CalHFA
California Housing Finance Agency

BOARD OF DIRECTORS

Thursday, May 12, 2005

Burbank Airport Hilton
& Convention Center
2500 Hollywood Way
Burbank, California
(818) 843-6000

8:30 a.m.

1. Roll Call.

2. Approval of the minutes of the March 22, 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
04-025-C/N	Eleanor Roosevelt Circle	Davis/ Yolo	60
Resolution 05-15			123
04-028-C	Vista Sunrise Apartments	Palm Springs/ Riverside	85
Resolution 05-16			145
03-032-C/N	MLK Village	Sacramento/ Sacramento	80
Resolution 05-17			167
05-010-A/S	Woodhaven Manor	Rancho Cucamonga/ San Bernardino	117
Resolution 05-18			187

NUMBER	DEVELOPMENT	LOCALITY	UNITS
05-003-N	Hillview Glen	San Jose/ Santa Clara	138

Resolution 05-19.....209

~~04-010-C/S~~	Dana Strand	~~Wilmington/~~ Los Angeles	~~116~~ PULLED

Resolution 05-20.....229

03-062-L/N	Larkfield Oaks	Larkfield/ Sonoma	56

Resolution 05-21.....259

05-005-C/N	Villa Montgomery	Redwood City/ San Mateo	58

Resolution 05-22.....279

5. Discussion, recommendation and possible action relative to the adoption of a resolution approving the Five-Year Business Plan for fiscal years 2005/2006 to 2009/2010. (Gerry Smart/Ken Williams; Nancy Abreu; Linn Warren; Bruce Gilbertson)
Resolution 05-23.....301

6. Discussion, recommendation and possible action relative to the adoption of a resolution approving the fiscal year 2005/2006 CalHFA Operating Budget. (Jackie Riley)
Resolution 05-24.....349

7. Reports 363

8. Discussion of other Board matters.

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

NOTES

HOTEL PARKING: Day parking rate: $7.50/car plus 10% tax with no in and out privileges. (Cash at gate.)

FUTURE MEETING DATE: Next CalHFA Board of Directors Meeting will be July 7, 2005, at the Hyatt Regency Sacramento, Sacramento, California.

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

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BOARD OF DIRECTORS

PUBLIC MEETING

-oOo-

Clarion Hotel Mansion Inn
700 Sixteenth Street
Sacramento, California

Tuesday, March 22, 2005
9:33 a.m. to 12:06 p.m.

-oOo-

ORIGINAL

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

May 12, 2005

Daniel P. Feldhaus Attest:
California Certified Shorthand Reporter License # 6949
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ORIGINAL

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

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BOARD OF DIRECTORS

PUBLIC MEETING

--oOo--

Clarion Hotel Mansion Inn
700 Sixteenth Street
Sacramento, California

Tuesday, March 22, 2005
9:33 a.m. to 12:06 p.m.

--oOo--

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

California Housing Finance Agency

Board of Directors Present

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

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

JAN BOEL
for Sean Walsh
Director
Office of Planning and Research
State of California

PETER N. CAREY
President/CEO
Self-Help Enterprises

EDWARD M. CZUKER
President
E.M.C. Financial Corporation

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

JOHN G. MORRIS
President
John Morris, Inc.

THERESA A. PARKER
Executive Director
California Housing Finance Agency
State of California

JACK SHINE
Chairman
American Beauty Development Co.

A P P E A R A N C E S

Board of Directors Present
continued

LAURIE WEIR
for Phillip Angelides
State Treasurer
State of California

--o0o--

CalHFA General Counsel Staff Present:

THOMAS C. HUGHES
General Counsel

JOJO OJIMA

--oOo--

For the Staff of the Agency:

MARGARET ALVAREZ
Director of Asset Management

BRUCE D. GILBERTSON
Director of Financing
Fiscal Services

MIKE HOWLAND
Director of Information Technology

JIM LISKA
Housing Finance Officer

DIANE RICHARDSON
Director of Legislation

TIM TSU
Director of Risk Management Group
Financing

A P P E A R A N C E S

For the Staff of the Agency:
Continued

RUTH VAKILI
Multifamily Programs

LINN G. WARREN
Director of Multifamily Programs

LAURA WHITTALL-SCHERFEE
Chief of Multifamily Programs

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BE IT REMEMBERED that on Tuesday, March 22, 2005, commencing at the hour of 9:26 a.m., at Clarion Hotel Mansion Inn, 700 Sixteenth Street, Sacramento, California, before me, DANIEL P. FELDHAUS, CSR #6949, RDR and CRR, the following proceedings were held:

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(The following proceedings commenced with Ms. Weir absent from the hearing room.)

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

And before we start, I'll remind everybody that the microphones in front of you, to activate those, you need to push the button, and once you're finished speaking, push it again.

--oOo--

Item 1. Roll Call

CHAIRPERSON COURSON: All right, and we'll call the roll.

MS. OJIMA: Thank you.

Mr. Angelides?

(No audible response was heard.)

MS. OJIMA: Mr. Carey?

MR. CAREY: Here.

MS. OJIMA: Mr. Czuker?

MR. CZUKER: Here.

1 MS. OJIMA: Mr. Friedman for Ms. Dunn?

2 MR. FRIEDMAN: Here.

3 MS. OJIMA: Mr. Augustine for Ms. McPeak?

4 MR. AUGUSTINE: Here.

5 MS. OJIMA: Mr. Morris?

6 MR. MORRIS: Here.

7 MS. OJIMA: Mr. Shine?

8 MR. SHINE: Here.

9 MS. OJIMA: Mr. Courson?

10 CHAIRPERSON COURSON: Here.

11 MS. OJIMA: Mr. Walsh?

12 MS. BOEL: Jan Boel for Mr. Walsh.

13 MS. OJIMA: Thank you.

14 Mr. Campbell?

15 *(No audible response was heard.)*

16 MS. OJIMA: Ms. Parker?

17 MS. PARKER: Here.

18 MS. OJIMA: We have a quorum.

19 CHAIRPERSON COURSON: Okay, thank you.

20 --o0o--

21 **Item 2. Approval of the minutes of January 13, 2005,**

22 **Board of Directors Meeting**

23 CHAIRPERSON COURSON: The first item on our

24 agenda is the approval of the minutes from the meeting on

25 Thursday, January 13th, that are included in the Board

1 book.

2 Is there a motion to approve the minutes?

3 MR. SHINE: I'll move.

4 CHAIRPERSON COURSON: It's been moved by

5 Mr. Shine.

6 And a second?

7 MR. AUGUSTINE: I'll second.

8 CHAIRPERSON COURSON: By Mr. Augustine.

9 Alphabetically.

10 MR. FRIEDMAN: It's like Jeopardy.

11 CHAIRPERSON COURSON: Okay, you can call the

12 roll.

13 MS. OJIMA: Thank you.

14 Ms. Weir?

15 *(No audible response was heard.)*

16 MS. OJIMA: Mr. Carey?

17 MR. CAREY: Yes.

18 MS. OJIMA: Mr. Czuker?

19 MR. CZUKER: Yes.

20 MS. OJIMA: Thank you.

21 Mr. Friedman?

22 MR. FRIEDMAN: Yes.

23 MS. OJIMA: Mr. Augustine?

24 MR. AUGUSTINE: Yes.

25 MS. OJIMA: Mr. Morris?

1 MR. MORRIS: Yes.

2 MS. OJIMA: Mr. Shine?

3 MR. SHINE: Yes.

4 MS. OJIMA: Mr. Courson?

5 CHAIRPERSON COURSON: Yes.

6 MS. OJIMA: The minutes have been approved.

7 --o0o--

8 **Item 3 Chairman/Executive Director comments**

9 CHAIRPERSON COURSON: I'd like to start this
10 morning, really sort of in my normal reverse order, but
11 to talk about a couple of logistical items, and make a
12 few comments.

13 One is a reminder to everybody that our
14 workshop, our Board workshop is scheduled for Tuesday,
15 April the 12th. It will be at the Hyatt; and we're going
16 to start at ten in the morning and our plan is to finish
17 by three in the afternoon. And we'll be doing several
18 presentations, really talking about CalHFA's financing
19 and finances and the various funds. And so we'll spend
20 that five hours, as we had talked about at our last
21 meeting. So make sure you put that on your calendars.

22 *(Ms. Weir entered the hearing room.)*

23 CHAIRPERSON COURSON: Importantly, too, is
24 looking ahead, we have only three projects that we're
25 going to be looking at. But that portends the fact that

1 in May, we'll be looking at nine projects during our
2 Board meeting. And in addition to that, a very important
3 piece of business for the Board every year is to review
4 and look at the business plan. As you know, we work on a
5 five-year rolling business plan. And staff, of course,
6 is working on that, has been for some period of time; and
7 that presentation will also be at the May meeting.
8 And in addition to that, before we look at that
9 business plan, we're planning on having a presentation of
10 a study and some work that's been done on risk and
11 stress-testing and cash-flow analysis. And that
12 presentation would come first, to show some of the cash
13 flows and cash-flow projections that we're looking at
14 over an extended period of time, with some stress testing
15 on those, which then leads the staff into dollars and
16 cash available for developing a plan and our funding
17 capabilities. So all that rolls together.
18 Now, having said that and thinking back over
19 the year, of the time it takes us in our Board meeting,
20 we probably have an agenda that's going to be very, very
21 difficult to accomplish in our normal meeting time. So
22 one of the alternatives would be that we would try to
23 have, on the evening -- our Board meeting is actually
24 scheduled for, I think, it's April the -- no, I'm sorry,
25 May the 12th -- I believe I'm right, but I may be wrong

1 on the date. But whatever it is, in May, the night
2 before, at seven o'clock, having a session from seven to
3 nine or nine-thirty, in which we would have the
4 presentation on the cash-flow analysis and stress test,
5 and deal with the business plan in the evening; and then
6 starting again at nine or nine-thirty in the morning,
7 work through the nine projects. Because nine projects
8 will take us well into the early afternoon.
9 I'm very concerned, obviously, we have -- we
10 need a quorum of a minimum of six there for the entire
11 meeting. As many of you know, we have three vacancies
12 on the Board, so that puts more pressure on those of us
13 who are on the Board to be in attendance for the full
14 meeting.
15 So that's a thought process. Obviously, we'd be
16 happy for any comments or other suggestions.
17 The other alternative is to start earlier on the
18 Board meeting day itself and just with a firm commitment
19 from everybody on the Board that we will stay until the
20 work is done. And that could be very late in the
21 afternoon, to get everything finished.
22 So I'm certainly open to comments. That's a
23 suggestion. We obviously don't have to decide today.
24 I want to give you a heads-up. And maybe what we'll do
25 is try to put something out to the Board and gather your

1 schedules and availability and the ability to handle it
2 in one of a couple of ways, and see what your preference
3 is. But those seem to be the two alternatives. It is a
4 very big Board meeting. It's very important.
5 MR. AUGUSTINE: Is that meeting scheduled for
6 Burbank?
7 CHAIRPERSON COURSON: It's in Burbank, yes,
8 thank you.
9 MS. WEIR: And it's on the 12th?
10 CHAIRPERSON COURSON: It is May the 12th. That
11 would be the normal meeting day.
12 Let me, if I can, I'd like to make a couple of
13 comments.
14 I'm pleased, and I think we're all pleased, that
15 we saw, in the State of the State Address by the Governor
16 and certainly some action items by the Administration,
17 that housing and housing finances are taking a prominent
18 role in the eyes of the Administration.
19 Having said that, I have been asked by the
20 Administration to form and share, for a better word --
21 and we'll come up with a title for it -- but a blue
22 ribbon task force. And the mission of this group is to
23 really put together, as the Administration would term it,
24 the best and brightest from a very diverse group of
25 interest, both in real estate finance, real estate

1 development, real estate sales, real estate service
2 providers throughout the state, to try to create ideas
3 and concepts and potential initiatives where we can
4 leverage public and private funds and partnerships to
5 create more housing in the state.
6 The emphasis would be on the 120 percent and
7 below adjusted median income group, but not to the
8 exclusion of housing for those above the 120 percent.
9 And we really -- the group itself has sort of
10 a blank sheet of paper upon which we can build these
11 recommendations to submit to the Governor. There are no
12 preordained or preconceived ideas. It can be taken where
13 the group seeks to take it. So I've accepted that job.
14 I'm excited about that. I think it's an opportunity for
15 us to engage with others of our peers in the real estate
16 business. And we are dealing with a 90-day time frame.
17 And so the job and the report to the Governor will -- and
18 the recommendations will be due by June the 30th.
19 So that activity is starting; and clearly at
20 CalHFA and our staff and those on the Board and so on
21 will have an opportunity to have substantial input into
22 this group, as we try to seek other ways and innovative
23 ways to create more housing stock in the state.
24 Obviously, as we've talked about before, and in
25 my view, there's certainly a lot of financing, a lot of

1 dollars available, but the creation of stock is really
2 the key. We've got to have the housing stock created,
3 both in the single-family residential and multifamily.
4 This group, incidentally, would be targeted
5 directly to single-family homeownership as opposed to
6 multifamily initiatives.
7 Having said that, the other thing that we're
8 working on as sort of a tangent to this is, as I've
9 mentioned, some of our trying to put some initiatives
10 together, to see if we can work in partnership with some
11 of the local cities in California. Terri, Nancy Abreu
12 and I will be going down to Long Beach in about a week
13 and a half, and meeting with Mayor Bev O'Neill, who is
14 the mayor of Long Beach. Mayor O'Neill will also be the
15 incoming chair of the U.S. Conference of Mayors. And
16 she's interested and I've worked with the mayor before,
17 in seeing -- we're going to go down and explore some of
18 the opportunities where -- and as we've talked with this
19 task force, the key is, obviously, participation in
20 partnerships with the cities, getting through some of the
21 morass that causes some difficulties in building stock,
22 working with the cities in building stock. So we're
23 going to go down and explore with Mayor O'Neill and her
24 staff, some ideas and concepts where we can, as I've
25 talked before, vertically integrate some of the resources

1 that are available and see if perhaps in Long Beach there
2 is an opportunity to do sort of a prototype project.
3 Identify some infill sites, create a financing package by
4 bringing diverse sources of financing into the city, have
5 the city fast-track, making these lots and this land
6 available for development, and CalHFA coming in and
7 assisting with the financing; and seeing if we can use
8 that as a prototype that we could take elsewhere, and
9 also to use as part of the consideration of this task
10 force that we're putting together.
11 In the meantime, we're also going to do the same
12 thing -- I've had similar preliminary discussions,
13 although we've had no meetings with Mayor Newsome of
14 San Francisco, Mayor Fargo here in Sacramento, and
15 following our meeting with Mayor O'Neill, I think we'll
16 be pursuing the same kind of concepts to get their input.
17 Because in a partnership, the city and the cities'
18 willingness to work in providing, and working and
19 providing this land availability is certainly one of the
20 keys. So we'll be working diligently with them over the
21 next 30 days.
22 Having said that, one of the cornerstones of all
23 of this we're working on, is an exciting opportunity that
24 you've heard us talk about. It was certainly in the plan
25 for this year, in terms of CalHFA looking at the

1 opportunities for construction financing in the
2 single-family area, as we are in the multifamily.
3 And so with that, I'll turn this over to our
4 Executive Director, Terri, and she can give us more
5 details on that and her other comments.
6 MS. PARKER: Thank you, John.
7 Good morning. I want to talk about two areas
8 that the staff are working on, just to kind of give you
9 an update. Obviously, both of them are ones that we've
10 talked about as part of our business planning. And it
11 will be covered again, to some extent, in the business
12 plan presentation to you all for the upcoming five-year
13 business plan.
14 But as John mentioned, we have been looking, and
15 Linn has talked about to you all, trying to introduce a
16 construction lending program in the home ownership area.
17 And we had proposed legislation for this administration
18 to carry and introduce this, to utilize some of the funds
19 that were granted to us in Prop. 46 for a mortgage
20 insurance program. That was approximately $85 million.
21 At the time, it was at the request of realtors,
22 and we had been working with the realtors to try to come
23 up with some creative mortgage insurance programs, to
24 help, particularly in partnerships with conventional
25 lending.

1 For a variety of reasons, we have not been very
2 successful. And I think Nancy has talked with you all
3 about that, when we've been doing our business plan
4 updates.
5 So our suggestion was to, at this point in time,
6 add an additional purpose for that money.
7 And I have left, by the way, at your seats, two
8 pieces of paper that you can take back with you. One is
9 a one-page summary, and the other one is a little bit
10 longer piece. It talks a little bit about this.
11 But the legislation will be introduced. It's
12 AB 1512, carried by Garcia. And what it will allow us to
13 do, is to have an additional purpose to those dollars.
14 In addition to mortgage insurance, in addition to
15 down-payment assistance, which is what happens to the
16 funds after 30 months, if they're not utilized for
17 mortgage insurance, to add the purpose that the Housing
18 Finance Agency could lend them out to developers for
19 construction loans or subordinate financing at
20 below-market interest rates; and that with that source of
21 funds, the developers could essentially use those
22 dollars, create the same level of profit they'd be able
23 to pass on the savings associated with the low cost of
24 funds in the actual price of the unit.
25 In order to make these dollars usable in the

1 Homeownership area, the developers we have talked to
2 essentially have given us one caveat, and that is that
3 the statutes that the Agency operates under -- and these
4 are our statutes, not state statutes, in general --
5 require in the construction lending what we do to trigger
6 prevailing wage.
7 So the legislation will ask for an exception
8 from prevailing wage for the use of these funds in the
9 Homeownership area only. We are not asking for any
10 exemption on the Multifamily side.
11 We will be making the pitch that --
12 MR. CZUKER: Why not? Why not?
13 MS. PARKER: That's a broader issue that has
14 been the discussion of the Administration. And at this
15 particular point in time, the Administration has given us
16 the authority to seek legislation for the narrower
17 exemption.
18 MR. CZUKER: As leaders of the industry, I think
19 if we should be the advocates for dealing with this
20 prevailing wage issue and how it undermines the creation
21 of affordable housing in all forms, and if this is the
22 first and easiest push through the legislation -- the
23 Legislature, I commend it. But I think we should keep
24 on the radar scope the broader purpose of creating
25 affordable housing and the drag and problem that

1 prevailing wage creates by hampering the creation of
2 affordable housing throughout the state.
3 MR. SHINE: Just one question. When you say
4 single-family versus multifamily, do I take it that
5 single-family -- that for-sale housing is the category,
6 even if it's attached?
7 MS. PARKER: Correct.
8 MR. SHINE: For-sale housing?
9 MS. PARKER: Right. It's home ownership. So it
10 could be condos or --
11 MR. SHINE: Okay, that was my question.
12 MS. PARKER: And, Mr. Czuker, I think staff
13 within the executive branch have had discussions about
14 this issue, great levels of discussion about it. And I
15 think that there's a lot swirling around in Sacramento
16 about this.
17 Many of you are aware that DIR just came out a
18 couple weeks ago with a ruling that essentially said for
19 any projects that use tax credits or private activity
20 bonds, they believe that there is no prevailing-wage
21 requirement.
22 MR. CAREY: Actually, just to clarify, what
23 they said was, those two funding sources do not trigger
24 prevailing wage. Unfortunately, it doesn't sweep it
25 clean.

1 MS. PARKER: Correct. And it's just those two.
2 MR. CAREY: Right.
3 MS. PARKER: So if there are funds within
4 financing that do require prevailing wage, for example,
5 MHP, then the whole project requires prevailing wage.
6 But it is continuing to be an issue.
7 At this particular point in time, we have
8 willingness on the Administration's part for us to go
9 forward with this. It will be a very important policy
10 issue, I'm sure, to the trades. So we are excited about
11 being able to carry this legislation.
12 The plan here is to essentially couple this
13 project, or this financing, with our other first-mortgage
14 homeownership loans, our mortgage insurance, so that we
15 can offer a product. And the belief is that we can
16 essentially fund about 300 units a year. These would be
17 revolving funds, so the dollars would come back from
18 construction lending; and that we could reduce the cost
19 to a first-time home buyer as much as 15 to 17 percent of
20 their adjusted median income. So we think it will be a
21 tool in the toolbox to help with affordable housing.
22 So we haven't had a first hearing. The
23 legislation has actually just been put in legal counsel
24 form. But I wanted to make you all aware of it.
25 MR. SHINE: The 1512 deals with the ability to

1 do the construction.

2 Does that also deal with the prevailing wage

3 issue, or is that done separately? Does it separate the

4 two?

5 MS. PARKER: No, the legislation has two

6 statutory changes we need. One of them is to allow the

7 additional purpose for the mortgage insurance funds to be

8 used for construction lending from home ownership; and

9 the second piece of legislation is to provide an

10 exemption just to CalHFA statute, on construction

11 lending.

12 MR. SHINE: Okay, good.

13 MS. BOEL: You don't have a hearing scheduled

14 yet?

15 MS. PARKER: There is tentatively one on the

16 13th of April.

17 Di?

18 MS. RICHARDSON: Yes.

19 MS. PARKER: But we don't know whether or not

20 that will happen because of the introduction of these new

21 amendments.

22 MS. BOEL: Okay.

23 MS. PARKER: Right now, the bill, as introduced

24 by Assemblywoman Garcia, contains a very technical change

25 the Housing Finance Agency has asked for, so the council

1 has the ability to delegate to the number-two person in
2 the office. So, you know, that's at a very innocuous --
3 I think that date may change when people see what is in
4 it.
5 CHAIRPERSON COURSON: It's not innocuous to the
6 general counsel.
7 MS. PARKER: I don't think it will have the
8 controversy, as the other legislation.
9 The other thing, let me just tell you very
10 quickly, what we're doing about and launching in the
11 next couple weeks; we've talked about the development
12 of a first-mortgage program that might include an
13 interest-only component to it. And we are announcing to
14 the lender world the launch on April 1st of the
15 introduction of a loan product that we are calling
16 "*interest only* PLUS." It will be a 35-year fixed-rate
17 loan. The first five years will be interest-only in
18 order to help the borrowers qualify because of lower cost
19 of mortgage payment.
20 We've had a very good response from our lenders
21 about interest in being able to procure this product. We
22 are setting in motion, education forums throughout the
23 state, seven of which will be meeting with lenders'
24 constituent groups for us to essentially highlight the
25 release of this product. So

1 we will keep you informed about how successful we are.
2 But we're very excited about it being something that will
3 be in the marketplace, available to our niche, but will
4 not -- we'll give borrowers an option to adjustable rate
5 mortgages that many of them have sticker shock. In this
6 particular case, the loan will have certainty when people
7 sign on the dotted line of what their payments will be
8 for the full 35 years.
9 And with that, Mr. Chairman, I would conclude my
10 remarks.
11 CHAIRPERSON COURSON: Thank you.
12 Mr. Augustine?
13 MR. AUGUSTINE: For the general, go to the
14 order, the draft proposal for the housing legislation
15 that is being contemplated, that's being sponsored by the
16 Administration, is now on the BT&H and Cal EPA Web sites.
17 That was just posted late yesterday, so everyone can
18 have a chance to look at that. And we'll be holding a
19 meeting tomorrow, with interested stakeholders, to
20 discuss that legislation. So I wanted
21 to make everyone aware of that.
22 CHAIRPERSON COURSON: Okay.
23 MR. AUGUSTINE: Okay. Thank you.
24 MS. PARKER: Do we know about that?
25 MR. CAREY: We do now.

1 MR. AUGUSTINE: Well, I was awaiting an e-mail
2 reply from Di, actually, to that answer. I just sent it
3 to her a few minutes ago.
4 MS. RICHARDSON: Well, I wasn't looking at my
5 Blackberry.
6 And exactly what is it again?
7 MR. AUGUSTINE: It's to meet with the local
8 government stakeholders, to discuss the legislation --
9 legislative proposal. Pat Dando is going to be there.
10 MS. PARKER: Since we don't know anything about
11 it, you're invited --
12 MR. AUGUSTINE: I would say there are about a
13 dozen representatives of local governments that are
14 there. There have been a couple meetings previously:
15 One in Los Angeles and one in Sacramento, a couple weeks
16 ago. So this is like the third one of these, with these
17 folks. And it isn't coincidental that this release of
18 the draft proposal comes on this meeting day.
19 MS. RICHARDSON: I'm sorry, Curt. Our CalHFA's
20 proposal?
21 MR. AUGUSTINE: No, no.
22 MS. RICHARDSON: Okay. That's different. This
23 is the HCD/BTH proposal?
24 MR. AUGUSTINE: Right, right.
25 MS. PARKER: That makes much more sense.

1 MR. AUGUSTINE: Oh, okay. All right.

2 MS. PARKER: You confused us totally. We

3 thought you were convening a group that was going to talk

4 about --

5 MR. AUGUSTINE: Oh, no. I apologize, no. This

6 is one of the generic housing stuff. Okay, got it.

7 Good.

8 MS. PARKER: Well, we all feel much better now.

9 MR. AUGUSTINE: Good. Okay.

10 CHAIRPERSON COURSON: Any other comments?

11 *(No audible response was heard.)*

12 --o0o--

13 **Item 4. Discussion, recommendation and possible action**

14 **relative to final loan commitments for the**

15 **three projects**

16 CHAIRPERSON COURSON: If not, let's move to the

17 next agenda item, which is our project.

18 --o0o--

19 **Item 4. Resolution 05-11 (Hillview Glen)**

20 I think you all received the e-mail that the

21 Hillview Glen project has been pulled, so we have three

22 that we'll be taking a look at.

23 And, Mr. Warren?

24 MR. WARREN: Thank you, Mr. Chairman, Members of

25 the Board.

