution 05-13)

California's Political Reform Act of 1974 (the "Act") requires that each state agency enact by regulation a conflict of interest code pursuant to standards set forth in the Act. CalHFA has enacted such regulations, at Title 2, Code of California Regulations, sections 10001, et seq. The Act further requires that those regulations be updated periodically. The draft regulations presented to the Board are intended to be such an update.

The Agency's conflict of interest code (the "Code") designates personnel positions within the Agency which are required to annually file a Statement of Economic Interests (Form 700). The Code also specifies the types of business interests or sources of incomes that must be reported.

The types of positions within the Agency which are required to file the Form 700 are generally Board positions, management positions, and consultants. In addition, employees holding staff positions which directly interact with and influence those decision makers are also covered by the Code. As personnel classifications and titles change over time, the Code must be updated to accurately reflect the nature of those changes. The amended Code presented here updates the provisions of the code by deleting references to staff positions which no longer exist, and by adding new positions. In addition, Agency staff has reviewed the job duties of existing positions specified in the current Code, and have determined that some positions which previously have been required to file disclosures actually do not meet the threshold requirements under the Act, and have consequently been removed from the Code in order to insure compliance with State law. In other cases, the applicable disclosure categories of some filers have been changed to better reflect their specific duties.

In addition, the proposed amendments make some clarifications as the types of business entities in which investments or sources of income must be reported. Although financial service firms and investment banks have been viewed as being included within the generic definition of "financial" entity currently contained in disclosure category 2, the amendment makes that explicit. The definition adds "information technology companies" to this category as well. Finally, the existing definition includes firms which provide services, or "plan to" provide services. The amendment modifies this definition to include firms which are soliciting, or which plan to solicit, contracts or other business from the Agency. Category 3 has also been amended to clarify that it applies to entities that contract with, "or otherwise do business with" the Agency.

All of the proposed amendments will be subject to review and approval by the FPPC.

Title 25, Division 2, Chapter 1, Article 1, § 10001 of the California Code of Regulations shall be amended to read as follows:

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§ 10001. General Provisions.

The Political Reform Act, Government Code sections 81000, et seq., requires state and local government agencies to adopt and promulgate Conflict of Interest Codes. The Fair Political Practices Commission has adopted a regulation, 2 California Code of Regulations section 18730, which contains the terms of a standard Conflict of Interest Code, which can be incorporated by reference, and which may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act after public notice and hearings. Therefore, the terms of 2 California Code of Regulations section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission, along with the attached Appendix in which officials and employees are designated and disclosure categories are set forth, are hereby incorporated by reference and constitute the Conflict of Interest Code of the California Housing Finance Agency (the Agency).

Designated employees shall file statements of economic interests with the ~~agency~~ Agency, ~~who~~ which will make the statements available for public inspection and reproduction. (Govt. Code Section 81008). Upon receipt of the statements of Board Members and the Executive Director, the ~~agency~~ Agency shall make and retain a copy and forward the original of these statements to the Fair Political Practices Commission. Statements for all other designated employees will be retained by the ~~agency~~ Agency.

Note: Authority cited: Sections 87300 and 87304, Government Code. Reference: Sections 87300, et seq., Government Code.

History

1. Repealer of chapter 1 (article 1, sections 10001-10006) and new chapter 1 (article 1,sections 10001-10011) filed 8-12-77; effective thirtieth day thereafter. Approved by Fair Political Practices Commission 4-20-77 (Register 77, No. 37). For prior history, see Registers 75, No. 49; and 76, No. 20.

2. Repealer of article 1 (sections 10001-10011 and Exhibits A and B) and new article 1 (section 10001 and Appendix) filed 2-26-81; effective thirtieth day thereafter. Approved by Fair Political Practices Commission 12-1-80 (Register 81, No. 9).

3. Amendment of Appendix filed 6-14-84; effective thirtieth day thereafter. Approved by Fair Political Practices Commission 5-7-84 (Register 84, No. 24).