1 The Hillview Warren project, as the chairman
2 indicated, has been pulled; and we'll defer that until
3 the May meeting.
4 We have three projects for your consideration
5 today. And so we'll just get right to it.
6 And so with that, Laura, why don't you go ahead
7 and start with the first couple of projects?
8 --o0o--
9 **Item 4. Resolution 05-08 (Salinas Road)**
10 **Pajaro/Monterey**
11 MS. WHITTALL-SCHERFEE: We are requesting a
12 final commitment for a construction and permanent loan on
13 Salinas Road Apartments. Salinas Road Apartments is
14 located at 15 Salinas Road in Pajaro, which is in
15 Monterey County. And I probably massacred "Pajaro."
16 MS. VAKILI: That's exactly what it is.
17 MS. WHITTALL-SCHERFEE: Is it right? Okay.
18 It's a 63-unit project. It will be owned by the
19 Salinas Road Associates, a California limited
20 partnership; and the managing general partner is South
21 County Housing Corp.
22 These 63 units will be ten townhome units and
23 53 flats. And the construction loan that we are
24 requesting is in the amount of $11,835,000. It was
25 underwritten at 4.65 percent. That's a variable rate

1 that will be set when the construction loan closes. And
2 it's for a term of 15 months, interest-only.
3 Once the construction is completed, we are
4 requesting a permanent loan in the amount of $805,000 at
5 5.9 percent, for 30 years, fixed.
6 The project was purchased in January 2002, and
7 has been owned by South County Housing Corporation since
8 then.
9 There are multiple layers of other financing.
10 There are a total of three grants, that total $300,000,
11 and there are six other funding sources. There is a
12 USDA, Department of Rural Development 514 farm labor
13 housing loan. It's at 1 percent, and it's amortized over
14 33 years, in the amount of $3 million.
15 There is also an RCAC, Rural Community
16 Assistance Corp. loan, in the amount of $1.5 million, for
17 32 years at 1 percent. That loan is currently a 22-year
18 loan; but we have informed RCAC, as we have on all our
19 previous loans, that it must be coterminous. And that
20 will happen before the construction loan closing.
21 There is also Joe Serna Farm Worker money in the
22 amount of $3,300,000, 55 years, 3 percent; and Monterey
23 RDA loan, which was used to purchase the property back in
24 January of 2002, in the amount of approximately
25 $1.3 million for 30 years at 3 percent.

1 There's HOME money in the amount of 3,400,000,
2 approximately, for 55 years at 3 percent. And there's an
3 FHLB AHP loan in the amount of 425,000, for 3 percent.
4 This also has rental assistance. The rental
5 assistance typically goes hand in hand with the 514
6 money.
7 The rents alone -- the way we underwrote this
8 project, the rents that we are collecting are sufficient
9 to debt-service our loan without any rental assistance.
10 In fact, both the RCAC loan and the California first
11 mortgage can be debt-serviced just with rents that are
12 being collected from the tenants.
13 But the rental assistance is provided in
14 four-year increments; and it is renewed automatically,
15 according to the USDA, every four years, or when the
16 amount of money that's been allocated is used.
17 The borrower -- or the managing nonprofit of
18 Salinas Road Associates is very well-known to CalHFA.
19 They were founded in 1979. They've developed
20 28 affordable projects, with a total of approximately
21 1,212 units. CalHFA has financed five of these projects,
22 which include Monticelli, Corralitos, Pacific Grove
23 Senior, Gilroy Transitional and Seacliff Highlands.
24 The one other item of financing that I wanted to
25 mention at this point, is the fact that the loan-to-value

1 for the construction loan is a 96 percent loan-to-value.
2 Our underwriting standards require that any loan-to-value
3 that exceeds 90 percent be coupled with a letter of
4 credit. So will there be a letter of credit required on
5 this loan in the amount of $765,000. And that's the
6 difference between what the 90 percent loan-to-value
7 would be and what our existing loan-to-value is.
8 And with that, Ruth is going to take you through
9 the pictures and explain in more detail the project.
10 MS VAKILI: This is the aerial view of the
11 project. It's currently improved, with 28 apartment
12 buildings which will be demolished.
13 You can see the Pajaro River, and the property
14 is about a mile from downtown Watsonville. Bordering the
15 property are other various uses of residential,
16 industrial and retail and, of course, agricultural along
17 that portion of the property.
18 The properties that are existing, as you can see
19 in these photos, are in various stages of disrepair. And
20 the developer plans to demolish the buildings, relocate
21 the tenants prior to demolition, and rebuild the entire
22 property.
23 These are elevations of what the property will
24 look like, which is a great deal different than what
25 tenants are currently living in.

1 There will be five buildings, totaling 63 units.
2 These are typical elevations.
3 The buildings will be -- the units will be
4 located over the parking structures. And this is a site
5 elevation.
6 The community room is in the front of the
7 elevation; and you can see the five buildings with ample
8 landscaping.
9 The developer plans to pad up and bring the site
10 out of the existing floodplain. So there will be a two
11 foot increase in the site height from what is existing
12 right now, because the project, as it stands, is in the
13 floodplain. Once construction is complete, the site will
14 be out of the floodplain.
15 Another reason for the units being located above
16 garages is, first of all, to provide enclosed garages;
17 secondly, to ensure that all the living areas are up
18 above any possible flooding that may occur, even after
19 the project is out of the floodplain.
20 This project was acquired three years ago by
21 South County Housing. The properties, as they existed,
22 had multiple code violations. They were substandard
23 housing. It was a situation that needed to be improved.
24 The county put a great deal of attention into improving
25 the properties through increased efforts and pressure on

1 the owners of these buildings.

2 The tenants themselves created a residential

3 committee, that still exists, which worked with the

4 county and then South County Housing to improve the

5 conditions in the properties. This resulted in the

6 purchase by South County Housing in January 2002 of the

7 properties.

8 As I stated before, the properties will be

9 demolished beginning in May. The construction is

10 estimated to take between 12 to 13 months. During the

11 time that the properties are under construction, the

12 tenants will be relocated to other available housing in

13 the area. And once construction is completed, they'll

14 return.

15 The new improvements will consist of

16 53 residential units and five buildings. It will be

17 a mix of eight one-bedroom, one-bath units;

18 22 two-bedroom, one-bath; 21 three-bedroom, two-bath; and

19 ten three-bedroom, two-and-a-half bath townhomes; and

20 two four-bedroom, two-bath units.

21 The units themselves will have all of the

22 amenities and the two's, three's and four's will have two

23 tandem parking spaces. One-bedroom units will have one

24 parking space.

25 Relative to the relocation of the property, a

1 great deal of work has gone into forming a relocation
2 plan. The work included not only South County Housing
3 but, first of all, the residents and the county. A draft
4 relocation plan was formulated in July 2004; and a
5 finally relocation plan dated May 3rd, 2005, outlines the
6 relocation plan for the property, which is -- which
7 follows the requirements of the federal and state
8 relocation.
9 The residents and South County Housing have
10 worked together to put together this plan, which
11 establishes the kind of project that works very well for
12 the tenants who are returning to the property. The rent
13 structure and the needs of the tenants are formulated in
14 order to -- I'm sorry, let me back up.
15 The rent structure and the building types are
16 formulated to -- I hate when this happens. I'm not even
17 going to go there. We'll just start in a different
18 location.
19 MR. WARREN: We can always come back, Ruth.
20 MS VAKILI: We may come back, if I ever do get
21 that thread.
22 Okay, there are currently 56 tenants living in
23 the property, 50 of whom will be returning to the
24 property. There are six tenants who moved in after the
25 purchase negotiations with South County began. These

1 tenants will be assisted in finding replacement housing.
2 They are not, however, eligible to return to the
3 property.
4 There will be tenants who are temporarily
5 relocated. And the temporary relocation consists of
6 tenants who will be out of the building for 12 months or
7 less. There will also be tenants who are permanently
8 relocated. The definition of "permanent relocation" are
9 those tenants who will be out for 12 months or more.
10 There are various locations that have been found
11 to relocate the tenants. And some of those -- the
12 relocation plan for the temporary tenants consist of
13 41 tenants, temporarily relocated to either Kent's Court
14 or Corralitos Creek, both projects, which are between two
15 and three miles away from the property, the existing
16 property.
17 There will also be 13 tenants who are considered
18 permanently relocated because they will be displaced for
19 18 months. Many of these tenants will return to the
20 property.
21 The option of the tenant to either return to the
22 property or permanently move from the property is
23 completely up to the tenant.
24 Prior to moving, the tenants are given the
25 option whether they would like to return to the improved

1 property or remain permanently displaced. For those
2 tenants who are out of the property for more than
3 12 months, they're also given the option, prior to
4 completion of the construction, as to whether they would
5 prefer to stay where they are or return to the property.
6 Throughout the entire process, the tenants are
7 given many opportunities to make decisions which work for
8 their family.
9 The relocation budget in the project budget is
10 conservatively based. It is based on assumptions that
11 are not worst-case but are not best-case. The budget is
12 based on the assumption that two buildings will be
13 completed within 11 months; and those tenants that are
14 currently planning to be moved to market-rate housing
15 would return within 12 months.
16 All of the tenants in Kent's Court and
17 Corralitos Creek who are eligible for the permanent
18 relocation -- because they will be out of the project for
19 more than 12 months -- the developer estimates that half
20 of the units, half of the tenants will choose relocation
21 benefits.
22 For all tenants, moving allowances are paid on
23 the move from the building and the return move. The
24 tenants also have the option of receiving benefits which
25 consist of rental assistance payments, while they are out

1 of the property. They also have an option for the
2 permanent relocation of tenants. They have the option to
3 receive a lump-sum payment of relocation benefits, rather
4 than remain in rental housing.
5 Throughout the relocation process, the decision
6 is up to the tenant as to which relocation option they
7 decide.
8 The developer has formulated a budget which does
9 estimate that some of the tenants do decide to not return
10 to the property.
11 In addition, there is a bit of a cushion within
12 the relocation budget in case the developer's estimate is
13 a little light.
14 Prior to closing our construction loan, we have
15 made a requirement that the relocation plan be approved
16 by the HCD and by the county board of supervisors. The
17 current estimate is that this approval will take place by
18 the end of March.
19 The Pajaro area consists primarily of
20 agricultural workers. In the Pajaro community itself,
21 most of the residents are renters, and a large percentage
22 of them are also farm-worker tenants.
23 Although this property -- many of the tenants
24 who have moved out will return, it's estimated that if
25 this property was put on the market as a regular

1 construction project and offered for lease, that this
2 property, with new tenants coming in, would be completed
3 and leased up within 15 months. However, because many
4 of the tenants are returning, we estimate that the
5 property could be completed within 12 months, and fully
6 occupied within 13 months.
7 The rents shown here on the rent chart show a
8 real disparity between the market rate -- the market
9 rents in the area and the actual rents that are charged.
10 These rents are based primarily on the tenants who are
11 returning and on their income levels.
12 Relative to the environmental condition of the
13 property, the area has been developed for quite some
14 time. There has been record of underground storage tanks
15 in the area. The report found difficulty in finding data
16 relative to the cleanup and removal of many of the tanks
17 that are cited. However, a Phase II investigation of the
18 groundwater was completed. It determined that there had
19 been no impact from underground tanks.
20 Prior to closing our construction loan, we will
21 request an update to the environmental assessment.
22 Within the buildings, there are various
23 components that do contain asbestos-containing materials
24 and lead-based paint. A report was completed in April of
25 2001. The results of the report showed the location of

1 the asbestos-containing materials and lead-based paint.
2 These areas will be demolished and remediated.
3 A work plan will be completed prior to closing
4 our construction loan, and all of the remediation will be
5 completed and cleared prior to our construction-loan
6 disbursement.
7 MS. WHITTALL-SCHERFEE: Just a point of
8 clarification. We've made some changes to our sources
9 and uses. So there's this nice section called
10 "Relocation expenses." But in this project, that line,
11 on page 155, wasn't used. And you'll find the $743,600
12 of relocation costs on page 157, under the "Other"
13 classifications, which was where we traditionally had
14 kept this line item.
15 And with that, we would be happy to answer any
16 questions you have; and we would ask that you recommend
17 this project.
18 MS VAKILI: Thank you.
19 CHAIRPERSON COURSON: Mr. Czuker?
20 MR. CZUKER: Thank you.
21 While I support the project with all its
22 third-party subsidies, I have some concerns that I would
23 like you to address.
24 First, it's my understanding that this is a poor
25 lower-cost area, and yet we have a substantial high cost

1 per unit.

2 Does it make sense, as a matter of public

3 policy, for resources of all kinds --

4 *(Cell phone music)*

5 MR. CZUKER: Thank you for the music.

6 But does it make sense from a public policy

7 standpoint, to be spending $355,000 per unit in a

8 relatively low-cost section of Monterey County, when the

9 numbers are completely upside-down, where the total

10 budget is 22 million, or in excess of 22 million; yet

11 your finished value is 6.2 million, and your construction

12 value, which is not a fair guide, is 12.3 million.

13 So if we have a future value that we're building

14 to of 6.2 million but a cost to get there in excess of

15 $22 million, are we promoting a public policy while,

16 obviously, many, many different organizations have

17 supported the project and, therefore, I'm supportive of

18 CalHFA's underwriting -- I think CalHFA's underwriting is

19 safe, given the support of the tax credits and the

20 subsidies and the third parties, which effectively

21 guarantee and prop up the CalHFA loan. But I am very

22 concerned that 355,000 a unit is too high; and I'm very

23 concerned that a total budget for a mere 53 or 56 units

24 of $22.5 million makes absolutely no sense, especially

25 when the future value is $6 million.

1 MS. VAKILI: I would like to answer some of your
2 questions.
3 There's no doubt that the cost is high. There
4 are a few things that are pretty clear to all of us, as
5 we look at the budget.
6 The land acquisition price was relatively high
7 because the developer is in a situation where they have
8 to acquire property that's already improved.
9 The acquisition price is based on the income
10 approach because they are income-producing properties.
11 The landlords who overcharged for the units were
12 making a great deal of money on these properties.
13 Therefore, the income approach was fairly high. So the
14 land cost is high on the property.
15 Another impact is that raising the pad up to the
16 two feet, to bring it out of flood, is costly, which is a
17 situation you don't normally see on a project.
18 Other than that, there is the impact of the
19 relocation cost. Those three things together, I think,
20 are the largest impact.
21 Aside from that, this project is very much, I'd
22 say, in the range of what we have been seeing.
23 And as for public policy, I think this is one of
24 the higher public-policy projects that I have worked on.
25 It serves a need. These tenants, prior to South County

1 Housing taking over, were living in extreme conditions,
2 which contributed to very poor health of the residents.
3 In my opinion, it's very costly; but it's a real credit
4 to public policy to do these kinds of projects. We have
5 other projects, in other areas, that are undoubtedly
6 nicer areas. They are even a little more expensive. I
7 think that this is a project that should be done.
8 MR. WARREN: I think, Mr. Czuker, just to
9 comment, it is very expensive. I think Ruth has pointed
10 out accurately, that the land costs are probably three
11 times what we normally see.
12 All I can comment on it, from a policy
13 standpoint, is, under the USDA program and under the HOME
14 program for the City of Watsonville, they feel that this
15 is an impacted area and they have elected to expend their
16 resources, and the federal government has elected to
17 spend their resources, and it's our role to facilitate
18 them. So it is expensive and, arguably, without our
19 financing, it might be even more expensive.
20 CHAIRPERSON COURSON: Ms. Boel?
21 MS. BOEL: Yes, I have a couple questions.
22 First of all, the amount -- what are these
23 people paying rent now in these dilapidated units? Is it
24 at all comparable to what they're going to be paying?
25 Are they going to be paying a lot more?

1 MS VAKILI: They will be paying a lot less.

2 MS. BOEL: A lot less for what they're --

3 MS VAKILI: Yes. As I had said before, the

4 rents that were being charged, were well over what

5 tenants could afford. Therefore, they were overcrowding.

6 When South County came in, they reduced the

7 rents slightly; but not to the level of affordability

8 that they will be, when the tenants return.

9 In addition, the overcrowded conditions were

10 remediated by South County, offering other vacant units

11 in the same project to tenants, so that they would not

12 have to live in crowded conditions.

13 MS. BOEL: Will there be any limitations on the

14 number of people per bedroom unit?

15 MS VAKILI: Yes, according to housing standards,

16 they will be implemented.

17 MS. BOEL: Okay.

18 CHAIRPERSON COURSON: Other questions from the

19 Board?

20 Ms. Weir?

21 MS. WEIR: On the issue of project cost, at

22 CDLAC, we are also looking at high project costs.

23 355,000 per unit -- over 355,000 per unit is an issue;

24 and will be an issue at my committee. And I want to

25 just -- I mean, I've already chatted with Linn about this

1 in the past. And this is something that seems to be
2 rising up in importance at my committee, as opposed to
3 dissipating. And so I look forward to working with Linn
4 on establishing cost parameters within the CDLAC program.
5 Certainly interested in getting all of our stakeholders
6 involved in that discussion.
7 I am supportive of this project. I am concerned
8 about the cost. And I think that Ed raised those issues
9 very, very well.
10 CHAIRPERSON COURSON: Other comments?
11 Mr. Carey?
12 MR. CAREY: I'd just like to mention that I
13 share the concern about costs. I also think we need to
14 see this project in the community and social context that
15 exists.
16 And I think that South County Housing has taken
17 on a community problem and issue that most of us would
18 shy away from. And the fact that they purchased the
19 property, they've had it for three years and they've
20 worked, and, obviously, brought many partners into the
21 project, I think, is recognition that it's a significant
22 issue within the community. And I'm pleased to be able
23 to support it.
24 CHAIRPERSON COURSON: Other comments?
25 Mr. Czuker?

1 MR. CZUKER: As a follow-up question, on your
2 cash flows, on page 159, I'm just curious, when you're
3 listing the debt service, is the CalHFA first mortgage
4 going to have priority in cash-flow distribution for debt
5 service over the RCAC and USDA program?
6 MS VAKILI: Yes, it does.
7 MR. CZUKER: So the 1.10 debt coverage ratio is
8 a blend of all three.
9 What would the CalHFA first mortgage starting
10 cash-flow debt coverage ratio really be? Because if it's
11 truly senior, it would have the ability to be a safer
12 loan, in a much more debt-coverage based loan, which
13 should give us additional comfort.
14 MS VAKILI: At the debt coverage, I ran it,
15 considering our debt and the RCAC debt only. It was
16 1.45.
17 The debt-coverage ratio, considering our loan
18 only, would be substantially better than that. But, I'm
19 sorry, I don't have that exact number for you.
20 MR. CZUKER: Okay, thank you.
21 CHAIRPERSON COURSON: Other questions?
22 Comments?
23 *(No audible response was heard.)*
24 CHAIRPERSON COURSON: Any comments from the
25 public?

1 *(No audible response was heard.)*

2 CHAIRPERSON COURSON: A motion is in order.

3 MR. FRIEDMAN: I'll move approval of the

4 project.

5 CHAIRPERSON COURSON: Mr. Friedman moves

6 approval of the project.

7 MR. CAREY: Second.

8 CHAIRPERSON COURSON: Mr. Carey seconds.

9 Any further discussion?

10 *(No audible response was heard.)*

11 CHAIRPERSON COURSON: Call the roll, please.

12 MS. OJIMA: Thank you.

13 Ms. Weir?

14 MS. WEIR: Yes.

15 MS. OJIMA: Mr. Carey?

16 MR. CAREY: Yes.

17 MS. OJIMA: Mr. Czuker?

18 MR. CZUKER: Yes.

19 MS. OJIMA: Mr. Friedman?

20 MR. FRIEDMAN: Yes.

21 MS. OJIMA: Mr. Augustine?

22 MR. AUGUSTINE: Yes.

23 MS. OJIMA: Mr. Morris?

24 MR. MORRIS: Yes.

25 MS. OJIMA: Mr. Shine?

1 MR. SHINE: Yes.

2 MS. OJIMA: Thank you.

3 Mr. Courson?

4 CHAIRPERSON COURSON: Yes.

5 MS. OJIMA: Resolution 05-08 has been approved.

6 CHAIRPERSON COURSON: Thank you.

7 --o0o--

8 **Item 4. Resolution 05-09 (Grizzly Hollow)**

9 CHAIRPERSON COURSON: The next project is the

10 Grizzly Hollow.

11 MS. WHITTALL-SCHERFEE: This is a final

12 commitment request for a construction and a permanent

13 loan for Grizzly Hollow, Phase III.

14 Grizzly Hollow is located at the corner of

15 Beaver Park Way and Elk Hills Drive in Galt, which is in

16 Sacramento County.

17 The project is a 54-unit housing project. It's

18 going to consist of 18 one-bedroom units -- I'm sorry,

19 18 detached homes and 18 duplex-style homes, for a total

20 of approximately 54 units.

21 The construction loan that we are requesting is

22 in the amount of $9,900,000. It was underwritten at a

23 4.65 percent variable rate interest-only, which will be

24 fixed at the time that the construction loan closes. And

25 once the construction is completed, we are requesting a

1 permanent loan in the amount of $950,000, at 5.7 percent
2 for 20 years. The 5.7 rate is because it is a 20-year
3 term. And that is tax-exempt money.
4 This project is being developed as part of the
5 City of Galt's General Plan to develop affordable
6 housing. And they will have a regulatory agreement,
7 which will be subordinate to CalHFA for 55 years on the
8 project.
9 There are five loans that are going to be
10 subordinate to us, and that are residual receipt loans on
11 this project.
12 There will be three different loans from HCD,
13 Housing and Community Development. There will be an
14 MHP loan in the amount of approximately 3.3 million for
15 55 years at 3 percent. There will be a special services
16 loan in the amount of $500,000, 55 years, at 3 percent.
17 And there will be a Joe Serna Farm Worker Program loan of
18 approximately $2.2 million, 55 years at 3 percent.
19 In addition, there is a Sacramento Housing and
20 Redevelopment Agency HOME loan in the amount of 800,000,
21 55-year term at 4 percent, and an AHP loan through Bank
22 of the West for $270,000.
23 Eighteen of the units are going to be assisted
24 by the Joe Serna Farm Worker Program.
25 The developer of this project is Mercy Housing,

1 California. The limited partnership is a to-be-formed
2 limited partnership, with two managing general partners.
3 One will be Mercy Housing West. The other will be Rural
4 California Housing Corp.
5 Mercy Housing is well-known to the Agency. They
6 have developed and rehabilitated 77 projects in
7 California, with a total of in excess of 4,000 units.
8 RCHC has 32 years of experience and has
9 developed over 2,200 units of self-help housing,
10 including nine Multifamily projects, with over 371 units.
11 On the project summary page, on page 175, there
12 is a GP cash from land sale. That is because this
13 property is being subdivided. And before the
14 construction loan closes, four lots are being sold. And
15 the $200,000 from the sale of those lots will be used to
16 develop this project.
17 And with that, Ruth is going to take you through
18 the project.
19 MS VAKILI: This is a view of the project. It's
20 a nice, large, eight-acre site. It's located near a
21 school that is under construction. And you can see that
22 off to the left.
23 It's also located next to a central area that is
24 used for buses for the school district. Beaver Park Way
25 is going to be repaved as -- portions of Beaver Park Way

1 are going to be repaved as a part of this project. In
2 addition, a road will be completed at the site of the
3 property. I can't find my pointer, otherwise I would
4 point to it.
5 Let's go forward.
6 MS. WHITTALL-SCHERFEE: There it is.
7 MS VAKILI: There we are. Right there is where
8 the new road will be.
9 The lots that will be sold are on the other side
10 of this roadway.
11 The next slide.
12 This is a view of the property from Beaver Park
13 Way.
14 And a somewhat cloudy view of the site. It's
15 relatively flat and a very nice piece of property to
16 develop.
17 Surrounding the property are single-family
18 homes. They are a mix of that two- and three-bedroom
19 units which are designed in a similar fashion as this
20 project will be.
21 The site itself will have 54 units, consisting
22 of a mix of one's, two's and three's. There will be
23 36 one-story buildings. And the buildings will be
24 designed in a single-story, single-family look, in order
25 to blend in with the neighborhood.

1 There will also be a community building of
2 5,022 square feet. A portion of this community building
3 will be occupied by a child-care center, with a 35-child
4 capacity. The center will also utilize a tot lot
5 adjacent to the center. And on off hours, this portion
6 of the property will also be used for the general
7 population tenants.
8 The buildings themselves will be type V
9 wood-frame construction and will have a design that is
10 similar to other homes in the area.
11 And prior to completion of -- prior to our first
12 disbursement, all of the off-site and on-site public
13 improvements are to be completed and that will also
14 include the completion of Elk Hills Drive.
15 The project in the City of Galt is in an area
16 that has very little affordable housing. In this area,
17 64 percent of the renters earn less than 50 percent of
18 the median income. Also in this area, the employment --
19 seven percent of the employment base is agricultural.
20 It's felt that this property, once completed, will lease
21 up very quickly at a rate of 18 units per month, and be
22 fully leased up within three months of completion.
23 You can see here from the slides the disparity
24 between the market rate rental cost and the rents at
25 30 percent, 50 percent, and 55 percent of median.

1 The property itself has no environmental impacts
2 reported. And the borrower has requested and received an
3 earthquake insurance waiver.
4 MS. WHITTALL-SCHERFEE: And with that, we'd be
5 happy to answer any questions; and we request approval
6 for this project.
7 CHAIRPERSON COURSON: Questions?
8 Mr. Shine?
9 MR. SHINE: Well, just one.
10 These are single-family and duplex, type V,
11 freestanding structures; right?
12 MS VAKILI: Yes.
13 MR. SHINE: And they're costing $117 a square
14 foot to build.
15 Is that the norm for single-family structures in
16 this area? Or is it something unusual that I'm not
17 seeing in this here? I mean, in addition to 40,000
18 per unit for improvements, just as a matter of curiosity,
19 what are people paying these days for single-family
20 construction, type V?
21 MS VAKILI: I would be hard-pressed to answer
22 that with any clarity.
23 MR. SHINE: Let me turn my comment around and
24 say, I think it would be a continuing -- and I know
25 you're doing it, anyway -- but a continuing idea to

1 monitor where the differences between what private
2 industry and nonprofit industry is spending to build the
3 same kind of product.
4 This is a very nice project. It will be a lot
5 of project; but it's one-story, single-family
6 construction. There are no concrete garages underneath
7 or the elevators, like on the last project. And it just
8 seems to me inordinately high. Maybe it's not our job to
9 really pay that much attention to it because I know our
10 position is very secure; but we also want to continue, as
11 we have in the past, to keep an eye on those things,
12 because it's an interesting area of the project.
13 MR. WARREN: Yes, and let me just comment, in
14 following up on Mr. Czuker's comments and Laurie's
15 comments earlier. We do look at the costs. We do
16 cost-analysis studies to see if it's reasonable and stuff
17 like that.
18 And normally what happens is, we get these
19 studies back, and they say, "Yeah, these are the costs."
20 Now, we have one or two choices at that point in
21 time. We can go back in and say, "We think that's
22 baloney," and then go back and find out what the costs
23 are; or we sit down and try to work with the borrowers on
24 that.
25 And I think that the Agency has always tried to

1 look at the costs of what's reasonable and try to
2 facilitate the development.
3 But it oscillates. You know, two years ago, we
4 had a huge spike in costs, and lumber has gone up and
5 lumber has gone down.
6 So I think the best we can do from an agency
7 perspective -- and that's different, I think, a little
8 from what Ms. Weir's responsibility is and what TCAC's
9 responsibility is, is to monitor these things and find
10 out if they're feasible from a financial standpoint and
11 keep our finger on the pulse, Jack.
12 So that's our role at this juncture, and to keep
13 pushing borrowers to make sure that that's the cost.
14 We're happy to do comparative cost as well. But that is
15 kind of a tough role for us.
16 MR. SHINE: And I realize -- I'm sorry.
17 CHAIRPERSON COURSON: No, go ahead.
18 MR. SHINE: And I realize the position you were
19 in. This was nothing more than an editorial comment on
20 my part, knowing what we're building for today in private
21 industry and in the nonprofit industry. And let's put it
22 this way: It's interesting, and I like to keep looking
23 at it.
24 MR. WARREN: No, Mr. Shine, it's frustrating for
25 us, too. Because ultimately, as a lender and as a

1 facilitator, we have to look at our financial resources.
2 And if we have to put more resources in a project to make
3 it work because it's overly expensive, that's a
4 legitimate question from a lending perspective.
5 MR. SHINE: From a financial point of view,
6 we're in good shape.
7 MR. WARREN: Yes, sir.
8 MR. SHINE: I'm not worried at all.
9 Is this a prevailing wage project, by the way?
10 MS. PARKER: Yes.
11 MR. SHINE: Well, that's a part of it.
12 MR. FRIEDMAN: It's not a single-family
13 construction loan.
14 MR. SHINE: No, that's mind boggling.
15 Okay, thank you very much.
16 MR. WARREN: Yes.
17 CHAIRPERSON COURSON: Mr. Czuker?
18 MR. CZUKER: To help put it in perspective,
19 single-family housing costs should be roughly around
20 $45 a foot. Here, you have an average of maybe 878 feet
21 per unit or per house. You know, you would be talking
22 less than $35,000 to $40,000, probably something in the
23 range of $35,000 to $40,000. Instead, we're more like
24 278,000 per unit. So that the cost, again, is high; and
25 it's exactly what Mr. Shine is attributing to from the

1 single-family perspective. It's also similar to the
2 prior project, where you have a total project cost in
3 excess of $15,000,000. And yet upon restricted value,
4 your 1.5 million, or 10 percent of that, is your future
5 value, which, of course, based on the affordable housing
6 restrictions, you expect it to be worth less, but not
7 10 percent of the cost, less our permanent loan, which is
8 only going to be 950,000 relative to the future value of
9 a 1.5 million, it's roughly only 60 percent or 59
10 percent. So the CalHFA loan is still in a good secured
11 position with debt coverage. But it is still a very
12 high-cost project, even with prevailing wage.
13 And, again, could those resources be spread
14 further to create more units, rather than having them
15 eaten up in one or two smaller projects?
16 CHAIRPERSON COURSON: Mr. Carey, did you have
17 a question?
18 MR. CAREY: No.
19 CHAIRPERSON COURSON: Any other questions or
20 comments?
21 MR. SHINE: I'd just like to say one more thing.
22 CHAIRPERSON COURSON: Yes. Mr. Shine?
23 MR. SHINE: It's always interesting to me to
24 note when a project has a quarter of its entire costs
25 devoted to paying for some street improvements and paying

1 the city fees of $25,000 a unit for a 925-foot unit. And
2 I don't see, on the other side, any loans from the city.
3 I mean, you did a beautiful job of putting this thing
4 together; but the city didn't apparently come to the
5 table. So there's probably nothing we can do about it;
6 but it's always frustrating to see the city charge that
7 size of fees for improvements on a project of the minimal
8 impact that this has on the surrounding area and traffic
9 and everything else.
10 CHAIRPERSON COURSON: Any other questions or
11 comments?
12 Is there any comment from the public?
13 *(No audible response was heard.)*
14 CHAIRPERSON COURSON: Is there a motion?
15 MR. SHINE: I'll move.
16 CHAIRPERSON COURSON: Moved by Mr. Shine.
17 MR. CZUKER: I'll second.
18 CHAIRPERSON COURSON: Second by Mr. Czuker.
19 Any other discussion?
20 *(No audible response was heard.)*
21 CHAIRPERSON COURSON: Call the roll, please.
22 MS. OJIMA: Mr. Weir?
23 MS. WEIR: Yes.
24 MS. OJIMA: Mr. Carey?
25 MR. CAREY: Yes.

1 MS. OJIMA: Mr. Czuker?

2 MR. CZUKER: Yes.

3 MS. OJIMA: Mr. Friedman?

4 MR. FRIEDMAN: Yes.

5 MS. OJIMA: Mr. Augustine?

6 MR. AUGUSTINE: Yes.

7 MS. OJIMA: Mr. Morris?

8 MR. MORRIS: Yes.

9 MS. OJIMA: Mr. Shine?

10 MR. SHINE: Yes.

11 MS. OJIMA: Mr. Courson?

12 CHAIRPERSON COURSON: Yes.

13 MS. OJIMA: Resolution 05-09 has been approved.

14 --o0o--

15 **Item 4. Resolution 05-10 (Flower Park Plaza Apartments)**

16 CHAIRPERSON COURSON: Okay, our last project

17 this morning is the Flower Park Plaza Apartments in Santa

18 Ana.

19 MR. WARREN: Thank you, Mr. Chairman.

20 The Flower Park Plaza Apartments is a 199-unit

21 senior project in Santa Ana, California. The loan that

22 is being refinanced here today is an Agency portfolio

23 Section 8 loan. And I'll get into the particulars of the

24 Section 8 contract in just a moment.

25 The request for the Board today is for an

1 acquisition loan of $14,725,0000. The interest rate
2 should be 4.65, which is our current underwriting rate
3 for variable rate product, 12-month interest-only, and
4 that is tax exempt.
5 The permanent mortgage is $10,360,000. We'll
6 use a 5.7 rate on this one. We've had some movement of
7 the markets. We're going to use the 5.7 rate, as with
8 the other 20-year loan that you saw earlier. 20-year,
9 fully amortizing tax-exempt, and this will be FHA Risk
10 Share.
11 The purchaser of the project is Christian Church
12 Homes. They have been a general partner on the project
13 for some time. They are purchasing it from Forest City,
14 who are the original developers.
15 This is the third project of this type that we
16 have done with Christian Church and Forest City; and
17 basically Christian Church is exercising their purchase
18 option.
19 The Section 8 situation with the contract bears
20 some time. So as the materials on page 190 indicate,
21 what we are going to do on this particular project is,
22 there are ten years left to go of an original 30-year HAP
23 contract that the Agency received in its original
24 financing. Technically speaking, there are two five-year
25 extensions which are essentially granted automatically.

1 What we are requesting from HUD, obviously, is
2 to keep those two five-year optional exceptions in place.
3 And on top of that, layer two additional five years, for
4 a total of 20 years, for a project-based Section 8.
5 The final ten years of the second ten years of
6 the project-based Section 8 contract will be on annual
7 renewals. So there will be some renewal risk on the
8 property.
9 To mitigate that, we have taken a couple of
10 measures: Number one, this will be FHA Risk Share, in
11 which half of the potential liability for any loss rests
12 with HUD. And we also have a transition reserve, which
13 will be funded through excess cash flow over the first
14 seven to eight years of the project, which will result in
15 approximately ten to 12 months of debt service.
16 In the event, through some appropriations and
17 there is a problem that the Section 8 contract so
18 continue, then the units could transition into
19 potentially higher-paying rents, if necessary. Although
20 in most situations, we would expect if a Section 8
21 project-based contract was terminated for an elderly
22 project, those residents would receive project-based
23 vouchers at essentially the same payment rate as we have
24 for the contract.
25 So there is some risk; but we feel fairly

1 comfortable with that.

2 There is a -- this is subject to a FAF

3 agreement. I won't go into the arcane details of the

4 FAF. But basically what this means is, there are monies

5 received by the Agency, which is a result of some prior

6 refinancings that we did on the project. These monies

7 from HUD will continue for the next ten years. And it's

8 questionable as to whether those would continue on a

9 long-term basis.

10 But that particular flow from HUD is not really

11 germane to the project underwriting.

12 So with that, I think I'll stop and ask Jim to

13 go ahead and run you through the project.

14 MR. LISKA: Thank you. The subject property is

15 located in the downtown area of Santa Ana, County of

16 Orange.

17 This is our project. It's in an excellent

18 location. At the corner of First Street and Flower,

19 right in front of the project is a bus stop. Right

20 behind the project is a community park.

21 Located along First Street is a small retail,

22 commercial. Over here, we have apartments. And on

23 either side is single-family, detached, and small-income

24 properties.

25 To the north of the project is the County of

1 Orange. It's a mid-rise office complex.

2 And then back in here, we have the civic center

3 area, which is city, county, local governments. The

4 Ronald Reagan Complex federal building is back in here,

5 which is a showpiece and a tourist attraction.

6 Approximately three miles north, down First

7 Avenue, is Interstate 5.

8 Here is a close-up of the project. It's

9 199 units, 11-story high-rise, concrete construction.

10 47 units are studio, and 151 are one-bedrooms. There's

11 a one-bedroom -- I'm sorry, there's a two-bedroom

12 manager's unit. We have interior corridors.

13 Located on the roof here, which is -- you may be

14 able to see; but there's a chiller system, a circulation

15 system and solar panels. And this will be a major piece

16 of our rehabilitation, as far as putting in -- the

17 project was built in 1984, approximately 21 years old.

18 So it's going to be needing some renovation. So we'll be

19 doing a new chiller system, boiler system, dual-pane

20 windows to cut down, since the project is paying for the

21 heating.

22 And there's also -- down below -- I'm sorry.

23 I want the next picture.

24 Down below, we have some guest-parking here, and

25 then we have secured, gated parking for the tenants in

1 front. And in back, there's a total of 80 parking spaces
2 for the tenants. It's a senior project, so you have less
3 than one to one for the opportunities.
4 Originally, this project is located in a
5 downtown redevelopment area. Back in the eighties, they
6 encouraged higher density and minimal parking; and this
7 project benefitted from the bonus density at that time.
8 The project has several amenities associated
9 with it. There's a billiard room. This kitchen area is
10 adjacent to a large community room. There's also a
11 crafts room. There's a lobby area, office area.
12 On the second floor is a laundry area for the
13 tenants to do their laundry. There's two elevators for
14 the project, so there's a convenience for the tenants to
15 go up and down the elevators and easy access to laundry
16 facilities.
17 This is a rear view of access to the parking in
18 the back. There's a covered patio area back here, with a
19 little koi pond. And right behind it, again, is the
20 public community park.
21 Our rents are -- what we're mainly concerned
22 with, as Linn indicated, we do have Section 8 rents. Our
23 Section 8 rents for the studios are approximately
24 90 percent of market. The one-bedrooms are 93 percent of
25 market. The rents that we're getting are -- there's been

1 no increase in rents. These are the existing Section 8
2 rents in place. And we did not ask for any type of rent
3 increase on the existing rents.
4 The Section 8 rents are tied to an AAF, which is
5 the annual adjustment factor. Last year, that factor ran
6 at about 2.3 percent. I don't know what it is this year
7 yet. We trend it at about 2 percent, our Section 8
8 rents. So that's, I think, conservative and within the
9 limits of what Section 8 is.
10 There are no other market-rate Section 8 --
11 there are no other market-rate senior projects in the
12 downtown area. There are some other smaller tax-credit
13 projects in the area. By far, I think this project, once
14 it's renovated, shows very attractively, and it's been
15 maintained and well kept up, over the life of the
16 project.
17 With that, I'll return it to Lynn.
18 MR. WARREN: Thank you.
19 I think, just to comment -- just to comment,
20 obviously, there's a number of issues evolving around HUD
21 on this. So before we can proceed with the financing,
22 we'll have to -- we are seeking and hoping to obtain HUD
23 approval on a number of issues. So HUD really does
24 control much of this process. So we are in front of them
25 now; and hopefully, we can get a swift resolution to our

1 question.

2 So with that, I would like to recommend approval

3 and be happy to answer any questions.

4 CHAIRPERSON COURSON: Okay, Mr. Czuker?

5 MR. CZUKER: I'm very supportive of the project.

6 Here's an example where we can bring in, through

7 acquisition rehab, housing stock at 116 per unit, instead

8 of 335 or 355 per unit. And certainly couldn't we create

9 a lot more housing than 116 per unit, than 355 per unit?

10 So I'm very supportive of the project, based on

11 there is a demand and a need for senior housing and

12 affordable senior housing in Orange County. And I want

13 to commend staff for working through these issues with

14 HUD, which is not easy, as I'm well aware.

15 One question relates to the residual receipts or

16 the residual receipts reserve, specifically.

17 Is that currently a cash balance in CalHFA's

18 possession, or is that something that would need to be

19 negotiated to ask HUD to turn over a reserve, to allow

20 the source of funding for this project?

21 MR. LISKA: This is a cash balance, and HUD has

22 rights to it. And we have asked HUD to transfer the

23 residual receipts, and also the existing seller's

24 replacement reserves to this project. And that will be

25 a basis of which we're using for our rehabilitation.

1 MR. CZUKER: So it is a requirement then that
2 HUD consent to transfer these reserves in their
3 possession over to CalHFA as a funding source?
4 MR. LISKA: That is --
5 MR. WARREN: I think as a clarification, I
6 believe the reserves are in our possession; but their use
7 is controlled by HUD.
8 MR. LISKA: Correct.
9 MR. WARREN: HUD will have to consent to the use
10 of these funds. It's essentially almost the same thing.
11 MR. CZUKER: I'd like to see more of these types
12 of projects. Thank you.
13 MR. LISKA: So would I.
14 CHAIRPERSON COURSON: Other questions?
15 *(No audible response was heard.)*
16 CHAIRPERSON COURSON: Any comments or questions
17 from the public?
18 *(No audible response was heard.)*
19 CHAIRPERSON COURSON: Is there a motion?
20 MR. CZUKER: So moved.
21 CHAIRPERSON COURSON: Mr. Czuker moves to
22 approve.
23 MR. FRIEDMAN: Second.
24 CHAIRPERSON COURSON: Mr. Friedman second.
25 Call the roll.

1 MS. OJIMA: Ms. Weir?
2 MS. WEIR: Yes.
3 MS. OJIMA: Mr. Carey?
4 MR. CAREY: Yes.
5 MS. OJIMA: Mr. Czuker?
6 MR. CZUKER: Yes.
7 MS. OJIMA: Mr. Friedman?
8 MR. FRIEDMAN: Yes.
9 MS. OJIMA: Mr. Augustine?
10 MR. AUGUSTINE: Yes.
11 MS. OJIMA: Mr. Morris?
12 MR. MORRIS: Yes.
13 MS. OJIMA: Mr. Shine?
14 MR. SHINE: Yes.
15 MS. OJIMA: Mr. Courson?
16 CHAIRPERSON COURSON: Yes.
17 MS. OJIMA: Resolution 05-10 has been approved.
18 CHAIRPERSON COURSON: Okay, thank you.
19 I think we'll take maybe just a five-minute
20 break; and then we'll come back and go through the rest
21 of our agenda. And then we should be able to finish up
22 by noon.
23 *(A recess was taken from 10:46 a.m. to*
24 *10:55 a.m.)*
25 //

1 **Item 6. Resolution 05-13 Discussion, recommendation and**
2 **possible action relative to the approval of a**
3 **Resolution approving amendments to the**
4 **Regulations of the Agency regarding the Conflict**
5 **of Interest Code**
6 CHAIRPERSON COURSON: The next item on our
7 agenda is Item Number 6, which is a discussion of the
8 Conflict of Interest Code. And --
9 MS. OJIMA: He's moved.
10 CHAIRPERSON COURSON: Oh, he is there.
11 And, therefore, our counsel, Tom Hughes, is
12 going to take us through this.
13 MR. HUGHES: Thank you, Mr. Chairman, Members of
14 the Board.
15 This item is, as the Chairman indicated, an
16 update to the Agency's Conflict of Interest Code. The
17 California Political Reform Act of 1974 requires that
18 each state agency enact Conflict of Interest Code. And
19 among other things, that code defines who files the
20 Form 700's and defines some of the filing characteristics
21 of those statements.
22 The Political Reform Act requires that each
23 agency periodically update its code. The Conflict of
24 Interest Code is really based on the positions that the
25 Agency has, and an analysis of what each person does.

1 And the thrust of it is that those people who make
2 decisions or directly influence the people that make
3 decisions are required to file the statements of economic
4 disclosure.
5 We have gone through our list of personnel and
6 analyzed their positions; and that's resulted in us
7 recommending a number of changes to the code, which are
8 listed in the materials here. And the intent is to
9 better conform to the requirements of the Political
10 Reform Act, by focusing really only on those people
11 that directly or indirectly influence the actual
12 decision-making.
13 The other portion of the amendment simply serves
14 to clean up some of the definitions that we have had for
15 some time, and to hopefully make them read more clearly
16 and to better accomplish the purposes of the Conflict of
17 Interest Code.
18 So with that, if the Board has any questions,
19 I'd be happy to answer them.
20 CHAIRPERSON COURSON: Are there questions of
21 counsel on this?
22 *(No audible response was heard.)*
23 CHAIRPERSON COURSON: You have the information,
24 the marked-up changes that are proposed, and there is the
25 proposed resolution on page 237.

1 MR. HUGHES: Right, and, Mr. Chairman, if the
2 Board approves this resolution, it then goes to the Fair
3 Political Practices Commission, who needs to review and
4 approve it.
5 CHAIRPERSON COURSON: Is there a motion?
6 MR. CAREY: So moved.
7 CHAIRPERSON COURSON: Mr. Carey.
8 And a second?
9 MS. WEIR: Second.
10 CHAIRPERSON COURSON: And a second by Ms. Weir.
11 Any other discussion? Any comments from the
12 public?
13 *(No audible response was heard.)*
14 CHAIRPERSON COURSON: Seeing none, let's call
15 the roll.
16 MS. OJIMA: Thank you.
17 Ms. Weir?
18 MS. WEIR: Yes.
19 MS. OJIMA: Mr. Carey?
20 MR. CAREY: Yes.
21 MS. OJIMA: Mr. Czuker?
22 MR. CZUKER: Yes.
23 MS. OJIMA: Mr. Friedman?
24 MR. FRIEDMAN: Yes.
25 MS. OJIMA: Mr. Augustine?

1 MR. AUGUSTINE: Yes.

2 MS. OJIMA: Mr. Morris?

3 MR. MORRIS: Yes.

4 MS. OJIMA: Mr. Shine?

5 MR. SHINE: Yes.

6 MS. OJIMA: Mr. Courson?

7 CHAIRPERSON COURSON: Yes.

8 MS. OJIMA: Resolution 05-13 has been approved.

9 CHAIRPERSON COURSON: Thank you.

10 Why don't you just, Counsel, stay where you're

11 at, if you would, please.

12 --o0o--

13 **Item 7. Resolution 05-14 Discussion of possible action**

14 **relative to Resolution 05-06 (which authorizes**

15 **certain contracting by the Agency) and**

16 **Resolution 05-05 (which authorizes certain**

17 **amendments to Agency regulations, including**

18 **regulations affecting Agency contracting),**

19 **previously approved on January 13, 2005**

20 CHAIRPERSON COURSON: The next item is, as you

21 recall, at our last Board meeting, we went through a

22 series of resolutions, one of which was a resolution that

23 had to do with an increase in contracting authority -- my

24 words -- from 500,000 to $1 million to the executive

25 director. And we had a pretty full discussion of that.

1 There were two resolutions, actually, as you'll recall,
2 and had a pretty full discussion.
3 And subsequent to the meeting, I had a
4 conversation with Mr. Morris, and he has asked, and has
5 had discussions with counsel also, that we put this back
6 on the agenda for further discussion. And so what you
7 have, the materials here sort of explains that, and then
8 have the resolution as it was presented, Resolution 05-06
9 for discussion at our previous Board meeting.
10 So, obviously, when a Board member requests,
11 we're more than willing to put that back on and have
12 additional discussion on the matter.
13 So I guess, Mr. Morris, I'll turn to you now,
14 if I may.
15 MR. MORRIS: As we know, there were two
16 resolutions. One was an interim resolution, and then the
17 other resolution would take effect, once that was
18 adopted.
19 My concern was, after I looked at this and
20 thought about it, was that excluding salaries, which
21 are below the $500,000 number, you know, our operating
22 expenses for the Agency this year is approximately
23 $12 million. So what this resolution basically is going
24 to do, is to give the executive director authority to
25 contract for services up to 8 percent of the budget --

1 the operating budget -- without any Board approval, which
2 I thought seemed extremely high. I didn't have a problem
3 with the 500 that was in place before. So I just wanted
4 to hear other people's comments, hear staff's comments.
5 I talked to Tom about this. And maybe there's a
6 way to clean up the resolution to deal with the operating
7 expenses, so that the cap wouldn't take effect as it
8 relates to those items.
9 CHAIRPERSON COURSON: I think one of the topics
10 that we -- let me come back for two things. First of
11 all, those -- I want to recap what I said before. The
12 reason this was on the agenda at the last meeting was,
13 at the previous meeting a year ago, the Board requested
14 the staff to take a look at the contracting authority.
15 So that's how it got back on the agenda for our
16 consideration.
17 Having said that, part of the discussion that I
18 think Mr. Morris and I have had, and had with counsel, is
19 the question as to what does this apply to, in terms of
20 contracts. And there are multiple types of contracts and
21 contracting that the Agency does as a normal course of
22 its business, some of which truly operate from what I
23 would say, in a business sense, running the business, the
24 G & A type of contracts that we talk about, and also
25 multiple contracts in terms of all of our financing

1 arrangements and fundings that we do.

2 So, Mr. Morris, I think you're referring to the

3 fact that this is a matter that counsel really, from time

4 to time, has to make a decision as to which bucket or

5 which side of the line these contracts fall into, to make

6 a determination as to whether this 500,000, or the

7 $1 million now, as it was approved last time, is

8 effective.

9 And, Tom, maybe you could comment on that?

10 MR. HUGHES: Yes, Mr. Chairman.

11 I think that's correct. The expenses that the

12 Agency has, the operating budget reflects certain -- and

13 I guess you could call them general administrative-type

14 G & A expenses -- but it is a subsection of the totality

15 of what the Agency does and is a small one, actually.