4. Amendment of Appendix refiled 10-4-84; effective thirtieth day thereafter. Approved by Fair Political Practices Commission 5-7-84 (Register 84, No. 40).

5. Amendment of section 10001 and Appendix filed 1-30-91; operative 3-1-91. Approved by Fair Political Practices Commission 12-6-90 (Register 91, No. 14).

6. Amendment of section and Appendix filed 4-18-96; operative 5-18-96. Approved by Fair Political Practices Commission 2-8-96 (Register 96, No. 16).

Title 25, Division 2, Chapter 1, Article 1, § 10001 of the California Code of Regulations shall be amended to read as follows:

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7. Amendment of section and Appendix filed 7-28-97; operative 8-27-97. Approved by Fair Political Practices Commission 6-4-97 (Register 97, No. 31).

Conflict of Interest Code of the
California Housing Finance Agency

Appendix

Designated Employees	*Assigned Disclosure* Category
Persons holding the following positions and/or the following classifications are "designated employees":	
Board of Directors	
Board Members (All members of the Board other than the State Treasurer)	1, 2, 3
Executive ~~Director~~	
Executive Director	1, 2, 3
Chief Deputy Director	1, 2, 3
~~Legislative Coordinator~~ Director of Legislation	1, 2, 3
Administration	
~~Director, Administration~~ Director of Administration	1, 2, 3
~~Data Processing Manager II~~	~~1, 2, 3~~
~~Systems Software Specialist I~~	~~1, 2, 3~~
~~Staff Programmer Analyst~~	~~1, 2, 3~~
~~Associate Programmer Analyst~~	~~1, 2, 3~~
Chief of Administrative Services	1, 2, 3
Staff Services Manager I (Business Services)	3
Business Services Officer	~~1, 2,~~ 3
Information Technology	
Chief Information Officer	2, 3
Staff Information Systems Analyst (Specialist)	3
Marketing	
Director of Marketing (Staff Services Manager III)	1, 2, 3
~~Assistant Director of Marketing~~	~~1, 2, 3~~
~~Assistant for Marketing and Communications~~	~~1, 2, 3~~

Title 25, Division 2, Chapter 1, Article 1, § 10001 of the California Code of Regulations shall be amended to read as follows:

Legal
General Counsel 1, 2, 3
Staff Counsel IV 1, 2, 3
Staff Counsel III 1, 2, 3
Staff Counsel 1, 2, 3

Financing
Director of Financing 1, 2, 3
Risk Manager 1, 2, 3
Housing Finance Chief (Financing) 1, 2, 3
Financing Officer 1, 2, 3
~~Financial Specialist~~ Financing Specialist 1, 2, 3
~~Financing Associate . . . . . 1, 2, 3~~

Fiscal Services
Comptroller 1, 2, 3
~~Mortgage Loan Accounting Administrator . . . . . 1, 2, 3~~
~~Loan Servicing Manager . . . . . 1, 2, 3~~
Accounting Administrator III 1, 2, 3
Accounting Administrator II 3
Housing Finance Officer (Single Family) 1, 2, 3
Housing Finance Specialist (Single Family) 1, 2, 3

~~*Programs*~~
~~Director of Programs . . . . . 1, 2, 3~~
~~Deputy Program Director (Rental)[1] . . . . . 1, 2, 3~~
~~Housing Finance Chief (Rental, Single Family, Management Services)[1] . . . . . 1, 2, 3~~
~~Supervising Design Officer[1] . . . . . 1, 2, 3~~
~~Supervising Estimator[1] . . . . . 1, 2, 3~~
~~Housing Finance Officer (Rental, Single Family, and Management Services . . . . . 1, 2, 3~~
~~Senior Design Officer . . . . . 1, 2, 3~~
~~Senior Estimator . . . . . 1, 2, 3~~
~~Associate Design Officer . . . . . 1, 2, 3~~
~~Senior Housing Construction Inspector . . . . . 1, 2, 3~~
~~Housing Construction Inspector . . . . . 1, 2, 3~~
~~Housing Maintenance Inspector . . . . . 1, 2, 3~~
~~Housing Finance Specialist (Rental, Single Family, Management Services, and General)[1] . . . . . 1, 2, 3~~
~~Housing Finance Associate (Rental, Single Family, Management Services, and General)[1] . . . . . 1, 2, 3~~
~~Policy and New Product Development Administrator . . . . . 1, 2, 3~~