16 I was thinking about this issue as I read

17 through Bruce Gilbertson's reports, which are attached to

18 this Board package, in which Bruce reports on recent bond

19 issuances and draw-down bonds and swap agreements. And

20 as I read through that, there were the names of almost

21 30 different financial institutions, banks, investment

22 banks, liquidity providers, swap counterparties that we

23 do business with. And each one of those is implemented

24 by contracts. And all those are covered by the financing

25 resolution that the Board enacts each year. And the

1 names of the parties that are referenced in those
2 agreements is, itself, only a subset of the totality of
3 the types of agreements that we enter into each year.
4 So there very clearly are different groups of
5 expenses. And when one goes through the financials, you
6 can see fairly clearly how the Agency operates in
7 totality and how it categorizes these different expenses.
8 Having said that, it is not crystal clear if one
9 is in the position of having to decide which bucket to
10 place those things, and where you do that. I guess, in
11 other words, what I'd say is, if you asked several
12 people, you might get several answers to that question.
13 So it seemed to me, from my point of view, that
14 a certain -- you know, common understanding needs to
15 exist between the executive director and the Board as to
16 how to make those decisions and to create that standard
17 with enough disclosure and enough flexibility to actually
18 run the business from day to day.
19 CHAIRPERSON COURSON: Questions or comments from
20 others?
21 MS. PARKER: Mr. Chairman, I just would like to,
22 again, remind the Board that the Board does set our
23 administrative budget, where we will come to you in our
24 next meeting in May, and essentially set that level. So
25 irrespective of what level of authority I have to sign

1 contracts that are out of our operating budget, I cannot
2 raise that limit above what you authorize without coming
3 back to you.
4 We will also, as been requested by one of our
5 Board members, I'll be bringing to you, when we do the
6 May meeting, a list of all contracts, or whatever detail
7 you are looking for, for each line item. So you will
8 see -- so within that, if there is the discretion, it
9 would be a matter of having to, you know, not be
10 essentially using those dollars and redirecting them for
11 a different purpose. So I just want to make people clear
12 that while I have some unique authority -- the executive
13 director of the Housing Finance Agency, it has some
14 unique authority given to it by statute -- I don't have
15 the ability to essentially, you know, print money. I
16 can't authorize expenditure levels above what the Agency
17 gives me in totality, to begin with.
18 CHAIRPERSON COURSON: Others?
19 Mr. Morris?
20 MR. MORRIS: How would you propose dealing with
21 this problem? Because to me, it's a problem. As a Board
22 member, I've got to tell you, you know, I think a lot of
23 us have served on other state boards or what have you.
24 I've served as treasurer of the State Bar, which is a
25 different type of agency than this, but a much larger

1 operating budget than what you have. And, you know, I
2 don't feel we've really dealt with this issue because as
3 you said earlier, sometimes there's a problem as to which
4 bucket to put it in; but we still haven't resolved the
5 issue of -- I mean, I can just tell you, going forward,
6 I did support the resolution at our last meeting to raise
7 it to a million. But going forward, I'm not going to
8 approve anything until we deal with this issue of how we
9 are going to deal with the operating expenses, how
10 they're going to be categorized. I won't approve any
11 more budgets until we deal with this whole issue.
12 So I think what we probably should do is, maybe
13 not in this meeting, but explore how we're going to deal
14 with this issue. And, you know, that doesn't have to be
15 done at this meeting, but maybe staff would come back at
16 the next meeting and make some recommendations.
17 I've talked to people that have been on
18 Cal-PERS, I've talked to former heads of Office of
19 Planning and Research, I've talked to former controllers
20 of the State of California; and everybody that I've
21 spoken to about this issue felt there was a real problem.
22 And I felt it was a problem after I had already supported
23 it.
24 CHAIRPERSON COURSON: Let me comment also that
25 one of the things that -- it's ironic in the timing and

1 so on -- is that in our April workshop -- and counsel or
2 executive director or Mr. Gilbertson can correct me --
3 whereby the target, or the focus of that is the financing
4 and finances of the Agency. And, in fact, counsel and I
5 have talked about this. I can't imagine that we're going
6 to go through that session without some discussion and
7 presentation in talking about, frankly, one of the
8 things, Mr. Morris, in my mind, is to identify the
9 buckets. What are they out there, what are the pieces,
10 what are the different levels of contracting that we deal
11 with? Because once you start to identify those, then you
12 can maybe start to differentiate what they are, to see
13 where that line is. And if I'm correct, I think that it
14 will be a major piece of discussion of the finances of
15 the Agency during that workshop. I mean, maybe we'll all
16 have a better, clearer understanding when we're through
17 with that session.
18 MS. PARKER: Yes, Mr. Chairman, I think that's
19 the way the staff feels. I think we want to make sure
20 that, as Board members, that you have fiduciary
21 responsibility, you'll understand how the Agency is
22 operating.
23 Many of you are new to the Board, and how we
24 operate in state government -- I've been in state
25 government for 30 years -- there is no state agency that

1 has many of the powers, and that's because most of them
2 are not operating as a business.
3 But we want you to make sure that you understand
4 what we're doing and why the authority is there. Based
5 on that level of knowledge, we think you'll be in a
6 better position to essentially, you know, feel and decide
7 what you're essentially comfortable with as some sort of
8 defining of a bright line.
9 We have spent a lot of time -- this Board has
10 spent a lot of time in the past acting as a credit
11 committee upon our deals which, obviously, do impact the
12 Agency's budget. We have, I think, under your
13 leadership, Mr. Courson, have talked more about having
14 some of the Agency look at other issues that have a
15 substantial financial impact on the Agency. The risk of
16 our portfolios, you know, essentially what risks the
17 Agency has, how profitable it is relative to what it's
18 using in its Housing Assistance Trust funds. Those are
19 really where a lot of tremendous policy issues are that
20 the Board could essentially be involved in. And the risk
21 and dollar amount of the Agency's, you know, sort of
22 creditworthiness is really fundamental there.
23 So I think what we have been wanting to do, is
24 make sure that not just picking one part, but looking at
25 the Agency in total, that you understand what we're

1 doing, what authorities we have to do it, and then
2 essentially whether or not those authorities assist us
3 in being, you know, more businesslike in an operating
4 environment or essentially create impediments; and then
5 how do you, as Board members, feel comfortable with your
6 fiduciary responsibilities.
7 CHAIRPERSON COURSON: I'll sort of take a
8 different -- I made an assumption. Let me make a
9 statement, instead, that at the workshop -- I think the
10 sense of the Board is to make sure that as a piece of
11 what we do, which I think is there by inference, anyway,
12 is to take a look at this issue with the different types
13 of financings, types of contracting, looking at where
14 bright lines fall or don't fall as part of that session.
15 And then having done that, I think then we can come back
16 and the Board can make an informed judgment as to how we
17 want to handle this going forward.
18 MR. MORRIS: You know, I understand the
19 comments, how this operates more as a business. You
20 know, we used to think at the State Bar we operated as
21 a business as well -- which we did. We tried to, most of
22 the time. But this still doesn't address -- I guess
23 we'll see how things go at the retreat or the meeting.
24 I've been on the Board now for about a year.
25 This is an issue that I don't think we've really

1 adequately addressed. So that is something that will
2 come up in April; and hopefully we'll come to some
3 understanding on how these items will be presented to
4 the Board.
5 You know, I have a fiduciary responsibility on
6 this board. I don't look at my role here as an
7 impediment to the Agency. That's why I'm here, that's
8 why I was appointed by the Governor.
9 And, you know, I'm not going to come up here
10 every other month and just sit here on my hands. I mean,
11 I'm here for a reason, we're all here for a reason.
12 We're running, you know, a big -- the operating budget is
13 a relatively small portion of the total expenditures of
14 the Agency, but it's something that's important. It's
15 not clarified clearly.
16 And, you know, I've been through orientation,
17 I've been on the Board for a year; and I still am not
18 happy with the way things are. So we'll see how things
19 go in April and go from there.
20 And I'd be glad, during that period of time,
21 to have discussions with you, like we did before, where
22 I address my concerns, you know, prior to this meeting
23 about how we allocate expenditures.
24 MR. HUGHES: And, Mr. Chairman, from the staff
25 point of view, we're delighted to be able to put on this

1 financial seminar that we have planned in April. And
2 from the staff point of view, one of the very difficult
3 things over the years, has been the inability during the
4 normal meetings, to have enough time to be able to get
5 into it, into the level of detail which we think is
6 required to have a full understanding and a full
7 disclosure of how we operate. So we're very much
8 prepared to do what you asked, Mr. Chairman. We're
9 looking forward to that.
10 CHAIRPERSON COURSON: Well, we do -- and I
11 agree with Mr. Morris, completely, our role as
12 fiduciaries, which I've said all along; and I think it's
13 an appropriate discussion to have at the board level.
14 That's what we're here for. And the timing is good, in
15 that it doesn't have the language, we can move from this
16 in April. We have a Board meeting in May, and see if we
17 can get some resolution to this.
18 Okay, any other comments?
19 *(No audible response was heard.)*
20 CHAIRPERSON COURSON: Okay, thank you. That was
21 a good discussion.
22 MR. HUGHES: Mr. Chairman, if I may. If there
23 is any specific direction as to anything a Board member
24 would like to see, if any Board members know now, that
25 would be a good time to tell us; or anyone can give me a

1 call and ask that we look at a specific aspect of this.

2 CHAIRPERSON COURSON: Yes, that's a good point.

3 We are, obviously with the session, three weeks, three

4 and a half weeks away, moving on the agenda -- although

5 this is, I think, wound around that agenda, let's make

6 sure that we get all -- any specific areas of concern or

7 question, specifically addressed.

8 MR. HUGHES: Right. And just to be clear, all

9 of the meetings of the Board of Directors of the Agency

10 are public meetings, covered by the Open Meeting laws.

11 And so we will need to -- we will be sending out very

12 shortly a notice of agenda of the April meeting. And we

13 will define -- we are able to define fairly broadly what

14 the topics are. But any specific information that the

15 Board would like from the staff, they can just call Bruce

16 or myself directly.

17 Thank you.

18 CHAIRPERSON COURSON: Okay, thank you.

19 --o0o--

20 **Item 8. Progress report on development of CalHFA**

21 **Five-Year (2005-06 to 2009-10) Business Plan**

22 **(PowerPoint presentations)**

23 CHAIRPERSON COURSON: The next item on our

24 agenda is a progress report, as we have gotten from time

25 to time on our five-year plan. And I'm going to ask the

1 executive director to moderate this section of the
2 agenda.
3 MS. PARKER: Thank you, Mr. Chairman.
4 I think I just want to make sure that we have
5 a good understanding of the Board of what the staff are
6 trying to accomplish today.
7 The Board meets six times a year. The Board
8 adopts, in May, the five-year business plan, which is
9 essentially to the staff, our direction of program and
10 policy, operating and production goals for at least the
11 next year, but also for our stakeholders, an idea of what
12 lending programs we are anticipating to have in place for
13 the next five years, so that decisions can be made by our
14 partners and stakeholders about uses of their funds, in
15 partnership with us.
16 We do a mid-year update for the Board in
17 January, where we essentially give the Board an idea of
18 how we are meeting our first year of our business plan as
19 it evolves every year, where we are in our goal, so the
20 Board can have some sense of what we are doing, and an
21 idea of how our products are faring in the marketplace,
22 since, obviously, there is a dynamic marketplace going on
23 in housing, not only in rental housing but in home
24 ownership and in insurance.
25 In order to be able to move from an update in

1 January to adoption of a business plan in May, we usually
2 take this meeting to essentially give the Board the
3 benefit of staff discussions of a proposed five-year
4 business plan. And to the extent this is a time that we
5 really look to hear from the Board what your sense is of
6 the staff's proposals, if there is, from a policy
7 perspective, direction that you would rather see us be
8 taking or developing, this would be what we would really
9 essentially be looking for you to this date.
10 To the extent that we have concurrence with you
11 fundamentally in the direction that we're taking --
12 you're not approving the business plan at this date --
13 but if you're approving what we're sort of suggesting in
14 concept, then we go out and meet with our stakeholders
15 and get further input from them on whether or not the
16 production goals we're talking about or the products that
17 we're talking about -- our stakeholders and partners
18 think that those are meaningful to them in the industry.
19 Then in May, we come back and essentially give you the
20 benefit of those meetings and anything else that we may
21 have been able to find out and update as part of our
22 process. So that's what we are trying to accomplish
23 today.
24 And we'll go through the three areas of our
25 programs: Homeownership, Mortgage Insurance, and

1 Multifamily.

2 And with that, we'll start off with

3 Homeownership and, obviously, the chiefs of

4 Homeownership, Ken Williams and Jerry Smart, to walk us

5 through the proposed business plan.

6 MR. WILLIAMS: I'm Ken Williams, and this is

7 Jerry Smart.

8 I'm the deputy director of the Homeownership

9 Programs; and Jerry is the chief in charge of loan

10 production.

11 He's going to go over the first slide, which

12 gives you some more general goals for this coming fiscal

13 year with regard to our first mortgage production and how

14 we would distribute loans around the state. And we will

15 talk briefly about the new products that have been

16 mentioned earlier.

17 MR. SMART: Good morning.

18 What Homeownership projects for the coming

19 fiscal year is a level plan of delivery on our first

20 mortgage program of $1.2 billion. It's going to be

21 targeted towards low- or moderate-income home buyers,

22 first-time home buyers. We'll target as well high-cost

23 areas that are underserved, continuing that effort as we

24 have in the past, with support with our HiCAP program and

25 other down-payment assistance programs that are

1 available.

2 We'll also strive to distribute our loans as

3 equitably as we can, throughout the state. We'll do that

4 in part with a mechanism of different rate differentials

5 and income as well.

6 We're proposing to put forth this coming fiscal

7 year, several programs.

8 The first is the *interest only* PLUS program that

9 Terri briefly discussed earlier. This is a 35-year,

10 100 percent loan, where the first five years are

11 interest-only, beginning in the -- the six-year would

12 begin a fully amortized loan for 30 years.

13 Coupled with that is what is called the

14 HomeOpeners, which is a mortgage-protection type of

15 program offered through our Mortgage Insurance Division

16 and Genworth, the co-insurer. That program will provide

17 a form of unemployment benefits for home buyers who

18 suffer unexpected unemployment. It will provide about

19 six months' worth of benefits, up to about $2,500, or the

20 amount of the mortgage payment, whichever is the lower

21 amount. We're really pleased with that. That's actually

22 going to be at no cost to the home buyer. It's included

23 as part of their mortgage insurance on a conventional

24 loan.

25 We're pleased to also be in a strategic

1 partnership with CitiMortgage. They came to the Agency,
2 seeking a program in which they would provide
3 down-payment assistance, if the Agency offered a first.
4 And we've been negotiating with them for some period of
5 time; and we're pleased that that's going to come out.
6 We would offer first mortgage up to 80 or 90 percent.
7 They would offer a 10 to 20 percent second mortgage.
8 And in some cases, we would also support that
9 with a closing-cost assistance through our CHDAP program.
10 So we can get loans up to 100 -- combined loan-to-value,
11 up to 103 percent.
12 In combination with that, we're also going to be
13 increasing our loan-to-value program -- on our 30-year
14 fixed product to a full 100 percent, to support our
15 production goals and also improve affordability.
16 And, of course, as we go through the year, we
17 will always be looking at new products and opportunities.
18 One that we're going to be looking at would be a 7/1
19 adjustable rate mortgage. It will be, you know,
20 analyzing that, and seeing if that's something that the
21 Agency should pursue in the coming year, as well as any
22 other products that are brought to us. And certainly,
23 we'll be looking at opportunities with localities and
24 other partners, stakeholders, that will provide
25 affordable housing throughout the state.

1 Ken?

2 MR. WILLIAMS: The first objective there is to
3 continue the loan product to assist low-income disabled
4 home buyers. That's what's called our Home Choice
5 Program with Fannie Mae. It's a program that Fannie Mae
6 runs nationwide also. It's not a high-production
7 program; but it's a very valuable one for disabled home
8 buyers. They undergo a lot of counseling, make sure that
9 they're able to afford the loan.

10 We have two lenders that specialize in that:
11 Irwin Mortgage and Guild Mortgage. But other lenders can
12 work with them also.

13 We've only done about 15 loans in that program;
14 but we still are very proud that we're undertaking that
15 program.

16 The second program, to assist teachers and
17 administrators and other eligible credentialed staff and
18 classified employees, that's -- you would recognize that
19 as our Extra Credit Teacher Program that we've done in
20 coordination with CDLAC for a few years.

21 We're doing really well this year. And I think
22 a lot of that credit probably goes to Ken Giebel in
23 Marketing. He's been very good about coming up with
24 marketing for that program. And there was some really
25 important press events that Terri and the Treasurer and

1 others were involved in.

2 So the Treasurer has given us what is a fairly

3 lofty goal per year for us, 500 loans. And we're running

4 at about 80 percent of that goal right now, which is

5 better than we have in the past. These are loans for

6 teachers that work in what we call high-profile schools.

7 We used to call them "underachieving schools," but

8 that's not the appropriate way to address them nowadays.

9 If you take the lower scores in California among

10 the schools and our program addresses the lower five

11 ranks there. It's called the Academic Performance Index.

12 So we're making these loans with first loans at a lower

13 interest rate, and the seconds to credentialed teachers,

14 the administrators that have credentials.

15 More recently, we started making them to

16 classified employees under a change in the legislation;

17 but we really haven't made many of those. But that

18 program is going very well, and we're very happy with

19 that.

20 The next bullet talks about streamlining the

21 Homeownership Programs process and documentation. We've

22 been working on that internally and with the help of

23 Genworth, who makes with the Mortgage Insurance Division.

24 They helped as consultants, you know, analyzing our

25 entire loan process, looking at the flow of things,

1 seeing where we could reduce steps, reduce paperwork.
2 And we've been making changes here and there, as we go
3 along.
4 One of the big items would be -- you see it
5 there on the screen, the lender access system. That's
6 where the lenders reserve loans on our computer. They
7 reserve individual loans.
8 It really used to be kind of state of the art.
9 We were only one of two HFA's in the country that had
10 that system some years ago. Now, it's somewhat outdated.
11 The lenders would like to see some changes and
12 improvements and we'd like to see that. We're going to
13 get a lot of assistance from our IT department. We're
14 going to look at whether we need a consultant to help us.
15 The two alternatives: One would be to replace
16 that system through internal work by our IT Department.
17 Another would be to acquire a system externally and to
18 make changes to it.
19 We do have a Homeownership Program that's
20 probably among the most complex programs in the country.
21 But that's because we offer so many different programs
22 to help low-income to high-cost areas and to provide
23 down-payment assistance when the prices are rising so
24 quickly in California. So a big item in that
25 streamlining would be the replacement of the Lender

1 Access System. It could take 18 months or two years to
2 complete all of the work.
3 The next item, continue outreach and training
4 efforts. The outreach has been done primarily by one
5 housing finance specialist at Homeownership, Leah Pears.
6 She's done a great job of being all over the state,
7 working with our lenders and their branches, being on
8 panels, going to workshops and representing the Agency.
9 She works at trade shows, homebuyer fairs.
10 We'll focus more on the lenders in this coming
11 year. We're working with them on issues that they have
12 in our loan program, getting feedback on what changes
13 they would suggest to our program, and seeing what we
14 could do about that. And also, Nancy Abreu, as you know,
15 is taking on an important role in outreach. And I think
16 that will be covered a little bit in subsequent slides.
17 In reference to training efforts, we've had a
18 lender training program for some years now; and lenders
19 think very highly of it. We have two full-time lender
20 trainers, Lynda Stovall and Molly Ellis. And they have
21 one person that works with them to help them with the
22 logistics.
23 We do lender training throughout California at
24 18 regional sites, sites where we try to make the
25 training accessible, convenient to the lenders. It's

1 about a four-hour training session.

2 And then we'll do sessions at the lenders'

3 offices, if they get a large enough group together to

4 make it worthwhile, in terms of the travel and the cost.

5 We're also working with IT and our Marketing

6 Department in putting lender training on our Web site,

7 PowerPoint lender training. That will be quite a

8 breakthrough for us. We're not far away from

9 implementing that. And so we'll not only have the

10 training in the field; but we'll also have the training

11 on the Web site.

12 On the Web site, we'll be able to break the

13 training down into modules so that, depending on what the

14 lenders are interested in, whether they want to go

15 through every module and learn all they can about our

16 Homeownership Program, or whether there's a particular

17 area that they're interested in, where maybe they're a

18 little weak in knowledge in that area, they can maybe go

19 to just that module.

20 The last one is to maintain and seek to expand

21 locality participation. For many years, we've had a very

22 successful affordable housing program with local

23 governments of partnership, called AHPP. And we have

24 over 240 localities with approved programs. Those are

25 subordinate financing programs, subordinate loans or

1 grants that go behind our first loan. They sometimes
2 work in conjunction with our down-payment assistance.
3 What we do is give a one-quarter percent lower rate on
4 our first mortgage throughout the state. And I think
5 it's pretty remarkable that over 240 localities have
6 programs approved, when we really don't have much
7 marketing of that except on the Web site and to talk
8 about it at conferences and at presentations.
9 So those are our general goals, some of them
10 in special programs for this coming year.
11 MS. PARKER: Mr. Chairman, let me take this
12 opportunity to ask Mike Howland to stand up, and
13 introduce him to all of you.
14 Mike is Dom Maio's replacement as our new
15 Director of Information Technology. And we are very
16 fortunate -- it took us almost a year to find him; but we
17 think that he will be a great asset to the organization.
18 Just in closing to Ken and Jerry's comments
19 about Homeownership, I started to cut to the bottom
20 line. The Agency and staff are trying to look at what
21 level of production, first-mortgage production can be
22 accomplished without having to necessitate large amounts
23 of down-payment assistance that come out of our Housing
24 Assistance Trust fund. That's what the Agency has done
25 in the past. Probably, we're almost at 85 percent of our

1 loans having some kind of down-payment assistance, many
2 of which are from Prop. 46, but one of our biggest ones,
3 our CHAP program and our program in high-cost areas,
4 comes out of our housing assistance funds.
5 So we've tried to look at how we could put some
6 products out there that would diminish the use of
7 agencies down-payment assistance, but still provide as
8 much leverage for the borrower to be able to get in with
9 either as little income or as low income as possible.
10 And that's the movement of the *interest only* PLUS
11 program. It's the movement of going to a 100 percent
12 loan for conventional loans. We'll keep the 97 percent
13 loan for FHA. But we're trying to do these things so we
14 diminish the Agency's need for down-payment assistance
15 out of HAT funds, so that those funds can be used for
16 other high purposes, and will be available for the Agency
17 through a five-year business plan.
18 CHAIRPERSON COURSON: I have a question. The
19 1.2 billion basically reflects what our target was for
20 the current year that will end?
21 MS. PARKER: Current-year target was
22 1.5 billion, I believe; and --
23 MR. SMART: It was a billion two-fifty.
24 MS. PARKER: And for this next year, it would
25 have been 1.5 billion.

1 MR. SMART: Yes.

2 MS. PARKER: And the Agency is on track to meet

3 the billion two-fifty.

4 CHAIRPERSON COURSON: I guess my question is,

5 this will be the plan we look at, at least for the coming

6 year, will be sort of the first full year without the

7 elixir of refinancing for lenders, and also a gradually,

8 albeit rising interest rates, mortgage rates.

9 And so as lenders look at rising rates and as

10 they turn their attention back to serving the purchase

11 market; and my assumption is, and based on conversations,

12 I hear, that they turn to programs that they have

13 forgotten about in the past, such as the HFA programs.

14 I guess my question is, as we consider targets for at

15 least the next year, is that 1.2 billion taken -- take

16 that process into account, that we may, in fact, be --

17 I know, Ken, our marketing is great; but by natural

18 circumstances, they may be turning to HFA for additional

19 product and financing, that they haven't looked at

20 before.

21 MR. SMART: Well, the 1.2 billion goal is really

22 more of a minimum goal for us. We certainly will strive

23 to achieve or exceed that role. That was our best

24 estimate, based on market conditions of the availability

25 of that down-payment assistance and how the impact of

1 these new products will work. We realize that, for
2 example, the interest-only program is going to take a
3 little bit of time to get traction. So we kind of feel
4 it will be a bit of a slow rise; but by the end of the
5 year, it will begin to take off. And so it really would
6 be -- you know, we'll have a year to gauge how it works.
7 And next year, I would anticipate that we would be at a
8 much higher level of production.
9 MS. PARKER: Mr. Chairman, I think that this one
10 reason why the staff are really anxious to have this
11 discussion prior to the Board meeting in May, where we
12 have our consultant come in and give you the analysis of
13 where we are with our resources, our revenues, our risk
14 portfolio, that does determine how much Housing
15 Assistance Trust fund that we have. And that's what we
16 use for down-payment assistance, we're using it in
17 Multifamily, our HELP program that we have with
18 localities.
19 So it would be a matter of priorities for the
20 Board to decide. So to the extent that we have a fixed
21 amount for down payment, we would have a choice going
22 through the year if we had more demand for our product
23 and it needed down-payment assistance to go with it, that
24 we would have to either borrow from future years or
25 essentially come back and have some discussion about how

1 it fits within our priorities.

2 I must say, though, that I think the staff --

3 and we're talking about presenting a new business plan

4 that is going to continue to look at development of

5 products, because we do have bond caps to meet the first

6 mortgage. The real concern is the down-payment

7 assistance -- to look whether we can continue to develop

8 products that would be useful for our customers that

9 won't need the down-payment assistance, but can grow in

10 the first mortgage area. That's what we're trying to

11 strive for. So there's a reasonable amount of housing in

12 trust that can be utilized for all the priorities of the

13 Agency, both homeownership and mortgage payment.

14 CHAIRPERSON COURSON: And the second question

15 I had was -- and I believe I'm correct in saying that we

16 are along the way but not there yet, in terms of working

17 on the acceptance of automated underwriting decisions as

18 our lenders for credit decision.

19 Is that still -- I know it's not here as an

20 objective. I guess should it be, or --

21 MR. SMART: Yes, Mr. Chairman, that is a goal of

22 ours. We're working with our Mortgage Insurance

23 Division. And that should be coming out fairly soon.

24 In fact, we do have some form of automated

25 underwriting on the FHA loans. It's just kind of

1 grandfathered in with that program. But we are moving
2 ahead with automated underwriting on the conventional
3 side. There are some issues that the Mortgage Insurance
4 Division needs to work out before we can put that on the
5 street. But it is a definite goal for us to implement.
6 CHAIRPERSON COURSON: Thank you.
7 Other questions from the Board?
8 MS. PARKER: Mr. Chairperson, since Nancy is
9 on vacation, I'll just briefly walk you through her
10 presentation on Homeownership Business Development and
11 Mortgage Insurance.
12 Much of what is really an overlap in the
13 discussion that Ken and Jerry have been talking about,
14 because we have really been trying very much to marry the
15 use of our Mortgage Insurance programs with our
16 Homeownership lending programs. As many of you will
17 know, the Agency has gone through with its Mortgage
18 Insurance program, periods when the mortgage insurance
19 was used almost totally for mortgage insurance on first
20 mortgages of the Agency, then during the late eighties,
21 nineties, tried to essentially develop use of
22 low-mortgage insurance with conventional loans, as we
23 have talked about that over the last six months to a
24 year, there really hasn't been a market. And so we have
25 turned our view back inward to use our Mortgage Insurance

1 program to heighten our own conventional loans.

2 It will be the mortgage insurer for our

3 *interest only* PLUS because no other mortgage insurances

4 are doing -- or at least as cost effectively as we could

5 offer our clients a 35-year loan. So we will be

6 guesstimating, with production targets of 1.2 billion on

7 Homeownership, somewhere around $450 million for new

8 insurance written by the Mortgage Insurance arm of the

9 Agency.

10 As we mentioned earlier, they're going to be

11 continuing to develop to see whether or not there's an

12 additional rate mortgage, that would be either five or

13 seven years, that might be useful to our borrowers,

14 again, trying to find alternatives to the use of

15 down-payment assistance.

16 We're also going to be looking with lending

17 partners to see if there are additional down-payment

18 assistance programs, much as was mentioned earlier, in

19 partnership with CitiCorp, that we are doing, so the

20 Agency can use its benefits of its first mortgage program

21 and seek out the partnerships for down-payment

22 assistance.

23 We are continuing to work with access to brokers

24 to look at ways for them to have access to our programs

25 and products, given the fee-splitting that many brokers

1 have to do with lenders when they don't have access
2 directly.
3 And then as the chairman has suggested, working
4 in partnerships with cities and localities, lenders,
5 developers, GSE's, to see if we can't create this
6 vertical integration of financing to further our public
7 purpose in creation of affordable housing in the state.
8 So, Mr. Chairman, with that, I'd be happy to
9 answer any questions about this particular segment of our
10 business plan.
11 CHAIRPERSON COURSON: Any questions on this
12 portion?
13 *(No audible response was heard.)*
14 CHAIRPERSON COURSON: Okay.
15 MS. PARKER: With that, then I would introduce
16 Mr. Warren, who will take you through with Margaret
17 Alvarez, our director of Asset Management, to talk about
18 Multifamily.
19 MR. WARREN: Good morning. I will cover a
20 couple sides for Multifamily, and then Margaret has some
21 plans for her division for the coming year.
22 In the area of Multifamily, we really have four
23 areas that we're going to be focusing on for the coming
24 fiscal year. In the area of new construction, we'll
25 continue with our tax-exempt bond financing program. And

1 these are generally 100 percent affordable units.

2 We've looked at mixed-income projects over the

3 years. We've done actually a few. But with the

4 prevailing-wage issue, many of those have gone by the

5 wayside. Depending upon new rulings regarding prevailing

6 wage, these types of transactions may come back to us.

7 So we will keep that option open, but primarily in the

8 tax-exempt bond area, these will be the 100 percent

9 products which are coupled with 4 percent credits.

10 A new area for us in the lending side will be

11 9 percent tax credits. Traditionally, the Agency has not

12 been involved in this. But we feel it's appropriate now

13 to start embarking into doing development financing and

14 permanent financing for 9 percent tax-credit

15 transactions. The main focus initially will be for

16 supportive housing and special-needs projects. Now that

17 we have an established construction-lending capacity, we

18 think it's appropriate to lend our ability and expertise

19 in this area to try to leverage the resources.

20 And as far as the regular 9 percent

21 transactions, I think we'll take those as they come.

22 New loan products for the coming year will,

23 really, involve a floating-rate and reset-rate type

24 products. Traditionally, the Agency has used fixed-rate,

25 30-year fixed; but we feel now is a good time to embark

1 into new areas. So we'll be looking at a combination of
2 floating-rate products, coupled with a set fixed-rate
3 period, depending on how the underlying swaps and
4 financings are derived. This probably will be ready for
5 some time, with greater detail, in the May Board.
6 In the area of preservation, another new
7 initiative we'll be looking at is a public/private
8 partnership with a private lender. Several years ago,
9 the Agency looked at partnering with an organization to
10 try to refinance HUD 202 projects. That didn't go
11 forward for a number of reasons. But this year --
12 actually, at the end of last year, HUD published some new
13 notices regarding the HUD 202s.
14 And for those Board members that may not be
15 familiar with these, these are directly-funded HUD
16 projects, 20 and 30 years old, that are now in need of
17 recapitalization. And HUD passed legislation in 2000
18 that would allow these to be recapitalized and
19 refinanced.
20 So we think it's appropriate now to look at
21 partnership with a private lender who would help us with
22 the origination process; and CalHFA would be the ultimate
23 owner of the loans. This will help us from a capacity
24 standpoint and, again, promote dealing with private
25 lenders.

1 The Prop. 46 program, which we have had for
2 several years, which is an outgrowth of the bond, will
3 basically be expiring in May of this year, in which any
4 unencumbered funds will be reverting back to HCD.
5 We have several loans in the pipeline which the Board
6 will see in May. And after those, that will pretty much
7 be it for that particular program.
8 The acquisition loans that hopefully are
9 approved in May will then be repaid sometime in 2006.
10 But essentially, that program will wind down and go away.
11 And Margaret will talk about, in greater length,
12 with her slide, that we are continuing to look at Agency
13 portfolio loans, particularly our Section 8 area for
14 refinancing and for sale transfers. Unfortunately --
15 or perhaps fortunately, depending on your perception of
16 it -- with cap rates and sales prices and the cost of
17 financing today, the sales prices that are being asked
18 for by many Section 8 owners today are quite high. And
19 a number of owners are shying away from those. I think
20 an exception today was the Flower Park Plaza transaction.
21 But we shall see how that goes for our portfolio in the
22 future.
23 An area that is gaining a lot of strength in
24 activity for us is special-needs and supportive housing,
25 not only in our involvement, but from a loan-volume

1 standpoint.

2 As it has been our philosophy from a lending

3 perspective for about a year now is the focus on

4 short-term construction and bridge-loan structures, These

5 projects, as they are defined, don't carry long-term debt

6 terribly well. So what the Agency has done is to

7 maximize its benefit by providing the short-term debt.

8 We'll occasionally do a bridge loan of a two- or

9 three-year period; but mainly it's a shorter-term

10 structure to try to get the projects built, and then just

11 not have the projects carrying long-term permanent debt.

12 Another area here that's beginning to cause some

13 trouble for us is the uncertainty with HUD in Washington

14 regarding project-based vouchers. Two or three years

15 ago, this was what we thought was a very good source of

16 additional funds that we could leverage. Unfortunately,

17 with the uncertainty that exists with the HUD budget and

18 the inability to accurately predict with any safety what

19 is the future of vouchers, particularly the funding

20 levels, we need to be a little more cautious about how

21 we underwrite these. And although I think all the

22 supportive housing projects are laudable and it's

23 doubtful that a voucher would be pulled from these

24 projects, just from a pure prudent lending standpoint,

25 we do have to be careful. So we'll see where that

1 particular issue takes us.

2 The other component was special needs and

3 supportive housing, our greater involvement in

4 coordination of the services. There is a movement,

5 I think, that has gained a lot of action over the last

6 several years to try to really put a focus on supportive

7 services. With the passage of Prop. 63, the Mental

8 Health Initiative Act, more and more service dollars will

9 be available for the seriously mentally ill, and the

10 Agency intends to look at that particular act and

11 leverage our resources with those supportive dollars.

12 The last program area is special lending. The

13 HELP program will continue. As the localities have sort

14 of recovered from the last couple of years, they're

15 looking more and more to our HELP program. So that

16 particular program will continue for the year.

17 The tax increment program we've looked at to

18 leverage the 20 percent set-aside that redevelopment

19 agencies receive on their housing increment. This has

20 unfortunately been a bit of a slow program to get going;

21 but we think this year is the year it will take off.

22 We're in discussions with a number of localities

23 around the state to leverage their 20 percent set-aside

24 increment. The term of these loans would be between

25 ten and 20 years. Right now, this is taxable debt and

1 non-project specific, although on a general basis, as
2 opposed to tax-exempt increment lending for other types
3 of programs.
4 The last area, which is new, which is a loan
5 purchase program, in conjunction with Habitat for
6 Humanity and intermediary lenders. We have been
7 approached by a number of these organizations -- not only
8 Habitat, but Low Income Investment Fund and the
9 Corporation for Supportive Housing, all three are
10 lenders -- and as they reach their lending maximums or
11 they need to gain liquidity from a balancesheet
12 standpoint, they are looking to lenders, such as CalHFA,
13 to go and purchase some of these loans and to free up
14 their balance sheet and increase their liquidity
15 positions.
16 We think this is an appropriate role for us. We
17 have some money to use from our HAT trust funds for the
18 coming year, and we'll be approaching these from really a
19 pilot program standpoint. So for these portfolios, we'll
20 be having discussions, I think, throughout the summer as
21 to how we can best purchase these loans. And we would
22 hold these, in most cases, and not resecuretize them but
23 basically buy them and hold them in our portfolio and
24 probably service them.
25 From an initiative standpoint, there are really

1 three main initiatives that we're pursuing from the
2 coming year. The first, which Terri referred to at the
3 outset of the meeting today, was our Homeownership
4 Development Lending Program. This, as Terri indicated,
5 is a program which combines really all the elements of
6 the Agency, in addition to the risk money, if you will,
7 or subordinate financing money, which can be used,
8 really, from acquisition, all the way through
9 down-payment assistance, if appropriate, and depending
10 upon the infill project. A component of this is the
11 elimination of prevailing wage for this particular
12 lending program, which is key.
13 One reason that we're involved, I think,
14 throughout the entire process is not only the public
15 purpose of the Agency; but we do employ stringent
16 underwriting guidelines, and we do want to stay in these
17 transactions. So we think leveraging all of our
18 resources is an effective way to do that. So we will
19 see how that proceeds in the coming months.
20 The next area is Agnews Replacement Housing.
21 By way of background, in San Jose, the Agnews Development
22 Center, which is being closed -- this was a center that
23 was established in 1885 to house children and
24 developmentally-disabled adults. The plan for replacing
25 the residence component of Agnews is to purchase --

1 either develop or purchase group homes, in this
2 particular case in the San Jose area where Agnews is
3 located, and to rehouse the clients into these group
4 homes. To accomplish this, the regional centers, which
5 are private nonprofits that are in direct contract with
6 the Department of Developmental Services, established
7 these programs and will help facilitate through the years
8 of nonprofits to acquire these scattered group homes and
9 place the clients in these homes.
10 The homes, it goes without saying, will have
11 extensive services.
12 But what is nice about this particular program
13 is that it gives a home- or a group-home-type setting for
14 these individuals, and at the same time, have immediate
15 access to a high-quality level of services.
16 The Agency's role in this particular initiative
17 would be as bond issuer. These would be a particular
18 form of tax-exempt debt and as lender. What we are
19 looking at now are basically two series of bond issues
20 of $50 million each for this fiscal year and potentially
21 for the next fiscal year.
22 There is a great deal of work to be done on
23 this; but there is some urgency, in that the Agnews
24 Center is slated to close -- I believe now it's been
25 pushed back to late 2006. So the idea of all these

1 nonprofits and those that are involved in this is really
2 a push to try to acquire these group homes.
3 The security and the payment for these bonds
4 will come from lease payments originally from the
5 Department of Mental Health, through the regional
6 centers, and into the nonprofits, who actually own these
7 properties. The Agency will then receive these lease
8 payments to service our bond debt.
9 As you can imagine, this is a fairly new area
10 for us, on a wide scale. There's lots to be done. We
11 have a briefing tomorrow, as a matter of fact, with the
12 Department of Mental Health to go over the financing
13 plan. But this is exciting. This is good work, and
14 hopefully we can contribute in a significant way.
15 The last initiative for Multifamily is our Loan
16 Origination System, which we have essentially selected a
17 vendor. We are looking at customizing the vendor's
18 product to build it around the existing processes for
19 Multifamily. This is probably about a six- to nine-month
20 process. So hopefully we will be done by the end of the
21 year. But we're very excited about this. We think this
22 will really take a quantum leap in how we access the
23 industry.
24 And as I've mentioned to the Board before, the
25 Agency and folks in my staff have actually been involved

1 with the Mortgage Bankers Association and their technical
2 people. And essentially, we're representing much of the
3 affordable industry in the development of data dictionary
4 standards. So we're pleased we've done that.
5 So with that, I will stop and turn it over to
6 Margaret.
7 MS. ALVAREZ: Okay, this is the last slide, I
8 promise.
9 Okay, in the Asset Management Group, what we're
10 focusing on as part of a program area is our existing
11 Section 8 portfolio, which I think I've mentioned a
12 number of times, and it has been mentioned a number of
13 times. We have 120 Section 8 loans that are coterminous,
14 where the subsidy and the Agency loan terminated at the
15 same time.
16 We have two coming up in this next business plan
17 period; but thereafter, pretty quickly, our original
18 30-year loans all begin terminating. And then in year
19 2016 to 2024, the 40-year loans start expiring.
20 There is a great interest of our borrowers who
21 would like to stay in place, to refinance, which is a
22 little more complicated than it seems. We have a really
23 good program, like you saw today, for people who want to
24 step in and purchase those loans. But because of the
25 high sales price and because of, in many cases, the

1 owner's desire to take out large sums of equity, it's
2 much harder to develop a program that you're not giving
3 away the store in-house on your financing, but you're
4 achieving the owner's goals on the other end for
5 refinancing in place. So that is one of the areas we're
6 really looking at this year, with the idea to preserve
7 the affordability for the tenants and also rehabilitate
8 the physical structure -- these now 20-year-old loans,
9 and projects -- and also help the owners achieve their
10 refinancing goals.
11 We've created an in-house work group that is
12 comprised of staff from Linn's shop and my shop. And
13 they will be working with other divisions within the
14 Agency -- finance and the others, legal -- to examine
15 really what our options are, to refinance and
16 recapitalize these properties.
17 So as I mentioned, some of the concerns are the
18 existing owner's goals and objectives, the impact to the
19 low-income tenants. And that really goes hand in hand
20 with the future availability of the HUD subsidies. As
21 that becomes less reliable, you have to rely on other
22 sources of money and making ends meet. And that might
23 not be achieving the low, low income of tenants that
24 Section 8 has now.
25 And also, again, the rehabilitation needs of the

1 properties, many of them are in very good shape, like
2 Flower Park, that we saw today; but others have had less
3 opportunity to keep themselves in good shape and need a
4 little bit more rehab.
5 And then last but not least, we want to make
6 sure that the financial viability of the existing loans
7 versus the new loans, once they've been restructured,
8 makes sense to the Agency and to the borrowers.
9 CHAIRPERSON COURSON: Questions?
10 Mr. Shine?
11 MR. SHINE: Just a question. This question:
12 Our desire is to see that the people who have these
13 buildings, continue on with the kind of tenancy that we
14 have been promoting over a longer period than when they
15 come due; is that correct?
16 MS. ALVAREZ: That's what we are hoping for,
17 yes. We'd like them to stay in place.
18 MR. SHINE: Well, then just a thought. Maybe an
19 incentive for them to do that would be to allow them to
20 take out a certain amount, enough to entice them, of the
21 equity which they have gained over time and through
22 changes in the economy and inflation, so that it would be
23 worth their while, as a quid pro quo, you get some
24 refinancing, you get some money, and you get a new 30- or
25 40-year commitment, and we don't have to go out and bring

1 in a new buyer.

2 I mean, it clearly is what Ed said before --

3 Mr. Czuker said before, these kinds of things are the

4 best deal in town. They're in the 100 to 150 thousand

5 dollars a unit cost range, and we're not able to create

6 new housing stock for less than 200, 250, 300, sometimes

7 350 per unit. So would you not maybe want to perhaps

8 think about some place where you would feel comfortable

9 saying, "Yes, if you want to get your money out, you can

10 take X if you'll do Y"?

11 MS. ALVAREZ: That is certainly on the table.

12 And all these ideas are on the table.

13 Part of the issue is going to be not only what

14 we want to do and what the owners want to do, but what

15 HUD will let us do with their funds for the remaining

16 term of those loans and beyond.

17 Well, beyond, it doesn't matter. HUD will be

18 out of the game, most likely. But they do have a say for

19 as long as their subsidy contracts are in place. So it

20 is complicated, but that is one of the ideas, yes.

21 MR. SHINE: I mean, I know you don't lack what

22 to do; but it might not be terrible to start the process,

23 the thought process, with the appropriate people at HUD,

24 even now, because you've got to couple the deal with in

25 the next few years, setting up kind of a thought process

1 that gives you precedence that could lead into your
2 49 loans coming up in the next decade, even now to think
3 about it.
4 MS. ALVAREZ: Right.
5 MS. PARKER: Mr. Chairman, I just would add one
6 other comment to Margaret's presentation; and that is
7 just, again, to update you all on the work that Margaret
8 and Linn have been doing on the sale of our six REOs.
9 We have gotten bids from individuals to
10 essentially assist us in that process; and we're on goal
11 with our plan with respect to those six projects.
12 With Margaret's and Linn's presentations, if
13 there is any other questions -- but this is really the
14 time that the staff are looking to give us feedback if
15 we're essentially on the right track.
16 And as I said, we are trying to, based on the
17 information that we're getting from the consultant on
18 what resources the Agency would have, to be making some
19 priorities of utilization of those special resources
20 among the many competing priorities. And we think that
21 this is a balanced plan. We'll be coming back with the
22 proposals with the details of it in May, along with the
23 specifics, from our consultant, on the status of the
24 Agency's overall risk and resources.
25 CHAIRPERSON COURSON: Any comments? Questions

1 from any of the other Board members?

2 *(No audible response was heard.)*

3 CHAIRPERSON COURSON: Obviously, in May, we will

4 see the full presentation, after we have the presentation

5 on the stress-testing also.

6 And if you do, as you go back, obviously, you

7 can call Terri or any of the folks who have presented to

8 us today.

9 Thank you.

10 --o0o--

11 **Item 9. Reports**

12 CHAIRPERSON COURSON: Next, and our final agenda

13 item, for presentation is Bruce Gilbertson is going --

14 you have at your place the report on the current

15 financing. And I've asked Bruce to brief us on those.

16 MS. PARKER: While Bruce is setting himself up,

17 I would also like to introduce you to another new staff

18 member of the Agency, Tim Tsu.

19 Tim, if you would stand up. I don't think the

20 Board has met you yet.

21 Tim has joined the Agency from Goldman Sachs,

22 where he was a banker, after he left the Housing Finance

23 Agency about two and a half years ago. Tim is actually

24 taking up the task of a new unit that we've created, and

25 he is the director of our Risk Management Group within

1 the Financing Division.

2 CHAIRPERSON COURSON: Welcome.

3 MS. PARKER: Thank you, Tim.

4 CHAIRPERSON COURSON: Bruce?

5 MR. GILBERTSON: Good morning. In your Board
6 binder this morning, there are three financing reports.
7 I just want to spend a few moments going over the three
8 reports. Two of them relate to recent bond financings
9 and the other report is on our variable rate bonds and
10 swaps.

11 During January, we actually had two issuance of
12 debt: The Home Mortgage Revenue Bonds 2005 Series A and
13 a Draw-Down Bond at the end of January.

14 Taking a quick look at the Home Mortgage Revenue
15 Bond 2005 Series A, these bonds were delivered by the
16 Agency on January 20th. We expect the proceeds will be
17 used to fund or finance approximately 1,000 new
18 first-time homebuyer loans at fixed rates between --
19 largely, between 4 and a quarter percent and
20 4 and three-quarters percent.

21 We issued these bonds on an all tax-exempt basis.
22 They were all issued as variable-rate debt obligations.
23 Liquidity was provided by Dexia Credit Local. All of
24 the bonds were swapped to a fixed rate in this instance,
25 using a matched amortization swap. This is a bit

1 different from the swap structures that we've used in the
2 past. It's unique in that the bonds outstanding in the
3 swap notional amount will remain equal under all mortgage
4 prepayment scenarios. So we are taking no amortization
5 risk under that debt swap.
6 The single-family -- and it's really more than
7 Single-Family Draw-Down Bonds, there is a bit of a typo
8 on this slide. We have created an additional capacity of
9 $725 million in draw-down bonds: $625 million was for
10 single-family bond purposes, and $100 million was for
11 multifamily purposes. At the end of January, we actually
12 did our first draw of a little more than $130 million for
13 single-family purposes. This is simply a financing
14 device that we use to preserve our tax-exempt issuance
15 authority. Proceeds are invested in an investment
16 contract that mirrors the interest rate that we pay on
17 our bonds, in essence. These are backed by the Agency's
18 General Obligation.
19 The third report is a report that's in every
20 Board binder. It's a status report on our variable rate
21 bonds and swaps.
22 We can quickly go through this. But as of early
23 February, total outstanding bonds in the Agency was
24 $7.4 billion. 86 percent of all bonds outstanding now
25 have variable rates of interest associated with them.

1 $4.2 billion of the $6.4 billion of variable rate bonds
2 have been swapped to a fixed rate. You can see that in
3 the second column, leaving our net variable interest rate
4 exposure at approximately $890 million. This is down
5 substantially from where it was at the end of last year.
6 And in large part, that's due to the redemption of some
7 $384 million of variable rate, unhedged bonds at the
8 February 1 semi-annual debt service cycle.
9 This is part of our ongoing debt management
10 strategy of having some variable-rate exposures for short
11 periods of time and calling them out with prepayments as
12 they're realized.
13 This second slide just shows, again, the
14 variable rate debt types that we have. We're
15 predominantly using these days variable rate demand
16 obligations for a single-family program, and we very
17 typically issue auction rate securities for our
18 Multifamily Program.
19 I won't bore you with some of the details as to
20 why; but certainly we could explore those with the Board
21 at some later time, if they so desire.
22 This slide shows the net variable rate exposure
23 kind of based on short average life and long average
24 life. We do manage this. We try to keep most of this
25 unhedged variable rate exposure to a short average life,

1 and tie it to some redemption strategies that we have.
2 Lastly, this simply shows the breakout by tax
3 status of our interest rate swaps, again, with ten
4 highly-rated swap counterparties, showing that, of
5 course, most of our debt is tax-exempt and, of course,
6 most of our interest rate swaps are associated to
7 tax-exempt debt.
8 With that, I'd be happy to answer any questions
9 the Board may have.
10 CHAIRPERSON COURSON: Any questions on
11 Financing?
12 Of Bruce, in general?
13 *(No audible response was heard.)*
14 --o0o--
15 **Item 10. Discussion of Other Board Matters/Reports**
16 CHAIRPERSON COURSON: Okay, seeing none, that
17 concludes the agenda, with the exception of asking
18 if there's any other business from any of the Board
19 members.
20 *(No audible response was heard.)*
21 --o0o--
22 **Item 11. Public Testimony**
23 CHAIRPERSON COURSON: Or is there any public
24 testimony or statements from the public?
25 *(No audible response was heard.)*

1 CHAIRPERSON COURSON: Seeing none, I have one
2 reminder; and that is, the Board's Form 700 are due back
3 before, prior to April 1st, in JoJo's hands. So if you
4 have not completed those, please do so and return them to
5 her promptly.
6 Seeing no other business come before the Board,
7 we will stand adjourned.
8 *(Proceedings concluded at 12:06 p.m.)*
9 --oOo--
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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 the 28th of March 2005.

_____

Daniel P. Feldhaus
California Certified Shorthand
Reporter #6949
Registered Diplomate Reporter
Certified Realtime Reporter

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Eleanor Roosevelt Circle
Davis, Yolo County, CA
CalHFA # 04-025

SUMMARY

This is a final commitment request. Security for the loans will be a 2.31 acre site and a 60- unit apartment building located at 675 Cantrill Drive in the City of Davis. The property will be owned by NP Eleanor Associates, a California limited partnership. The managing general partner will be Davis Senior Housing Cooperative, Inc. Neighborhood Partners, LLC will be the general partner responsible for development and Yolo County Housing Authority will be a general partner.

The property will be a limited to senior citizens.

LOAN TERMS

Construction

First Mortgage	$7,200,000
Interest Rate	Variable
Term	18 months, interest only
Financing	$7,045,000 Tax-exempt & $155,000 Taxable

Permanent

First Mortgage	$550,000
Interest Rate	5.90%
Term	30-year fixed, fully amortized
Financing	Tax-exempt

Second Mortgage or Bridge Loan	$2,400,000
Interest Rate	4.50%
Term	3-year fixed, fully amortized, payable annually
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 construction security required for the construction loan from the Borrower is shown as a letter of credit equal to 15% of the amount of the construction contract.

OTHER FINANCING

Source	Type	Loan Amount	Term	Interest Rate	Repayment
HCD MHP Supportive Housing	Loan	$2,800,203	55	3.00%	Residual Receipts
HCD MHP NSSS	Loan	$500,000	55	0.00%	Deferred/ Forgivable
City of Davis	Loan	$2,550,000	55	3.00%	Residual Receipts
AHP – First Northern Bank	Loan	$329,000	10	0.00%	Deferred/Forgivable

The City of Davis received the land from a local developer under their inclusionary ordinance. They transferred title to the land to Davis Senior Housing Cooperative, Inc., to construct this project.

The City of Davis will fund $1,150,000 of their loan at construction loan closing and the balance at permanent loan closing. The HCD MHP loan and grant and the AHP loan will be funded at permanent loan closing.

The HCD MHP permanent loan is a supportive housing loan. The HCD MHP program will restrict 21 units to disabled senior households who need supportive services to live independently, and whose incomes are at or below 25% of the county area median income. The Agency will require that all of HCD's supportive housing requirements be met by the Borrower at construction loan closing.

PROJECT DESCRIPTION

Project Location

- The project is located in east Davis. It is 1/4 of a mile from downtown Davis and 15 miles from downtown Sacramento.
- The site is at the junction of Cantrill Drive and Fifth Street. Cantrill Drive is a fully developed two-lane road with curbs, gutters, sidewalks and street lights. Fifth Street is a major arterial. The site is 1/4 of a mile from the Mace Boulevard entrance of Interstate 80. Both Cantrill Drive and Fifth Street are zoned commercial/industrial. The surrounding area is single family residential.
- To the north is a multifamily apartment building. To the south is a multifamily residential building which is separated from the subject property by a garden area and pathways that will be shared by both properties. To the west are industrial properties. Across the street and to the east is the new Davis Police Department.
- There is a park across the street. The closest bus stop is within one block on Fifth Street. A grocery store and medical center are within a 1/2-mile radius. The nearest pharmacy is 3/4 of a mile away. The senior center is 1 ½ miles from the site.

Site

- The site is 100,624 square feet (2.31 acres). It is irregular in shape and flat. It is zoned PD8-03. This zoning allows for multifamily development with a maximum density of 60 units per acre.
- The site is currently vacant.

- The parking is accessed from Cantrill Drive. There is also a circular drive at the entrance to the community building, which is also on Cantrill Drive.

Improvements

- There will be 2 three-story residential buildings. The residential buildings will flank each side of a large community building and central courtyard/garden area. Each residential building will have an elevator and a laundry room. There will be 59 one-bedroom units and 1 two-bedroom manager's unit.
- The buildings will be wood frame on a concrete slab. The exteriors will be stucco, with composition shingle roofs. There will be central heating and air conditioning. The heating and cooling systems will be hydronic.
- The community building will be 3,550 square feet and will include a dining room, library, computer room, commercial kitchen, manager's office, and social service coordination space. There will be a central landscaped courtyard area surrounding the community building that will be approximately 15,000 square feet. It will include walkways, a large out door patio area, and space for gardening. There will be a small orchard to the north of the residential buildings. There will be 51 parking spaces.
- All of the units will be handicapped accessible and will have barrier-free showers. The units will have internet hook-ups.

Off-site improvements

- None are required.

Relocation

- No relocation is required.

MARKET

Market Overview

The Primary Market Area (PMA) includes the City of Davis, the community of Dixon and the surrounding unincorporated areas. The northern boundary of the PMA is County Road 27. The eastern boundary includes Winter Slough and the South Fork of Putah Creek. The southern boundary is Midway Road and the western boundary is County Road 25. There are 34,947 households in the PMA, of which 50.6% are owners and 49.4% renters. There are 4,097 senior households in the PMA. Of these, 3,200 are owners and 897 are renters.

UC Davis is the largest employer in the PMA with 16,000 employees. They are expected to increase employment levels by 15% over the next 10 years.

Housing Supply and Demand

- There are only 2 buildings with a total of 28 units that target income-restricted seniors in the PMA. There are no buildings that rent exclusively to market-rate seniors.