Homeownership
Director of Homeownership 1, 2, 3
Deputy Program Director (Rental) 1, 2, 3
Housing Finance Chief (Single Family) 1, 2, 3
Housing Finance Officer (Single Family) 1, 2, 3
Housing Finance Specialist (Single Family) 1, 2, 3

Title 25, Division 2, Chapter 1, Article 1, § 10001 of the California Code of Regulations shall be amended to read as follows:

Multifamily

Director of Multifamily	1, 2, 3
Deputy Program Director (Rental)	1, 2, 3
Housing Finance Chief (Rental, Construction Services)	1, 2, 3
Supervising Design Officer	1, 2, 3
Senior Design Officer	1, 2, 3
Senior Estimator	1, 2, 3
Senior Housing Construction Inspector	1, 2, 3
Housing Construction Inspector	1, 2, 3
Housing Finance Officer (Rental, Construction Services)	1, 2, 3
Housing Finance Specialist (Rental, Construction Services)	1, 2, 3
Chief, Special Lending Programs (CEA II)	1, 2, 3

Asset Management

Director of Asset Management	1, 2, 3
Housing Finance Chief (Management Services)	1, 2, 3
Housing Finance Officer (Management Services)	1, 2, 3
Housing Finance Specialist (Management Services)	1, 2, 3
Housing Maintenance Inspector	1, 2, 3

~~Insurance Fund~~ Mortgage Insurance Services

Director of Insurance	1, 2, 3
~~Mortgage Insurance Officer~~	~~1, 2, 3~~
~~Mortgage Insurance Specialist~~	~~1, 2, 3~~
~~Mortgage Insurance Supervisor~~	~~1, 2, 3~~
~~Mortgage Insurance Representative II~~	~~1, 2, 3~~
~~Mortgage Insurance Representative I~~	~~1, 2, 3~~
~~Mortgage Insurance Marketing Representative~~	~~1, 2, 3~~
Housing Finance Chief (Homeownership)	1, 2, 3
Housing Finance Officer (Homeownership)	1, 2, 3
Housing Finance Specialist (Homeownership)	1, 2, 3

Consultants

Consultant	1, 2, 3

With respect to Consultants, the General Counsel of the Agency may determine in writing that a particular consultant, although a "designated employee," is hired to perform a range of duties that ~~are~~ is limited in scope and thus is not required to comply with the disclosure requirements described in this section. Such determination shall include a description of the consultant's duties and, based upon that description, a statement of the extent of disclosure requirements. ~~Such determination~~ A copy of the written determination is a public record and shall be retained and made available for public inspection in the same manner and location as this Conflict of Interest Code. Nothing herein excuses any such consultant from any other provision of this Conflict of Interest Code.

Title 25, Division 2, Chapter 1, Article 1, § 10001 of the California Code of Regulations shall be amended to read as follows:

Disclosure Categories

Category 1

Designated employees in Category 1 must report:
~~Any interest~~ All investments and interests in real property located within the State of California.