- The senior buildings report no vacancies, extremely long waiting lists and very low turnover. The general occupancy buildings report no vacancies, waiting lists of up to three years, and no problem filling vacancies.
- According to the Market Study conducted by Laurin Associates in January 2005, there is demand for 134 units of housing targeting physically or mentally disabled seniors with incomes at 25% of AMI. This estimate is based on the number of seniors requiring in-home supportive services (4.1%) in Yolo County and the PMA. The project will need to capture 15.7% of the demand. There is current demand for 88 units for seniors between 50% and 60% of AMI. The project will need to capture 28.4% of the demand. There is demand for 137 units of market rate senior housing. The project will need to capture 9.5% of the demand. It is estimated that the current senior renters plus 20% of senior owners are potential tenants for this project.
- This project is unlike any other project in the PMA and no similar projects are proposed. In the last 10 years, building permits were issued for 1,890 units of multifamily housing in Davis. Permits for 310 multifamily rental units were issued in 2004. There are no pending or proposed senior housing developments. Large housing developments are being discussed that may have a component of affordable housing, and possibly senior units, but these developments are in the earliest stages of development.

PROJECT FEASIBILITY

Estimated Lease-up Period

The estimated number of months from construction completion to stabilized occupancy is 6 months, based upon 10 units absorbed per month.

- This project will need a $50,000 rent-up reserve at permanent loan closing.

ENVIRONMENTAL

A Phase I Environmental Assessment report was completed on October 11, 2004. The report concludes that there are no adverse environmental conditions that warrant further investigation or remedial action. An updated Phase I report will be required at construction loan closing.

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

DEVELOPMENT TEAM

Borrower - NP Eleanor Associates, a California limited partnership, will be the borrowing entity. The sponsors are Davis Senior Housing Cooperative, Inc., Neighborhood Partners, LLC and Yolo County Housing Authority.

Davis Senior Housing Cooperative, Inc.

- This is a volunteer organization formed in 2000 as a non-profit community organization to advocate for this project. The organization, which has no paid staff, will be the managing general partner.

Neighborhood Partners, LLC

- They were formed in 1998 as a for-profit limited liability company. The principles of Neighborhood Partners are Luke Watkins and David J. Thompson. To date, they have acted as the development consultant for 8 projects with approximately 300 units of affordable housing in the Davis area. CalHFA financed three of these properties for Yolo Mutual Housing Association: Twin Pines (36 units), Tremont Green (36 units) and Moore Village (59 units). This will be the first project where Neighborhood Partners will play an ownership role. It will also be the first senior housing project and first supportive housing project in which Neighborhood Partners is involved. Neighborhood Partners will be the developing general partner.

Yolo County Housing Authority

- They were formed in the 1950's. To date, they own and manage 13 buildings with 757 units of affordable housing, one of which is a senior building. This will be the first tax credit property and the first supportive housing project in which Yolo County Housing Authority will be involved. They will be one of the general partners.

Construction Security

- Construction security required from the Borrower is shown as a letter of credit.

Management Agent

John Stewart Company

- John Stewart Company was formed in 1978. They are a full service housing management, development and consulting company with over 1,000 employees. They manage 22,500 units of housing in 220 sites, including several properties financed by CalHFA. They are the third largest manager of multifamily rental housing in California.

Architect

James Anthony Zanetto

- James Zanetto is a sole practioner who has been in business since 1992. He has designed 200 units of multifamily affordable housing, including the Homestead Cooperative (15 units), Owendale Apartments (45 units), and Sexual Assault and Domestic Violence Center (15). His clients include Davis Mutual Housing Association, and Davis Campus Cooperatives. He is an instructor at UC Davis in the Department of Landscape Architecture and has received numerous awards for his work in the Sacramento area. This is his first CalHFA project.

Contractor

- The Borrower has worked with Lou Minor Construction Consulting on cost estimating and architectural development drawings to implement cost savings ideas. The firm was chosen because of its familiarity with building and construction costs in the area.
- Lou Minor is the principal of Lou Minor Construction Consulting. He was formerly a construction manager for Eden Housing. He currently provides construction cost estimating and construction management services for Mercy Housing California and Eden Housing. He is also employed as a construction inspector for the Agency.

PROJECT SUMMARY

PROJECT NUMBER: 04-025

Final Commitment

Project:	**Eleanor Roosevelt Court**			
Location:	675 Cantrill Drive	***Developer:***	**Neighborhood Partners LLC**	
City:	Davis	***Partner:***	Davis Senior Housing Cooperative, Inc.	
County:	Yolo		Neighborhood Partners	
Zip Code:	95616	***Investor:***	NEF	
		No. of Buildings:	5	
Project Type:	New Construction	*No. of Stories:*	3	
Occupancy:	Senior	*Residential Space*	41,352	sq. ft.
Total Units:	60	*Office Space*	0	sq. ft.
Style Units:	Flats	*Commercial Space*	0	sq. ft.
Elevators:	yes	*Gross Area*	41,352	sq. ft.
Total Parking	51	*Land Area*	100,624	sq. ft.
Covered	0	*Units per acre*	26	

CalHFA Construction Financing	Amount	Rate	Term (Mths)
CalHFA Construction Financing	**$7,200,000**	**5.125%**	**18**

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	**$550,000**	**5.90%**	**30**
CalHFA Bridge Loan	**$2,400,000**	**4.50%**	**3**
CalHFA Second Mortgage	**$0**	**0.00%**	**0**
HCD MHP	$2,800,203	3.00%	55
HCD MHP (NSSS)	$500,000	0.00%	55
City of Davis	$2,550,000	3.00%	55
AHP Loan	$329,000	0.00%	10
State Tax Credit Equity	$0		
Deferred Developer Fee	$905,665		
Federal Tax Credit Equity	$2,841,934		

Construction Valuation		Appraisal		Restricted Value Upon Completion	
Investment Value	$8,360,000	**Appraisal Date:**	**2/2/05**	**Market Value:**	$3,130,000
Loan / Cost	80%	**Cap Rate:**	**6.80%**	**Perm. Loan / Cost**	5%
Loan / Value	86%			**Perm. Loan / Value**	18%
				Perm + Bridge/Value	94%

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	**Amount**	**Required Reserves**	**Amount**
CalHFA Construction Loan Fee	$72,000	Other Reserve	$0
CalHFA Permanent Loan Fees	$2,750	Replacement Resv. Initial Deposit	$0
Bridge Loan Fee	$0	Repl. Reserve - Per Unit/ Per Yr	$300
CalHFA Inspection Fee	$30,000		
CalHFA Outside Counsel Fee	$20,000		
Construction Loan - Guarantees and Fees		CalHFA Operating Expense Reserve	$33,685
Completion Guarantee LOC	$906,921	Rent Up Reserve	$50,000
Contractors Payment Bond	$6,046,137	Construction Defects Reserve	$0
Contractors Performance Bond	$6,046,137	HCD Social Service Reserve	$150,000

Date: 4/26/2005 **Senior Staff Date:** 4/22/2005

UNIT MIX AND RENT SUMMARY — Eleanor Roosevelt Court

04-025

Total Unit Mix

# of Units	Unit Type	# of Baths	Average Sq. Ft.
59	1 Bedroom Flat	1	605
1	2 Bedroom Flat	1	785
	2 Bedroom Townhome	1.5	
	2 Bedroom Townhome	2	
	3 Bedroom Townhome	2	
	4 Bedroom Townhome	2.5	
60			

Number of Regulated Units By Agency

Agency	25%	45%	50%	60%	80%	Unrestricted	Total Restricted
CalHFA			12			14	12
Tax Credits			12	34		14	46
Locality			33		13	14	46
HCD	21		15	10		14	46
AHP			36	10		14	46
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			$943		
25%	21	$219		$749	23%
40%	0	$0		$0	0%
50%	15	$502		$441	53%
60%	10	$616		$327	65%
Market *	0	$849		$94	90%
Two Bedroom			$0		
25%	0	$0		$0	0%
45%	0	$0		$0	0%
50%	0	$0		$0	0%
60%	0	$0		$0	0%
	0	$0		$0	0%

Note * The underwriting rent for market rents are 90% of market. The market rents are not restricted.

Sources and Uses of Funds — Eleanor Roosevelt Court

04-025

Final Commitment

SOURCES OF FUNDS:	Funds in during Construction ($)	Funds in at Permanent ($)	Total Development Sources: Total Sources of Funds ($)	Sources per Unit	%
CalHFA Construction Financing	7,200,000				
Construction Only Source 2	-				
Construction Only Source 3	-				
CalHFA First Mortgage		550,000	550,000	9,167	5%
CalHFA Second Mortgage		-	-	-	0%
HCD MHP		2,800,203	2,800,203	46,670	27%
HCD MHP (NSSS)		500,000	500,000	8,333	5%
City of Davis	1,150,000	1,400,000	2,550,000	42,500	24%
Source 4		-	-	-	0%
Source 5		-	-	-	0%
Source 6		-	-	-	0%
Source 7		-	-	-	0%
Source 8		-	-	-	0%
Source 9		-	-	-	0%
Source 10		-	-	-	0%
Source 11	-	-	-	-	0%
AHP Loan	329,000	-	329,000	5,483	3%
State of California Tax Credit Equity	-	-	-	-	0%
Deferred Developer Fee	-	905,665	905,665	15,094	9%
Federal Tax Credit Equity	$329,402	$2,512,532	2,841,934	47,366	27%
Total Sources	9,008,402	8,668,400	10,476,802	174,613	100%
(Gap)/Surplus	0	0	0		

USES OF FUNDS:	Construction ($)	Permanent ($)	Total Development Costs: Total Uses of Funds ($)	Cost per Unit	%
LOAN PAYOFFS & ROLLOVERS					
Construction Loan payoffs		**$7,200,000**			
ACQUISITION					
Lesser of Land Cost or Value	-	-	-	-	0%
Demolition	-	-	-	-	0%
Legal - Acquisition Related Fees	-	-	-	-	0%
Subtotal - Land Cost / Value	-	-	-		
Existing Improvements Value	-	-	-	-	0%
Off-Site Improvements	-	-	-	-	0%
Other	-	-	-	-	0%
Total Acquisition	-	-	-	-	**0%**
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%**

(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	760,167	-	760,167	12,669	7%
Structures (Hard Costs)	4,490,948	-	4,490,948	74,849	43%
General Requirements	311,541	-	311,541	5,192	3%
Contractors Overhead	139,364	-	139,364	2,323	1%
Contractors Profit	139,364	-	139,364	2,323	1%
Contractor's Bond	58,414	-	$58,414	974	1%
General Liability Insurance	146,339	-	$146,339	2,439	1%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total New Construction	**6,046,137**	**-**	**6,046,137**	**100,769**	**58%**
ARCHITECTURAL & ENGINEERING					
Architectural Design	245,000	-	$245,000	4,083	2%
Architect's Supv during Construction	30,000	-	$30,000	500	0%
Total Architectural	**275,000**	**-**	**275,000**	**4,583**	**3%**
Engineering Expense	15,000	-	$15,000	250	0%
Engineers Supv. during Construction	10,000	-	$10,000	167	0%
ALTA Survey	7,000	-	$7,000	117	0%
Total Engineering & Survey	**32,000**	**-**	**32,000**	**533**	**0%**
CONSTRUCTION LOAN COSTS					
Construction Loan Interest	$384,959		$384,959	6,416	4%
CalHFA Construction Loan Fee	$72,000		$72,000	1,200	1%
Other Construction Loan Fees	$0		$0	-	0%
Construction Lender Legal Fees	$20,000		$20,000	333	0%
Other Lender Req'd Legal Fees	$0		$0	-	0%
Title and Recording fees	$25,000		$25,000	417	0%
CalHFA Req'd Inspection Fees	$30,000		$30,000	500	0%
Bank Req'd Inspection Fees	$0		$0	-	0%
Prevailing Wage Monitoring	$0		$0	-	0%
Taxes & Insurance during construction	$168,000		$168,000	2,800	2%
Predevelopment Interest	$39,375		$39,375	656	0%
Other Legal Fees	$10,000		$10,000	167	0%
Other	$0		-	-	0%
Total Construction Loan Expense	**749,334**	**-**	**749,334**	**12,489**	**7%**
PERMANENT LOAN COSTS					
CalHFA Perm Loan Fees	2,750	-	$2,750	46	0%
CalHFA Bridge Loan Fees	-	-	$0	-	0%
CalHFA Loan Application Fee	500	-	$500	8	0%
Other Lender Perm. Loan Fees	10,000	-	$10,000	167	0%
Title and Recording	-	10,000	$10,000	167	0%
other	-		$0	-	0%
Bond Origination Guarantee Fee	-	-		-	0%
Bridge Loan Interest	-	219,168	219,168	3,653	2%
Other	-	-	-	-	0%
Total Permanent Loan Expense	**13,250**	**229,168**	**242,418**	**4,040**	**2%**
LEGAL FEES					
Borrower Legal Fee	80,000	-	80,000	1,333	1%
Other	-	-	-	-	0%
Total Attorney Expense	**80,000**	**-**	**80,000**	**1,333**	**1%**

USES OF FUNDS (Cont'd):		Permanent ($)	Total Development Costs		
			Permanent of Funds ($)	Per Unit per Unit	%
CONTRACT / REPORT COSTS					
Appraisal	$5,900	-	$5,900	98	0%
Market Study	$5,639	-	$5,639	94	0%
Physical Needs Assessment	$0	-	$0	-	0%
HUD Risk Share Environ. Review	$0	-	$0	-	0%
CalHFA EQ Waiver Seismic Review Fee	$700	-	$700	12	0%
Environmental Phase I / II Reports	$4,000	-	$4,000	67	0%
Soils / Geotech Reports	$10,000	-	$10,000	167	0%
Asbestos / Lead-based Paint Report	$0	-	$0	-	0%
Noise/Acoustical/Traffic Study Report	$4,000	-	$4,000	67	0%
Updates of Reports for Closing	$3,000	-	$3,000	50	0%
Other	$0	-	$0	-	0%
Total Contract Costs	**33,239**	**-**	**33,239**	**554**	**0%**
CONTINGENCY					
Hard Cost Contingency	$584,138	-	$584,138	9,736	6%
Soft Cost Contingency	$50,000	-	$50,000	833	0%
Total Contingency	**634,138**	**-**	**634,138**	**10,569**	**6%**
RESERVES					
CalHFA Operating Expense Reserve	-	33,685	33,685	561	0%
Construction Defects Reserve	-	-	-	-	0%
Rent-Up Reserve	-	50,000	50,000	833	0%
Capitalized Investor Req'd Reserve	-	-	-	-	0%
Social service Reserve	-	150,000	150,000	2,500	1%
Total Reserves	**-**	**233,685**	**233,685**	**3,895**	**2%**
OTHER					
CTCAC App/Alloc/Monitor Fees	12,900	24,600	$37,500	625	0%
Local Permit Fees	200,000	-	$200,000	3,333	2%
Local Development Impact Fees	585,000	-	$585,000	9,750	6%
Other Local Fees	-	-	$0	-	0%
Advertising & Marketing Expenses	40,000	-	$40,000	667	0%
1st Year Taxes & Insurance	-	42,750	$42,750	713	0%
Furnishings	35,000	-	$35,000	583	0%
Final Cost Audit Expense	10,000	-	$10,000	167	0%
Miscellaneous Admin Fees	-	-	$0	-	0%
CDLAC Fee	600	-	$600	10	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Other Expenses	**883,500**	**67,350**	**950,850**	**15,848**	**9%**
SUBTOTAL PROJECT COSTS	**8,746,599**	**7,730,203**	**9,276,802**	**154,613**	**89%**
DEVELOPER COSTS					
Developer Overhead/Profit (5% Acq.)	-	-	-	-	0%
Developer Overhead/Profit (NC/Rehab)	261,803	938,197	1,200,000	20,000	11%
Consultant / Processing Agent	-	-	-	-	0%
Project Administration	-	-	-	-	0%
Broker Fees to a related party	-	-	-	-	0%
Construction Mgmt. Oversight	-	-	-	-	0%
Other	-	-	-	-	0%
Total Developer Fee / Costs	**261,803**	**938,197**	**1,200,000**	**20,000**	**11%**
Total Costs	**9,008,402**	**8,668,400**	**10,476,802**	**174,613**	**100%**

Annual Operating Budget **Eleanor Roosevelt Court**

Final Commitment

INCOME:	$ Amount	Per Unit	% of Total
Total Rental Income	$351,865	$5,864	98.78%
Laundry	$4,337	$72	1.22%
Other Income	$0	$0	0.00%
Gross Potential Income (GPI)	**$356,202**	**$5,937**	100.00%
Less:			
Vacancy Loss	$19,354	$323	5.75%
Effective Gross Income	**$336,848**	**$5,614**	

EXPENSES:	Total Cost	Per Unit	% of Total
Payroll	$59,632	$994	25.47%
Administrative	$19,800	$330	8.46%
Management fee	$25,920	$432	11.07%
Utilities	$26,600	$443	11.36%
Operating and Maintenance	$40,430	$674	17.27%
Insurance and Business Taxes	$12,250	$204	5.23%
Locality Compliance Monitoring Fee	$0	$0	0.00%
Other	$0	$0	0.00%
Subtotal Expenses	**$184,632**	$3,077	78.86%
Replacement Reserves	$18,000	$300	7.69%
Taxes & Assessments	$31,500	$525	13.45%
Total Expenses	$234,132	$3,902	100.00%
Financial Expenses			
CalHFA First Mortgage	$39,147	$652	
CalHFA Second Mortgage	$0	$0	
Other Required Debt Service	$11,761	$196	
NET OPERATING INCOME	**$51,808**	**$863**	

Cash Flow	Final Commitment			CalHFA Project Number:			04-025		Eleanor Roosevelt Court	
RENTAL INCOME	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Affordable Rents	**219,468**	**223,857**	**228,335**	**232,901**	**237,559**	**242,310**	**247,157**	**252,100**	**257,142**	**262,285**
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	**132,397**	**135,045**	**137,746**	**140,501**	**143,311**	**146,177**	**149,101**	**152,083**	**155,124**	**158,227**
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	**351,865**	**358,903**	**366,081**	**373,402**	**380,870**	**388,488**	**396,257**	**404,183**	**412,266**	**420,511**
OTHER INCOME										
Laundry	**4,337**	**4,424**	**4,512**	**4,602**	**4,694**	**4,788**	**4,884**	**4,982**	**5,081**	**5,183**
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	**4,337**	**4,424**	**4,512**	**4,602**	**4,694**	**4,788**	**4,884**	**4,982**	**5,081**	**5,183**
GROSS POTENTIAL INCOME	**356,202**	**363,326**	**370,593**	**378,004**	**385,565**	**393,276**	**401,141**	**409,164**	**417,347**	**425,694**
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	*4.50%*	*4.50%*	*4.50%*	*4.50%*	*4.50%*	*4.50%*	*4.50%*	*4.50%*	*4.50%*	*4.50%*
Rental Subsidy Income	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Unrestricted Units	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*
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	**19,354**	**19,741**	**20,136**	**20,539**	**20,950**	**21,369**	**21,796**	**22,232**	**22,677**	**23,130**
EFFECTIVE GROSS INCOME	**336,848**	**343,585**	**350,456**	**357,465**	**364,615**	**371,907**	**379,345**	**386,932**	**394,671**	**402,564**
OPERATING EXPENSES										
Expenses	184,632	191,094	197,782	204,705	211,869	219,285	226,960	234,903	243,125	251,634
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	31,500	32,130	32,773	33,428	34,097	34,779	35,474	36,184	36,907	37,645
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	18,000	18,000	18,000	18,000	18,000	18,900	18,900	18,900	18,900	18,900
Additional RFR Reserved	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000		
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	**254,132**	**261,224**	**268,555**	**276,133**	**283,966**	**292,963**	**301,334**	**309,987**	**298,932**	**308,180**
NET OPERATING INCOME	**82,716**	**82,361**	**81,901**	**81,333**	**80,649**	**78,944**	**78,011**	**76,945**	**95,738**	**94,384**
DEBT SERVICE										
CalHFA - 1st Mortgage	39,147	39,147	39,147	39,147	39,147	39,147	39,147	39,147	39,147	39,147
CalHFA - Bridge Loan	873,056	873,056	873,056	0	0					
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
HCD MHP	11,761	11,761	11,761	11,761	11,761	11,761	11,761	11,761	11,761	11,761
Cash flow after CalHFA debt service	**43,569**	**43,214**	**42,754**	**42,186**	**41,502**	**39,797**	**38,864**	**37,798**	**56,591**	**55,237**
CASH FLOW after all debt service	**31,808**	**31,453**	**30,993**	**30,425**	**29,741**	**28,036**	**27,103**	**26,037**	**44,831**	**43,476**
DEBT COVERAGE RATIO CalHFA De	**2.11**	**2.10**	**2.09**	**2.08**	**2.06**	**2.02**	**1.99**	**1.97**	**2.45**	**2.41**

Cash Flow	CalHFA Project Number: 04-025									Eleanor Roosevelt Court
RENTAL INCOME	**Year 11**	**Year 12**	**Year 13**	**Year 14**	**Year 15**	**Year 16**	**Year 17**	**Year 18**	**Year 19**	**Year 20**
Affordable Rents	**267,530**	**272,881**	**278,338**	**283,905**	**289,583**	**295,375**	**301,283**	**307,308**	**313,454**	**319,723**
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	**161,391**	**164,619**	**167,912**	**171,270**	**174,695**	**178,189**	**181,753**	**185,388**	**189,096**	**192,878**
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	**428,922**	**437,500**	**446,250**	**455,175**	**464,279**	**473,564**	**483,036**	**492,696**	**502,550**	**512,601**
OTHER INCOME										
Laundry	**5,287**	**5,392**	**5,500**	**5,610**	**5,722**	**5,837**	**5,953**	**6,073**	**6,194**	**6,318**
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	**5,287**	**5,392**	**5,500**	**5,610**	**5,722**	**5,837**	**5,953**	**6,073**	**6,194**	**6,318**
GROSS POTENTIAL INCOME	**434,208**	**442,892**	**451,750**	**460,785**	**470,001**	**479,401**	**488,989**	**498,769**	**508,744**	**518,919**
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	*4.50%*	*4.50%*	*4.50%*	*4.50%*	*4.50%*	*4.50%*	*4.50%*	*4.50%*	*4.50%*	*4.50%*
Rental Subsidy Income	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Unrestricted Units	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*
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	**23,593**	**24,065**	**24,546**	**25,037**	**25,538**	**26,048**	**26,569**	**27,101**	**27,643**	**28,196**
EFFECTIVE GROSS INCOME	**410,615**	**418,828**	**427,204**	**435,748**	**444,463**	**453,353**	**462,420**	**471,668**	**481,101**	**490,724**
OPERATING EXPENSES										
Expenses	260,442	269,557	278,992	288,756	298,863	309,323	320,149	331,355	342,952	354,955
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	38,398	39,166	39,950	40,749	41,564	42,395	43,243	44,108	44,990	45,890
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	19,845	19,845	19,845	19,845	19,845	20,837	20,837	20,837	20,837	20,837
Additional RFR Reserved			0	0	0	0				
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	**318,685**	**328,568**	**338,786**	**349,350**	**360,271**	**372,555**	**384,229**	**396,299**	**408,779**	**421,682**
NET OPERATING INCOME	**91,930**	**90,259**	**88,418**	**86,398**	**84,192**	**80,798**	**78,190**	**75,369**	**72,323**	**69,041**
DEBT SERVICE										
CalHFA - 1st Mortgage	39,147	39,147	39,147	39,147	39,147	39,147	39,147	39,147	39,147	39,147
CalHFA - Bridge Loan										
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
HCD MHP	11,761	11,761	11,761	11,761	11,761	11,761	11,761	11,761	11,761	11,761
Cash flow after CalHFA debt service	**52,783**	**51,112**	**49,271**	**47,251**	**45,045**	**41,651**	**39,043**	**36,222**	**33,176**	**29,894**
CASH FLOW after all debt service	**41,023**	**39,352**	**37,510**	**35,491**	**33,284**	**29,890**	**27,283**	**24,461**	**21,415**	**18,134**
DEBT COVERAGE RATIO CalHFA De	**2.35**	**2.31**	**2.26**	**2.21**	**2.15**	**2.06**	**2.00**	**1.93**	**1.85**	**1.76**

Cash Flow	CalHFA Project Number: 04-025									Eleanor Roosevelt Court
RENTAL INCOME	**Year 21**	**Year 22**	**Year 23**	**Year 24**	**Year 25**	**Year 26**	**Year 27**	**Year 28**	**Year 29**	**Year 30**
Affordable Rents	**326,118**	**332,640**	**339,293**	**346,079**	**353,001**	**360,061**	**367,262**	**374,607**	**382,099**	**389,741**
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	**196,735**	**200,670**	**204,683**	**208,777**	**212,953**	**217,212**	**221,556**	**225,987**	**230,507**	**235,117**
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	**522,853**	**533,310**	**543,976**	**554,856**	**565,953**	**577,272**	**588,818**	**600,594**	**612,606**	**624,858**
OTHER INCOME										
Laundry	**6,444**	**6,573**	**6,705**	**6,839**	**6,975**	**7,115**	**7,257**	**7,402**	**7,550**	**7,701**
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	**6,444**	**6,573**	**6,705**	**6,839**	**6,975**	**7,115**	**7,257**	**7,402**	**7,550**	**7,701**
GROSS POTENTIAL INCOME	**529,297**	**539,883**	**550,681**	**561,695**	**572,929**	**584,387**	**596,075**	**607,996**	**620,156**	**632,559**
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	*4.50%*	*4.50%*	*4.50%*	*4.50%*	*4.50%*	*4.50%*	*4.50%*	*4.50%*	*4.50%*	*4.50%*
Rental Subsidy Income	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Unrestricted Units	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*
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	**28,759**	**29,335**	**29,921**	**30,520**	**31,130**	**31,753**	**32,388**	**33,036**	**33,696**	**34,370**
EFFECTIVE GROSS INCOME	**500,538**	**510,549**	**520,760**	**531,175**	**541,798**	**552,634**	**563,687**	**574,961**	**586,460**	**598,189**
OPERATING EXPENSES										
Expenses	367,379	380,237	393,545	407,319	421,576	436,331	451,602	467,408	483,768	500,699
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	46,807	47,743	48,698	49,672	50,666	51,679	52,713	53,767	54,842	55,939
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	21,879	21,879	21,879	21,879	21,879	22,973	22,973	22,973	22,973	22,973
Additional RFR Reserved				(21,879)	(21,879)	(22,973)	(22,973)	(22,973)	(22,973)	(22,973)
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	**436,065**	**449,860**	**464,123**	**456,992**	**472,241**	**488,010**	**504,315**	**521,175**	**538,610**	**556,639**
NET OPERATING INCOME	**64,473**	**60,689**	**56,637**	**74,183**	**69,557**	**64,625**	**59,372**	**53,786**	**47,850**	**41,551**
DEBT SERVICE										
CalHFA - 1st Mortgage	39,147	39,147	39,147	39,147	39,147	39,147	39,147	39,147	39,147	39,147
CalHFA - Bridge Loan										
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
HCD MHP	11,761	11,761	11,761	11,761	11,761	11,761	11,761	11,761	11,761	11,761
Cash flow after CalHFA debt service	**25,326**	**21,542**	**17,490**	**35,036**	**30,410**	**25,478**	**20,225**	**14,639**	**8,703**	**2,404**
CASH FLOW after all debt service	**13,565**	**9,781**	**5,729**	**23,275**	**18,649**	**13,717**	**8,464**	**2,878**	**(3,058)**	**(9,357)**
DEBT COVERAGE RATIO CalHFA De	**1.65**	**1.55**	**1.45**	**1.89**	**1.78**	**1.65**	**1.52**	**1.37**	**1.22**	**1.06**

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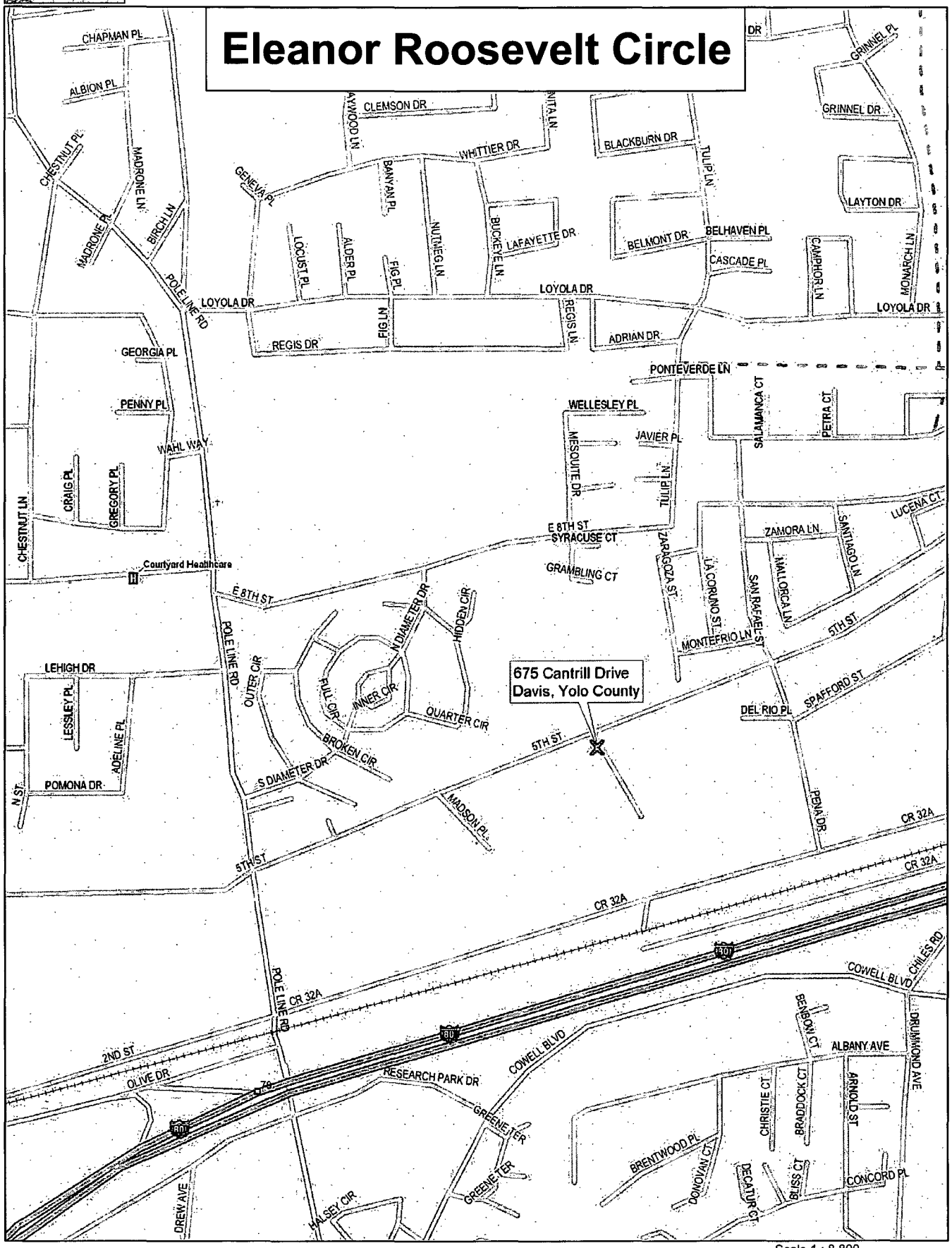
Eleanor Roosevelt Circle



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TN
MN (15.0°E)

Scale 1 : 8,800
1" = 733.3 ft
Data Zoom 14-5

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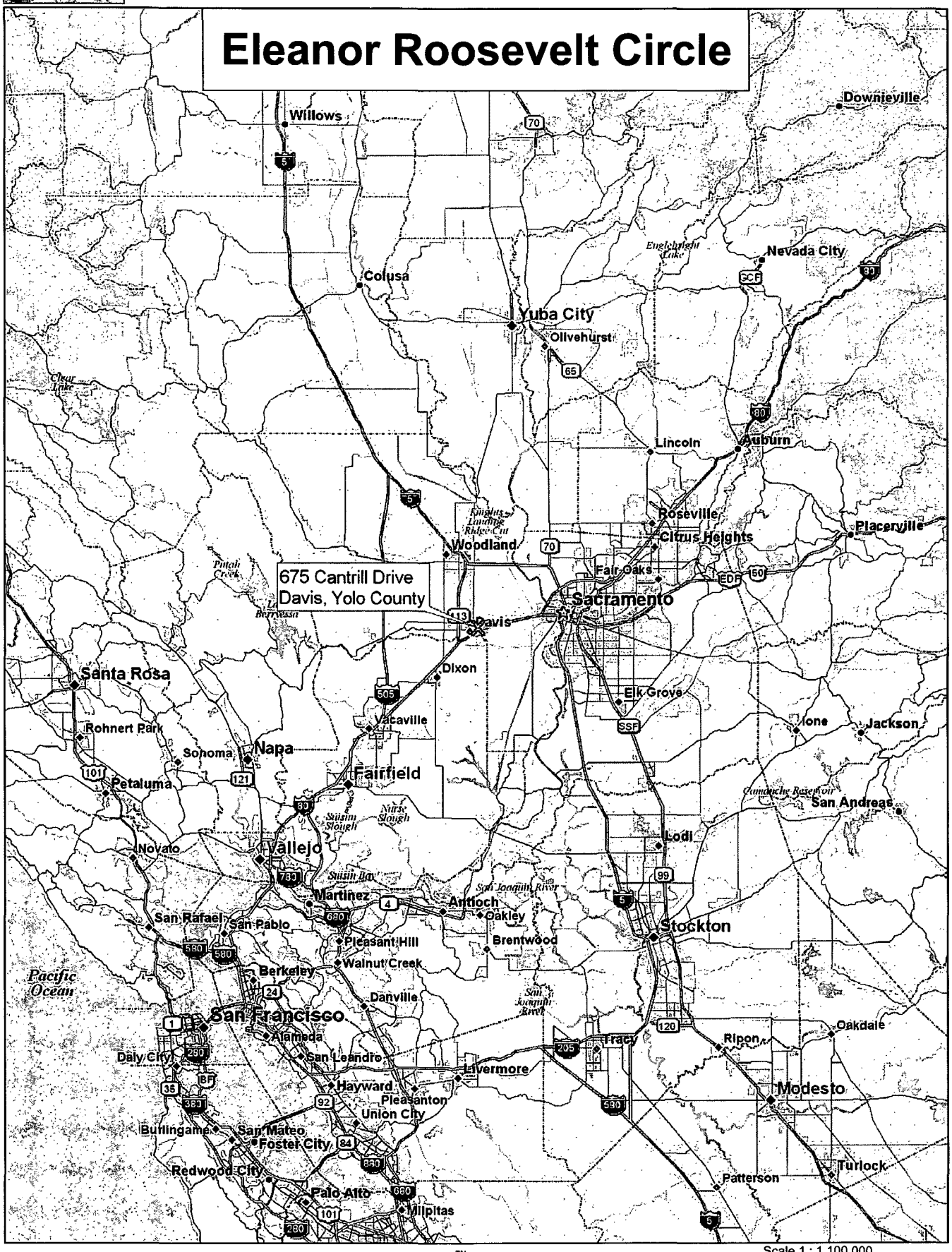
DELORME

Street Atlas USA® 2004

Eleanor Roosevelt Circle



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TN

MN (15.0°E)

Scale 1 : 1,100,000

1" = 17.36 mi

Data Zoom 7-5

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RESOLUTION 05-15

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of NP Eleanor Associates, a California limited partnership (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the loan amounts described herein, the proceeds of which are to be used to provide construction and permanent mortgage loans on a 60-unit multifamily housing development located in the City of Davis to be known as Eleanor Roosevelt Circle (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated April 22, 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 March 8, 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	LOAN AMOUNT
04-025-C/N	Eleanor Roosevelt Circle Davis/Yolo	60	
		Construction First Mortgage:	$7,200,000
		Permanent First Mortgage:	$ 550,000
		Bridge:	$2,400,000

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 loan 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 loan 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 05-15 adopted at a duly constituted meeting of the Board of the Agency held on May 12, 2005, at Burbank, California.

ATTEST: _____
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Vista Sunrise Apartments
Palm Springs, Riverside County, CA
CalHFA # 04-028-C/S

SUMMARY

This is a final commitment request. Security for the loans will be 3.64 acres of land and improvements located at 1211 and 1313 East Vista Chino Road in the City of Palm Springs, and the County of Riverside.

The property will be owned by Vista Sunrise Apartments, L.P., a California limited partnership, whose developer general partner will be MBA Urban Development Co., a Missouri corporation. MBA Urban Development Co. is a wholly owned subsidiary of McCormack Baron Salazar, Inc. Desert Aids Project or its non-profit affiliate, a California non-profit public benefit corporation, will be the managing general partner.

Vista Sunrise Apartments will consist of 85 units of special needs housing for persons living with HIV/AIDS, 30 of whom will also be homeless or at risk of homelessness.

LOAN TERMS

Construction

First Mortgage	$5,650,000
Interest Rate	Variable
Term	18 months, interest only
Financing	$5,200,000 Tax-exempt &
	$450,000 Taxable HAT

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

Permanent

First Mortgage	$450,000
Interest Rate	1.00%
Term	15-year fixed, fully amortized
Financing	Taxable HAT

The Agency's permanent loan is being made to finance the acquisition of a portion of the site. Prepayment of the permanent loan is allowed.

SPECIAL NEEDS LOAN TERMS

The Agency will make a reduced interest rate permanent loan utilizing HAT funds.

OTHER FINANCING

Source	Type	Loan Amount	Term	Interest Rate	Repayment
HCD MHP Supportive Services	Loan	$3,022,000	55	3.00%	Residual Receipts
HCD MHP NSS	Grant	$225,000	55	00.00%	Deferred / Forgivable
County of Riverside	Loan	$1,500,000	55	1.00%	Residual Receipts
City of Palm Springs	Loan	$1,300,000	55	0.00%	Residual Receipts
AHP (Citibank)	Loan	$ 850,000	10	0.00%	Deferred / Forgivable

The County of Riverside and the City of Palm Springs loans will fund at construction loan closing, and the HCD MHP loan and grant and AHP loan will fund at permanent loan closing.

The land consists of two separate parcels: a 1.22-acre parcel currently owned by the Redevelopment Agency of the City of Palm Springs and a 2.42-acre parcel currently owned by the Desert Health Care District which is part of a larger 5.35-acre parcel. The 1.22-acre parcel will be conveyed to the Borrower by construction loan closing by the City Redevelopment Agency. The County of Riverside has an option to purchase the 5.35-acre parcel (including the 2.42-acre housing parcel) from the Desert Health Care District for the property's Fair Market Value. The Health Care District Parcel will be split into a 2.42-acre housing parcel and a 2.93-clinic parcel by construction loan closing. The 2.42-acre housing parcel will be purchased by the Borrower from the County at construction loan closing. The Agency regulatory agreement and deed of trust will be secured by the fee on both the 1.22-acre parcel and the 2.42-acre parcel.

The Borrower has agreed that any cash flow above a 1.2 DCR will be used for either an operating reserve or to retire the Agency debt and other residual receipts debt.

HOPWA SUBSIDY CONTRACT

The Borrower has applied for 30 HOPWA project-based rental subsidies. If received, these subsidies will be used to subsidize the rents of the 30% and 40% AMI units. HOPWA subsidy contracts are for two years, and are renewable. The Agency permanent loan has not been underwritten to the HOPWA subsidies. The Borrower will be required to seek and accept any renewals of the project-based HOPWA subsidies for the term of the Agency permanent loan.

PROJECT DESCRIPTION

Project Location

- The project is located in northern Palm Springs. The downtown area is approximately one mile from the project.
- The property is located on the south side of Vista Chino Road, approximately 275 feet west of Sunrise Way. Vista Chino Road is a major east/west arterial in the area. The

property is located ½ mile from Highway 111, the major north/south arterial in the area. The nearest freeway is I-10, which is approximately three miles from the site.

- The proposed project is located in a mixed-use area. The property is adjacent to the Desert Aids Project (DAP) clinic and social service center to the east, a shopping center and single family homes on the south, an age-restricted facility and church property on the west, and a professional office building and vacant lot to the north.
- Within a quarter of a mile are a medical clinic, pharmacy and social service center (DAP), three other pharmacies, a bus stop, two grocery stores, a senior adult day center, and a middle school. Within a mile of the property are two major shopping centers, the airport, a hospital and five schools.

Site

- The subject site is 158,558 square feet (3.62 acres). It is rectangular in shape and flat in topography.
- The site is zoned multifamily residential and has been approved for the proposed use. The project will have 120 parking spaces.
- The site is currently vacant.
- Access to the site will be through a new access road from Vista Chino Road at the eastern boarder of the site. The access road is on land owned by DAP that currently serves as its parking lot. The new access road will be shared by the project, the existing DAP social service facility and a new Family Medical Care Center that DAP is in the process of developing with the County of Riverside. Desert Aids Project will continue to own the land, and will grant the project an easement to the project to utilize the access road. The Agency will require a Reciprocal Easement Agreement as a condition of construction loan closing. The property will have its own egress road at the western end of the site. This road will egress onto Vista Chino Road.
- The site consists of two parcels. Both parcels will be conveyed to the Borrower by construction loan closing.

Improvements

- The project will consist of eight two-story residential buildings and one community building. There will be four building types, all of which will be mid-century modernist in style, typical of the architecture in Palm Springs. There will be 36 studios, 42 one-bedroom units and 7 two-bedroom units. The units will be small at the request of focus groups conducted by DAP. For health reasons, the focus groups members wanted to minimize the amount of maintenance and cleaning required, and to keep the cost of air conditioning as low as possible.
- The buildings will be wood frame on a concrete slab. The exterior will be cement plaster walls. A three-ply built–up roofing system will be used. Horizontal eyebrows or metal awnings will shade appropriate windows and add visual relief to the façade. There will be a circulating hot water system for the studios and individual water heaters for the one- and two-bedroom units. All units will be air conditioned. The one- and two-bedroom units will have conventional split FAU/AC units or heat pumps.
- The project will have a gated entry. The community building will include a community room with a kitchenette, office space for supportive services, a project office, a conference room, a laundry, and a gym. There will be a large crescent-shaped landscaped corridor between two rows of buildings, which will allow for views of the mountains to the west. In the corridor area, there will be walkways, an outdoor patio

area, and pool and tot lot. The landscaping will utilize drought tolerant and desert appropriate plants and trees around project perimeter and parking areas, and more lush and decorative plantings in front of the units, along the promenade, and around the pool and patio area.

- There will be 120 parking spaces, 85 of which will be covered. All parking will be at grade.
- All units will be flats. The two-bedroom units will be on the ground level. All units will be pre-wired for cable and internet. The two-bedroom units will have washers and dryers.

Off-site improvements

- Offsite improvements include relocation of a catch basin, modifying the driveway approaches, removal of an 8' sidewalk and replacing it with a 12' combination sidewalk and bike path on Vista Chino; and relocation of the traffic signal on the southwest corner of Vista Chino and Sunrise Way, and street widening on Sunrise Way.
- The cost of these improvements will be shared between the County of Riverside and the project.
- The total cost is $260,000, of which the Vista Sunrise Apartments L.P. will pay $125,000.

SPECIAL NEEDS SERVICES

- The target population for 54 of the units will be single adults and families living with HIV/AIDS. The target population for the remaining 30 units is single adults and families living with HIV/AIDS and who are homeless or at risk of homelessness. The typical tenants will face a myriad of issues that may include chronic health problems, unemployment or underemployment, depression, and/or substance abuse dependence.

- DAP will be the primary service provider, with responsibility for assessing tenant needs, assisting tenants with all housing related issues, and referring tenants to community-based services including DAP programs, monitoring service provision, and providing tenant liaison services.

- DAP will hire a Housing Coordinator to screen applicants for appropriateness for placement in housing and coordinate all housing related issues of the residents. DAP will also provide two case managers to assist tenants in developing individualized supportive services plans, based on an individualized assessment of the tenant.

- DAP will provide the majority of supportive services for the residents at its medical facility and service center, which is immediately adjacent to the housing. These services include:

    - Primary medical services to provide overall management of the HIV disease including a free clinic staffed with physicians who specialize in HIV/AIDS disease issues. The clinic also provides access to laboratory work and an on-site pharmacy.
    - Wellness programs to help residents reduce stress, mitigate HIV/AIDS-related pain and enhance symptom management of the HIV disease.
    - Recreational activities.

- Vocational programs including return-to-work programs, training and retraining where appropriate.
- Life skills classes on such topics as money management, budgeting, shopping, cooking, problem-solving, and symptom recognition and management.
- Mental health services for those who need help coping with depression, adjustment disorders and reactive disorders.
- Addiction services for those who need help coping with drug and other addictions.
- Nutritional services including grocery distribution and a grocery voucher program.
- Legal services.
- Educational services on the medical, psychological, and sociological aspects of HIV and disease management.
- Medical case management and home health services.
- Peer counseling services.
- Transportation services.
- Child care services to allow tenants to access the programs at the DAP center.

The Agency will require that the Borrower lease 100% of the units to special needs tenants and provide them with supportive services for a 10-year period. These requirements will be incorporated into the Agency's Regulatory Agreement.

Relocation

- No relocation is required.

MARKET

Market Overview

The primary market area for the project as a tax credit apartment project is the City of Palm Springs. The secondary market area, for the project as a special-needs development, is the entire Coachella Valley Area of Palm Springs, Cathedral City, Desert Hot Springs, Rancho Mirage, Palm Desert, Indian Wells, La Quinta, Indio, and Coachella. HIV/AIDS suffers from the entire Coachella Valley area will be served by the subject site.

Palm Springs has a population of 44,752 people, and 21,732 households. Thirty-nine percent of Palm Springs households are renters. Sixty-nine percent of the HIV/AIDS households in Palm Springs are renters.

The Coachella Valley has a population of 354,014 people and 133,088 households. Thirty-three percent of the households are renters.

Housing Supply and Demand

- There is only one 39-unit project (Casa San Miguel) in the Coachella Valley that serves a similar special needs population. The project is 100% occupied with an 11-person waiting list.
- Desert Aids Project has set up a waiting list for this development. There are currently 80 people on the waiting list.

- No permits for multifamily projects were approved from 1989 until 2003 in Palm Springs. Since then, 199 units have been permitted. These include one tax credit project (Coyote Run II – 66 units) and one market-rate project (Biltmore -133 units).
- The market study projects a current demand of 133 new rental units per year in Palm Springs.
- DAP has served 2,173 HIV-positive people over the last 12 months, the majority of whom currently reside in Palm Springs and Cathedral City. DAP reports receiving 30 new clients each month, primarily due to ongoing relocation of persons suffering with HIV/AIDS to the Palm Springs area.
- Riverside County only began reporting the numbers of AIDS cases in June, 2002, and the number of HIV cases has been increasing each month. They currently show 1,673 reported cases. The true extent of HIV incidence in the population is not known.
- A market study done by Market Insights in March 2005 anticipates that there are 284 income qualified special needs residents for the 50% and 60% AMI units, and 450 for the 30% and 40% AMI units.

PROJECT FEASIBILITY

Estimated Lease-up Period

- The estimated lease up period is five to six months without pre-leasing. Pre-leasing will commence prior to construction completion in order to ensure a timely lease-up.

ENVIRONMENTAL

A Phase I report was completed by SCA Environmental Inc. in December 2004. The report concludes that there are no adverse environmental conditions that warrant further investigation or remedial action.

A seismic evaluation is in process. The Agency has not required a Level 4 earthquake waiver review for this property.

DEVELOPMENT TEAM

Borrower

Vista Sunrise Apartments, L.P, a California limited partnership, is a sponsored by McCormack Baron Salazar, Inc. and Desert Aids Project.

<u>McCormack Baron Salazar, Inc. (MBS)</u>

- MBA Urban Development Co., a wholly owned subsidiary of MBS will be the developer general partner.
- MBS was established in the mid-1970's as a for-profit developer and management company with a commitment to building in urban areas. In the past 13 years the firm has completed 106 projects with development costs in excess of $1.4 billion dollars. Work completed to date includes 12,000 units of housing in 17 states and one million square

feet of housing. In 1995, they set up an office in California, and have developed 13 properties with 1,596 units of affordable housing in the state.

- As security for the construction loan, the Agency will accept a 100% corporate completion and repayment guarantee from MBS in lieu of a letter of credit.

Desert Aids Project (DAP)

- DAP was formed in 1984. They are a comprehensive provider of medical and psychosocial services to persons living with HIV/AIDS in an 11,250-mile area that includes including all of eastern Riverside County, the desert region of southeast San Bernardino County, and the northern portions of Imperial County. They currently serve 7,000 persons and have a staff of 72 full time professionals and over 300 volunteers. Their current budget is over $9.5 million per year. Their principal office and clinic is located adjacent to the proposed project in Palm Springs, and they operate satellite offices in Cathedral City and Indio. The agency has successfully administered a broad range of city, state, county, federal and private grants, and has a resource development staff of four.
- DAP has a housing coordinator and three case managers on staff to work with clients to help them access rental housing and obtain housing subsidies. DAP is under contract with Coachella Valley CDC to provide supportive services to residents living with AIDS at Casa San Miguel Apartments. This project is located in Cathedral City and has 39 units, 25 of which are dedicated to persons with HIV/AIDS who were previously homeless.

Management Agent

McCormack Baron Ragan Management Services, Inc. (MBRMS)

- MBRMS was founded in 1973 and manages a portfolio of 16,000 residential units in 17 states, including 1,500 in California. MBRMS specializes in managing 100% affordable and mixed-income properties. They manage 12,000 units of their own properties, and 4,000 units on a fee basis.

Architect

Interactive Design Corporation

- Founded in 1981, Interactive Design Corporation has extensive experience in designing properties in Palm Springs, Desert Hot Springs, Cathedral City and Palm Desert. They have worked with the Agency on Coyote Run II as the architect for the Coachella Valley Housing Coalition.

Contractor to be determined

- The Borrower has worked with Adolfson & Peterson Construction, Inc. on cost estimating and architectural development drawings to implement cost savings ideas. The firm was chosen because of its familiarity with the building design type.

- Adolfson & Peterson Construction, Inc. was founded in 1946. It is a national firm providing total construction services to public and private clients. It has offices in five

locations the closest of which is Phoenix, Arizona. It employs more than 400 full time professionals. It has extensive experience in multifamily apartment buildings and in senior housing and assisted living.

- The sponsor is currently bidding a permit set of plans and specifications of the project with Coury Enterprises Inc. in order to obtain a firm bid contract.

- Coury Enterprises Inc. was founded in 1976. It is licensed in California, Nevada, Utah and Arizona. It has 29 employees, and $35 million of projects currently under construction. It is bonded for $30 million. It has completed 829 units of multifamily housing in the last 8 years.