Category 2

Designated employees in Category 2 must report:

~~(a) Investments in any business entity:~~

~~(1) Defined to be a "housing sponsor," "limited-dividend housing sponsor," or "qualified mortgage lender" by part I, chapter 2 of the Zenovich-Moscone-Chacon Housing and Home Finance Act (the Act); or~~

~~(2) Which is an insurance company, title company, escrow company, real estate firm, brokerage firm, building or construction contractor or subcontractor, or other insuring, realty, financial or contracting entity which provides or plans to provide work or services to, or to be approved by, the Agency.~~

~~(b) Each source of income, provided that the income was furnished by or on behalf of any person or entity:~~

~~(1) Defined to be a "housing sponsor," "limited-divided housing sponsor," or "qualified mortgage lender" by part I, chapter 2 of the Act; or~~

~~(2) Which is an insurance company, title company, escrow company, real estate firm, brokerage firm, building or construction contractor or subcontractor, or other insuring, realty, financial, or contracting entity which provides or plans to provide work or services to, or to be approved by, the Agency.~~

~~(c) Business positions in which the designated employee is a director, officer, partner, trustee, employee, or holds any position of management in any business entity:~~

~~(1) Defined to be a "housing sponsor," "limited-dividend housing sponsor," or "qualified mortgage lender" by part I, chapter 2 of the Act; or~~

~~(2) Which is an insurance company, title company, escrow company, real estate firm, brokerage firm, building or construction contractor or subcontractor, or other insuring, realty, financial or contracting entity which provides or plans to provide work or services to, or to be approved by, the Agency.~~

All investments and business positions in, and sources of income from, any person or entity which is (i) defined to be a "housing sponsor," "limited-dividend housing sponsor," or "qualified mortgage lender" by part I, chapter 2, of the Zenovich-Moscone-Chacon Housing and Home Finance Act (chapter 2 commences at section 50050 of the California Health and Safety Code) or which is (ii) a financial services company, information technology company, law firm, mortgage bank, investment bank, real estate services company, brokerage company, insurance company, title company, escrow company, building or construction contractor or subcontractor, that contracts with or otherwise does business with the Agency, or which is soliciting, or plans to solicit, a contract or other business from the Agency.

Title 25, Division 2, Chapter 1, Article 1, § 10001 of the California Code of Regulations shall be amended to read as follows:

Category 3

Designated employees in Category 3 must report:
All ~~Investments~~ sources of income from and investments and/or business positions in any business entity ~~or sources of income of the type~~ which, within the last two years, has contracted with the Agency ~~or with the State of California~~ to provide services, supplies, materials, machinery or equipment to the Agency~~.~~, or which has otherwise done business with the Agency.

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RESOLUTION 05-13

RESOLUTION APPROVING PROPOSED AMENDMENTS TO REGULATIONS

WHEREAS, the California Housing Finance Agency (the "Agency") through its Board of Directors (the "Board") is authorized to adopt and, where appropriate, to amend or repeal regulations; and

WHEREAS, the Board has determined that the proposed amendments to certain Agency regulations, as attached hereto, are necessary and appropriate for adoption by the Agency,

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors as follows:

1. The attached amendments to the Agency's regulations, incorporated herein by reference, concerning Title 25, Division 2, Chapter 1, Article 1, § 10001 of the California Code of Regulations (the Conflict of Interest Code of the Agency) are hereby approved.

2. The staff is directed to give public notice, conduct any required public hearing and take such other action as may be necessary or proper for the adoption by the Agency of such amended regulations including submission of such amendments to the Fair Political Practices Commission and the Office of Administrative Law. The staff is authorized to make non-material revisions to these amendments, without further Board approval, as may be appropriate in the course of promulgating these amendments.

I hereby certify that this is a true and correct copy of Resolution 05-13 adopted at a duly constituted meeting of the Board of Directors of the Agency held on March 22, 2005, at Sacramento, California.

ATTEST: ______________________
Secretary

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State of California

MEMORANDUM

To: **Board of Directors** **Date:** March 8, 2005

Tom Hughes, General Counsel
From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: Item 7 for March 22, 2005 Agenda- Contracting Issues

Item 7 is a review of prior Resolutions 05-05 and 05-06. This item was added to the Agenda by the Board Chair at the request of Board member John Morris. Because this item was added at a Board member's request, there is no staff recommendation associated with this item.

At the January 13, 2005 meeting, the Board approved two resolutions regarding contracting. Resolution 05-05 approved certain changes to the Agency's regulations, including the regulation dealing with contracting. Resolution 05-06 was an interim contracting authorization pending the completion of the process required to formally enact regulations. The Board requested changes to the draft version of Resolution 05-06. A copy of the revised resolution is attached for the Board's information.

The Board had also requested a status report on the regulatory changes authorized by Resolution 05-05. Agency staff have prepared the initial notice required to be submitted to the Office of Administrative Law, and are prepared to make the necessary legal filings. The documents have not been filed pending the resolution of this agenda item.

Because this item was added by the Board, it is prudent to note that the Bagley-Keene Act, the State's open meeting law, prohibits a majority of the Board from engaging in any discussions or other deliberative acts outside of a public meeting. The Act prohibits serial communications involving a majority of the Board, whether directly or through intermediaries. There is an excellent discussion of this requirement in the "Handy Guide to the Bagley-Keene Open Meeting Law of 2004" prepared by the Attorney General, that I had sent to each Board member in January. Please let me know if you have any questions regarding those requirements.

RESOLUTION 05-06

WHEREAS, the Board of Directors of the California Housing Finance Agency ("Agency") is empowered by California Health & Safety Code Section 50914(a) to authorize "major contractual obligations" of the Agency; and

WHEREAS, Title 25 California Code of Regulations Section 13302(b) defines such major contractual obligations as those exceeding the sum of $500,000; and

WHEREAS, Title 25 California Code of Regulations Section 13302(b) and (g) permit the General Counsel of the Agency to make certain determinations and interpretations regarding the need for approval of particular contracts by the Board of Directors of the Agency; and

WHEREAS, the Board of Directors has determined that the Executive Director should have the authority to enter into certain types of major contractual obligations on a continuing basis, without the need for additional approval beyond the authority granted in this resolution; and

WHEREAS, the Board of Directors finds that the grant of such authority is necessary and proper to insure that the Executive Director of the Agency will be able to execute new contracts, and amend existing contracts, on a timely basis; and

WHEREAS, this resolution is intended to assist the General Counsel of the Agency in making the determinations and interpretations provided for by regulation, and

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Agency as follows:

1. The Executive Director of the Agency, or the officers or employees of the Agency, duly authorized by the Executive Director, may, for the effective period of this resolution, as specified in paragraph 2, below, execute certain new or amended contracts in which the financial obligation or liability exceeds $500,000 over the term of such contract, as specified by this resolution, without the need for further Board approval. The contracts so authorized are more specifically described in paragraph 3, below.

2. This resolution shall be effective until such time as the proposed amendment to Title 25, California Code of Regulations, section 13302, as approved in Resolution 05-05, shall be enacted and take effect, but in no event later than the first regularly scheduled meeting of the Board of Directors in 2006. Upon the earlier of the effective date of such amendment, or of such first meeting in 2006, this resolution shall expire.

3. The contracts authorized by this resolution shall be those in which the obligation is not reasonably expected to exceed the sum of $1,000,000 in a fiscal year. Contracts in which the obligation is reasonably expected to exceed the sum of $1,000,000 in a fiscal year shall be approved by the Board. Such approval may be obtained either by a resolution of the Board

approving the contract, or by a resolution of the Board approving the Agency's annual operating budget, provided that such obligation is contained as a line item in such budget.

5. Nothing in this resolution is intended to supercede any Agency policies or procedures regarding contracting, nor is it intended to abrogate compliance with any provision of statute, regulation, or other law regarding contracting, other than to authorize the contracts specified herein without further Board action.

6. Nothing in this resolution is intended to imply that any contract not described herein, but fully and completely authorized by another resolution of this Board of Directors, is not fully and completely authorized by such other resolution without regard to this resolution or any limitation in any regulation defining the term 'major contractual obligation'.

I hereby certify that this is a true and correct copy of Resolution 05-06, adopted at a duly constituted meeting of the Board of Directors of the Agency held on January 13, 2005, at Millbrae, California.

ATTEST: ______________________
Secretary

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