PROJECT SUMMARY

PROJECT NUMBER: 04-028-C

FINAL COMMITMENT

Project:	**Vista Sunrise Apartments**			
Location:	1313 East Vista Chino	***Developer:***	**MBA Urban Dev. Co.**	
City:	Palm Springs	***Partner:***	Desert Aids Project	
County:	Riverside	***Investor:***	Sun America	
Zip Code:	92263			
		No. of Buildings:	8	
Project Type:	New Construction	*No. of Stories:*	2	
Occupancy:	Family	*Residential Space*	42,972	sq. ft.
Total Units:	85	*Office Space*	6,971	sq. ft.
Style Units:	Townhomes & Flats	*Commercial Space*	0	sq. ft.
Elevators:	No	*Gross Area*	49,943	sq. ft.
Total Parking	120	*Land Area*	152,917	sq. ft.
Covered	85	*Units per acre*	24	

CalHFA Construction Financing	Amount	Rate	Term (Mths)
CalHFA Construction Financing	**$5,650,000**	**5.125%**	**18**

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	**$450,000**	**1.00%**	**15**
CalHFA Bridge Loan	**$0**	**0.00%**	**0**
CalHFA Second Mortgage	**$0**	**0.00%**	**0**
Riverside	$1,500,000	1.00%	55
HCD MHP	$3,022,000	3.00%	55
HCD MHP NSS	$225,000	0.00%	55
Loan - Palm Springs	$1,300,000	0.00%	55
AHP Loan	$850,000	0.00%	10
Income during Construction	$0		
Developer Contribution	$0		
Deferred Developer Fee	$165,830		
Tax Credit Equity	$2,842,000		

Construction Valuation		Appraisal		Value Upon Completion	
Investment Value	$6,030,000	**Appraisal Date:**	**1/7/05**	**Restricted Value**	$3,220,000
Loan / Cost	59%	**Cap Rate:**	**9.25%**	**Perm. Loan / Cost**	4%
Loan / Value	94%			**Perm. Loan / Value**	14%

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	**Amount**	**Required Reserves**	**Amount**
CalHFA Construction Loan Fee	$56,500	Other Reserve	$0
CalHFA Permanent Loan Fees	$2,250	Replacement Resv. Initial Deposit	$0
Construction Inspection Fee	$21,000	Repl. Reserve - Per Unit/ Per Yr	$400
CalHFA Outside Legal Counsel F	$20,000		
Construction Loan - Guarantees and Fees		CalHFA Operating Expense Reserve	$44,543
Completion Guarantee	$5,653,300	Rent Up Reserve	$0
Contractors Payment Bond	$5,653,300	HCD MHP Operating Reserve	$70,457
Contractors Performance Bond	$5,653,300	Other Reserve	$0

Date: 4/26/2005 **Senior Staff Date:** 4/20/2005

UNIT MIX AND RENT SUMMARY — Vista Sunrise Apartments

04-028-C

Total Unit Mix

# of Units	Unit Type	# of Baths	Average Sq. Ft.
36	Studio Unit	1	384
42	1 Bedroom Flat	1	550
7	2 Bedroom Flat	2	864
	2 Bedroom Townhome	1.5	
	2 Bedroom Townhome	2	
	3 Bedroom Townhome	2	
	4 Bedroom Townhome	2.5	
85			

Occupancy Restrictions by Agency

Regulating Agency	Percent of Area Median Income						TOTAL UNITS
	30%	40%	50%	60%	80%		
CalHFA			29				29
TCAC				84			84
HOPWA			0				0
Riverside			41				41
AHP*			51	34			85
City				41			41
MHP	18	12	0	54			84

* The borrower is applying to AHP to change the AHP restrictions so that they conform with the MHP restrictions

Restricted Rents Compared to Market Area Rents

Median Income Rent Levels	Subject Rents	Avg. Market Rate Rents	Dollars Difference	% of Market	HOPWA Subsidy	% subsidy of Market
STUDIO		$585				
30%	$242		$363	40%	$592	101%
40%	$337		$268	56%	$592	101%
50%	$432		$173	71%	$0	0%
60%	$522		$63	89%	$0	0%
80%	$0		$0	0%	$0	0%
One Bedroom		$705				
30%	$247		$593	29%	$659	93%
40%	$349		$491	42%	$659	93%
50%	$451		$389	54%	$0	0%
60%	$553		$288	66%	$0	0%
80%	$0		$0	0%	$0	0%
Two Bedroom		$855				
30%	$291		$689	30%	$805	94%
40%	$413		$567	42%	$805	94%
50%	$535		$445	55%	$0	0%
60%	$658		$323	67%	$0	0%
80%	$0		$0	0%	$0	0%

* The Borrower anticipated receiving 30 HOPWA Rental Subsidies.
If received they will be applied to the 30% AMI and the 40% AMI units.

Sources and Uses of Funds — Vista Sunrise Apartments

04-028-C
Final Commitment

SOURCES OF FUNDS:	Funds in during Construction ($)	Funds in at Permanent ($)	Total Development Sources: Total Sources of Funds ($)	Sources per Unit	%
CalHFA Construction Financing	5,650,000				
Construction Only Source 2	-				
Construction Only Source 3	-				
CalHFA First Mortgage		450,000	450,000	5,294	4%
CalHFA Second Mortgage		-	-	-	0%
Riverside	1,500,000	-	1,500,000	17,647	14%
HCD MHP	-	3,022,000	3,022,000	35,553	29%
MHP NSS	-	225,000	225,000	2,647	2%
				-	0%
Loan - Palm Springs	1,300,000	-	1,300,000	15,294	13%
	-			-	0%
	-		-	-	0%
Source 9	-	-	-	-	0%
Source 10	-	-	-	-	0%
Source 11	-	-	-	-	0%
AHP Loan	-	850,000	850,000	10,000	8%
Income during Construction	-	-	-	-	0%
Developer Contribution	-	-	-	-	0%
Deferred Developer Fee	-	165,830	165,830	1,951	2%
Tax Credit Equity	1,129,830	1,712,170	2,842,000	33,435	27%
Total Sources	9,579,830	6,425,000	10,354,830	121,822	100%
(Gap)/Surplus	-	-	-		

USES OF FUNDS:	Construction ($)	Permanent ($)	Total Development Costs: Total Uses of Funds ($)	Cost per Unit	%
LOAN PAYOFFS & ROLLOVERS					
Construction Loan payoffs		**$5,650,000**			
ACQUISITION					
Lesser of Land Cost or Value	450,000	-	450,000	5,294	4%
Demolition	-	-	-	-	0%
Legal - Acquisition Related Fees	-	-	-	-	0%
Subtotal - Land Cost / Value	450,000	-	450,000		
Existing Improvements Value	-	-	-	-	0%
Off-Site Improvements	125,000	-	125,000	1,471	1%
Other	-	-	-	-	0%
Total Acquisition	**575,000**	**-**	**575,000**	**6,765**	**6%**
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%**

(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	743,800	-	743,800	8,751	7%
Structures (Hard Costs)	4,109,000	-	4,109,000	48,341	40%
General Requirements	346,900	-	346,900	4,081	3%
Contractors Overhead	162,250	-	162,250	1,909	2%
Contractors Profit	162,250	-	162,250	1,909	2%
Contractor's Perf. & Pymt Bond	129,100	-	129,100	1,519	1%
General Liability Insurance	-		-	-	0%
Other		-		-	0%
Other	-	-	-	-	0%
Total New Construction	**5,653,300**	**-**	**5,653,300**	**66,509**	**55%**
					0%
ARCHITECTURAL & ENGINEERING					
Architectural Design	255,000	-	255,000	3,000	2%
Architect's Supv during Construction	15,000	-	15,000	176	0%
Total Architectural	**270,000**	**-**	**270,000**	**3,176**	**3%**
Engineering Expense	-	-		-	0%
Engineers Supv. during Construction	-	-	-	-	0%
ALTA Survey	-	-	-	-	0%
Total Engineering & Survey	**-**	**-**	**-**	**-**	**0%**
					0%
CONSTRUCTION LOAN COSTS					
Construction Loan Interest	294,000		294,000	3,459	3%
CalHFA Construction Loan Fee	52,000		52,000	612	1%
Other Lender Fees	-		-	-	0%
CalHFA Outside Legal Counsel Fees	20,000		20,000	235	0%
Other Lender Req'd Legal Fees			-	-	0%
Title and Recording fees	50,000		50,000	588	0%
CalHFA Req'd Inspection Fees	21,000		21,000	247	0%
Other Req'd Inspection Fees	-		-	-	0%
Prevailing Wage Monitoring Expense	-		-	-	0%
Taxes & Insurance during construction	140,000		140,000	1,647	1%
Holding Costs	30,000		30,000	353	0%
Cost for Completion Guarantee	-		-	-	0%
Other	-		-	-	0%
Total Construction Loan Expense	**607,000**	**-**	**607,000**	**7,141**	**6%**
PERMANENT LOAN COSTS					
CalHFA Perm Loan Fees	-	-	-	-	0%
CalHFA Bridge Loan Fees	-	-	-	-	0%
CalHFA Loan Application Fee	500	-	500	6	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	600	-	600	7	0%
Other	-	-	-	-	0%
Total Permanent Loan Expense	**1,100**	**-**	**1,100**	**13**	**0%**
LEGAL FEES					
Borrower Legal Fee	180,000	-	180,000	2,118	2%
Other	-	-	-	-	0%
Total Attorney Expense	**180,000**	**-**	**180,000**	**2,118**	**2%**

USES OF FUNDS (Cont'd):	Construction ($)	Permanent ($)	Total Development Costs		
			Permanent of Funds ($)	Per Unit per Unit	%
CONTRACT / REPORT COSTS			0		
Appraisal	8,500	-	8,500	100	0%
Market Study	9,000	-	9,000	106	0%
Physical Needs Assessment	-	-	-	-	0%
HUD Risk Share Environ. Review	-	-	-	-	0%
CalHFA EQ Waiver Seismic Review Fee	500	-	500	6	0%
Environmental Phase I / II Reports	12,000	-	12,000	141	0%
Soils / Geotech Reports	70,000	-	70,000	824	1%
Asbestos / Lead-based Paint Report	-	-	-	-	0%
Noise/Acoustical/Traffic Study Report	-	-	-	-	0%
Updating Reports at Closing	2,000	-	2,000	24	0%
Inspection/testing	20,000	-	20,000	235	0%
Total Contract Costs	**122,000**	**-**	**122,000**	**1,435**	**1%**
CONTINGENCY					
Hard Cost Contingency	565,330	-	565,330	6,651	5%
Soft Cost Contingency	56,950	-	56,950	670	1%
Total Contingency	**622,280**	**-**	**622,280**	**7,321**	**6%**
RESERVES					
CalHFA Operating Expense Reserve	-	44,543	44,543	524	0%
Construction Defects Reserve	-	-	-	-	0%
Rent-Up Reserve	-	-	-	-	0%
Capitalized Investor Req'd Reserve	-	-	-	-	0%
HCD Operating Reserve	-	70,457	70,457	829	1%
Total Reserves	**-**	**115,000**	**115,000**	**1,353**	**1%**
OTHER					
CTCAC App/Alloc/Monitor Fees	19,150		19,150	225	0%
Local Permit Fees	-	-	-	-	0%
Local Development Impact Fees	493,000	-	493,000	5,800	5%
Other Local Fees	-	-	-	-	0%
Advertising & Marketing Expenses	75,000	-	75,000	882	1%
1st Year Taxes & Insurance	-	-	-	-	0%
Furnishings	50,000	-	50,000	588	0%
Final Cost Audit Expense	30,000	-	30,000	353	0%
Miscellaneous Admin Fees	-	-	-	-	0%
Native American Consultant	32,000	-	32,000	376	0%
DAP Social Service Fee	60,000	60,000	120,000	1,412	1%
Other Permits & Fees Cont.	40,000	-	40,000	471	0%
Total Other Expenses	**799,150**	**60,000**	**859,150**	**10,108**	**8%**
SUBTOTAL PROJECT COSTS	**8,829,830**	**5,825,000**	**9,004,830**	**105,939**	**87%**
DEVELOPER COSTS					
Developer Overhead/Profit (5% Acq.)	600,000	600,000	1,200,000	14,118	12%
Developer Overhead/Profit (NC/Rehab)	-	-	-	-	0%
Consultant / Processing Agent	-	-	-	-	0%
Financial Consultant	75,000	-	75,000	882	1%
Broker Fees to a related party	-	-	-	-	0%
Construction Mgmt. Oversight	75,000	-	75,000	882	1%
Other	-	-	-	-	0%
Total Developer Fee / Costs	**750,000**	**600,000**	**1,350,000**	**15,882**	**13%**
Total Costs	**9,579,830**	**6,425,000**	**10,354,830**	**121,822**	**100%**

Annual Operating Budget **Vista Sunrise Apartments**

INCOME:	$ Amount	Per Unit	% of Total
Total Rental Income	$425,958	5,071	92.34%
Laundry	$35,360	421	7.66%
HOPWA Subsidy	$0	-	0.00%
Gross Potential Income (GPI)	**$461,318**	**5,492**	100.00%
Less:			
Vacancy Loss	$21,175	252	
Effective Gross Income	**$440,143**	**5,240**	

EXPENSES:	Total Cost	Per Unit	% of Total
Payroll	$78,000	929	22.63%
Administrative	$38,000	452	11.03%
Management fee	$34,700	413	10.07%
Utilities	$62,000	738	17.99%
Operating and Maintenance	$52,000	619	15.09%
Insurance and Business Taxes	$45,925	547	13.33%
Locality Compliance Monitoring Fee	$0	-	0.00%
Other	$0	-	0.00%
Subtotal Expenses	**$310,625**	3,698	90.13%
Replacement Reserves	$34,000	405	9.87%
Taxes & Assessments	$0	-	0.00%
Total Expenses	$344,625	$4,103	100.00%
Financial Expenses			
CalHFA First Mortgage	$32,319	385	
CalHFA Second Mortgage	$0	-	
HCD MHP	$12,692	151	
NET OPERATING INCOME	**$50,507**	**601**	

Cash Flow	Final Commitment				CalHFA Project Number: 04-028-C				Vista Sunrise 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	**444,504**	**453,394**	**462,462**	**471,711**	**481,145**	**490,768**	**500,584**	**510,595**	**520,807**	**531,223**
Affordable Rent Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
HOPWA Rental Subsidies	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Rental Subsidy Increases	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
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	**444,504**	**453,394**	**462,462**	**471,711**	**481,145**	**490,768**	**500,584**	**510,595**	**520,807**	**531,223**
OTHER INCOME										
Laundry	**22,100**	**22,100**	**22,100**	**22,100**	**22,100**	**22,100**	**22,100**	**22,100**	**22,100**	**22,100**
Other Income	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other Income Increase	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
TOTAL OTHER INCOME	**22,100**	**22,100**	**22,100**	**22,100**	**22,100**	**22,100**	**22,100**	**22,100**	**22,100**	**22,100**
GROSS POTENTIAL INCOME	**466,604**	**475,494**	**484,562**	**493,811**	**503,245**	**512,868**	**522,684**	**532,695**	**542,907**	**553,323**
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	*4.52%*	*4.52%*	*4.52%*	*4.52%*	*4.52%*	*4.52%*	*4.52%*	*4.52%*	*4.52%*	*4.52%*
Rental Subsidy Income	*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%*
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	**21,175**	**21,576**	**21,985**	**22,403**	**22,829**	**23,263**	**23,707**	**24,159**	**24,620**	**25,090**
EFFECTIVE GROSS INCOME	**445,429**	**453,918**	**462,577**	**471,408**	**480,417**	**489,605**	**498,977**	**508,537**	**518,288**	**528,233**
OPERATING EXPENSES										
Expenses	310,625	321,497	332,749	344,395	356,449	368,925	381,837	395,202	409,034	423,350
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	0	0	0	0	0	0	0	0	0	0
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	34,000	34,000	34,000	34,000	34,000	34,000	35,700	35,700	35,700	35,700
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	**344,625**	**355,497**	**366,749**	**378,395**	**390,449**	**402,925**	**417,537**	**430,902**	**444,734**	**459,050**
NET OPERATING INCOME	**100,804**	**98,421**	**95,827**	**93,013**	**89,967**	**86,680**	**81,440**	**77,635**	**73,554**	**69,184**
DEBT SERVICE										
CalHFA - 1st Mortgage	32,319	32,319	32,319	32,319	32,319	32,319	32,319	32,319	32,319	32,319
CalHFA - Bridge Loan	0	0	0	0	0					
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
MHP	12,692	12,692	12,692	12,692	12,692	12,692	12,692	12,692	12,692	12,692
CASH FLOW after all debt service	**43,101**	**40,718**	**38,124**	**35,309**	**32,264**	**28,976**	**23,736**	**19,932**	**15,850**	**11,480**
DEBT COVERAGE RATIO	**2.24**	**1.71**	**1.66**	**1.61**	**1.56**	**1.50**	**1.41**	**1.35**	**1.27**	**1.20**

Cash Flow			CalHFA Project Number:		04-028-C
RENTAL INCOME	**Year 11**	**Year 12**	**Year 13**	**Year 14**	**Year 15**
Affordable Rents	**541,848**	**552,685**	**563,739**	**575,013**	**586,514**
Affordable Rent Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
HOPWA Rental Subsidies	**0**	**0**	**0**	**0**	**0**
Rental Subsidy Increases	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Unrestricted Units	**0**	**0**	**0**	**0**	**0**
Unrestricted Unit Increases	*0%*	*0%*	*0%*	*0%*	*0%*
TOTAL RENTAL INCOME	**541,848**	**552,685**	**563,739**	**575,013**	**586,514**
OTHER INCOME					
Laundry	**22,100**	**22,100**	**22,100**	**22,100**	**22,100**
Other Income	**0**	**0**	**0**	**0**	**0**
Other Income Increase	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
TOTAL OTHER INCOME	**22,100**	**22,100**	**22,100**	**22,100**	**22,100**
GROSS POTENTIAL INCOME	**563,948**	**574,785**	**585,839**	**597,113**	**608,614**
VACANCY ASSUMPTIONS					
Affordable (Blended Average)	*4.52%*	*4.52%*	*4.52%*	*4.52%*	*4.52%*
Rental Subsidy Income	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Unrestricted Units	*0%*	*0%*	*0%*	*0%*	*0%*
Laundry & Other Income	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
LESS: VACANCY LOSS	**25,570**	**26,059**	**26,558**	**27,067**	**27,586**
EFFECTIVE GROSS INCOME	**538,378**	**548,726**	**559,281**	**570,046**	**581,027**
OPERATING EXPENSES					
Expenses	438,167	453,503	469,376	485,804	502,807
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Taxes and Assessments	0	0	0	0	0
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Replacement Reserve	35,700	37,485	37,485	37,485	37,485
Percentage Increase Yearly	*5.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
TOTAL EXPENSES	**473,867**	**490,988**	**506,861**	**523,289**	**540,292**
NET OPERATING INCOME	**64,511**	**57,738**	**52,420**	**46,757**	**40,735**
DEBT SERVICE					
CalHFA - 1st Mortgage	32,319	32,319	32,319	32,319	32,319
CalHFA - Bridge Loan					
CalHFA - 2nd Mortgage	0	0	0	0	0
MHP	12,692	12,692	12,692	12,692	12,692
CASH FLOW after all debt service	**6,808**	**34**	**(5,284)**	**(10,946)**	**(16,968)**
DEBT COVERAGE RATIO	**1.12**	**1.00**	**0.91**	**0.81**	**0.71**

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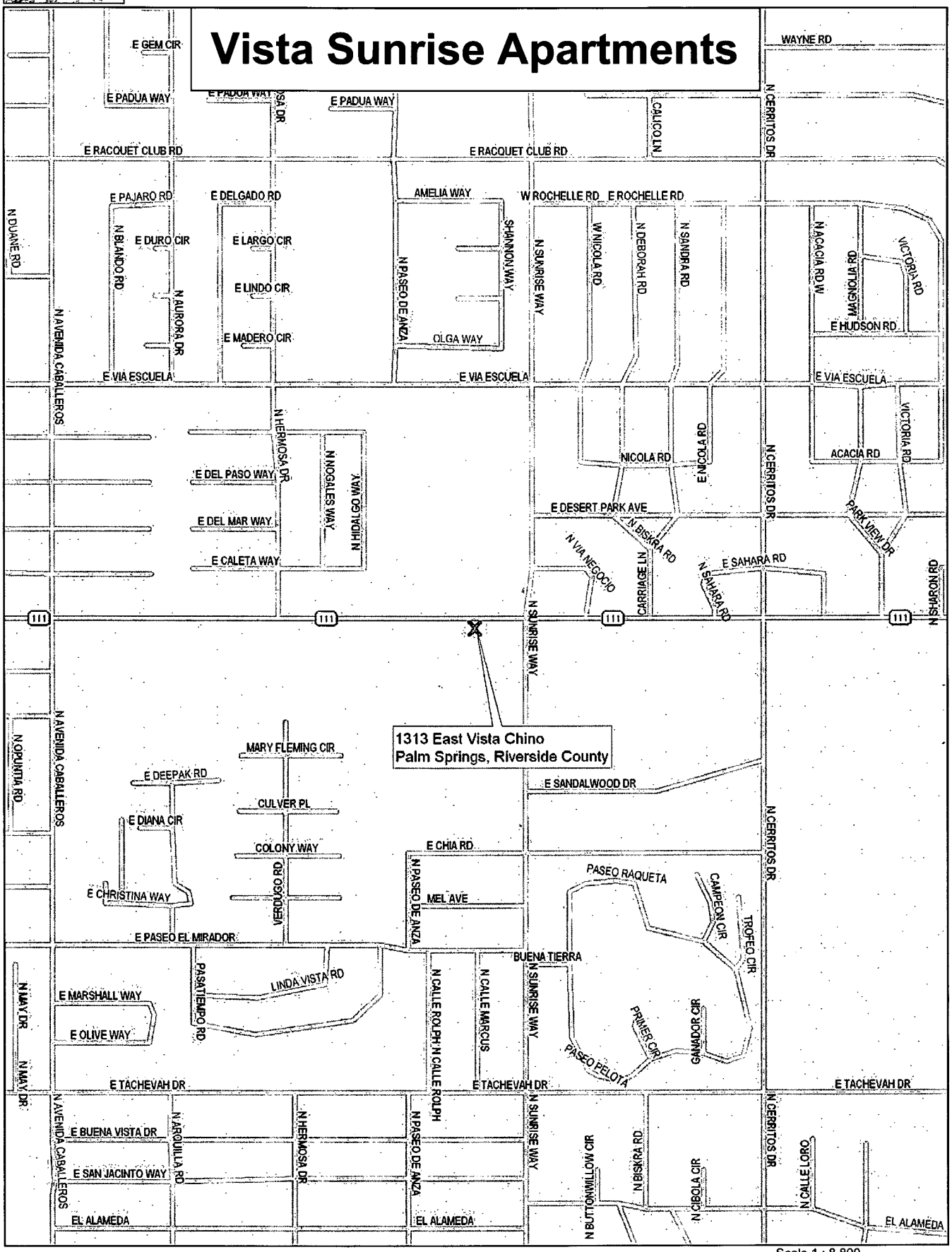
Vista Sunrise Apartments



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TN
MN (12.8°E)

Scale 1 : 8,800

1" = 733.3 ft

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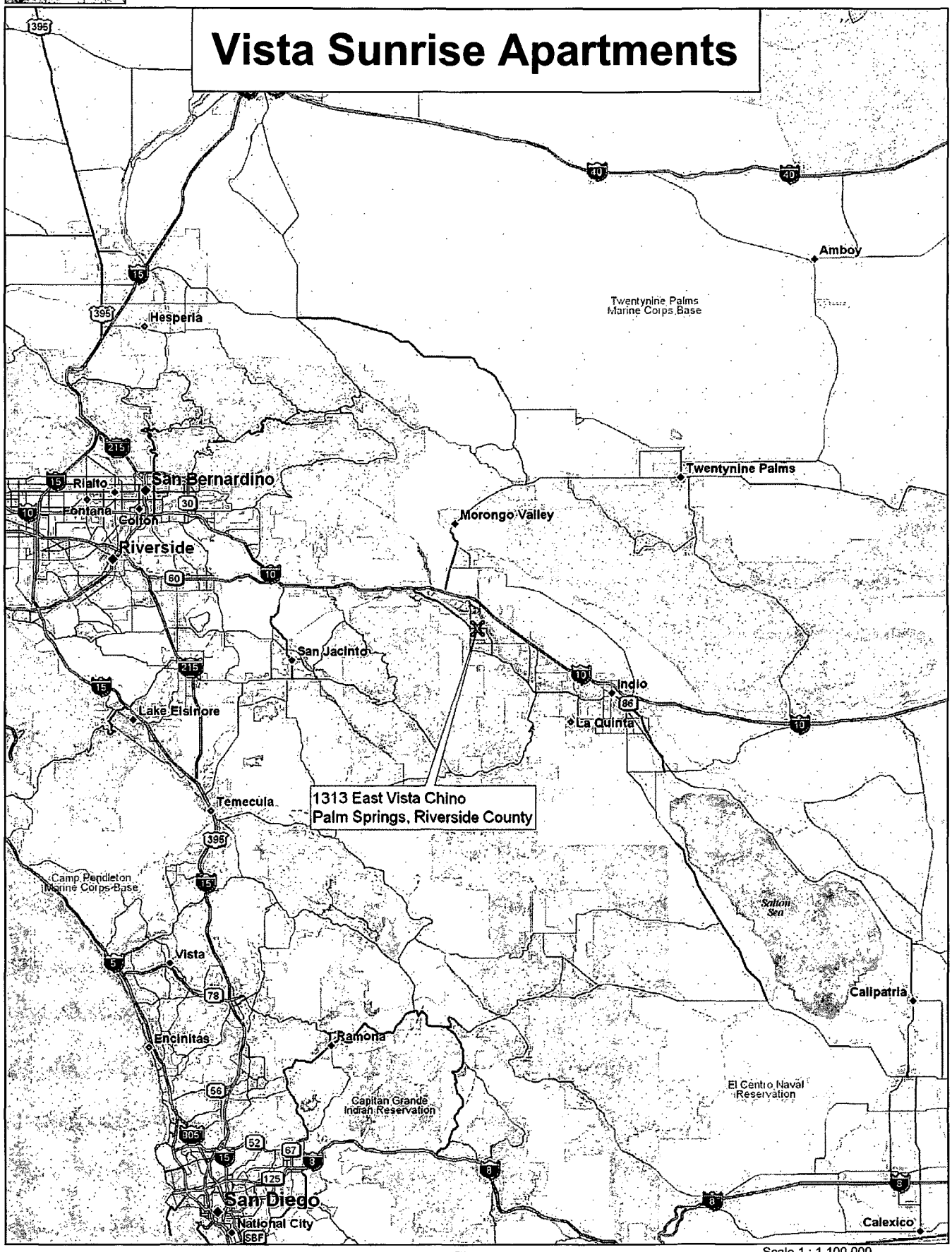
Vista Sunrise Apartments



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Scale 1 : 1,100,000

1" = 17.36 mi

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RESOLUTION 05-16

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Vista Sunrise Apartments, L.P., a California limited partnership (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the loan amounts described herein, the proceeds of which are to be used to provide construction and permanent mortgage loans on a 85-unit multifamily housing development located in the City of Palms Springs to be known as Vista Sunrise Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated April 20, 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 March 2, 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	LOAN AMOUNT
04-028-C/S	Vista Sunrise Apartments Palm Springs/Riverside	85	
		Construction First Mortgage:	$5,650,000
		Permanent First Mortgage:	$ 450,000

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 loan 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 loan 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 05-16 adopted at a duly constituted meeting of the Board of the Agency held on May 12, 2005, at Burbank, California.

ATTEST: _____
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Martin Luther King, Jr. Village
Sacramento, Sacramento County, CA
CalHFA # 03-032-C/N

SUMMARY

This is a final commitment request. Security for the loan will be an 80-unit apartment complex located at 3900 47th Avenue, in an unincorporated portion of Sacramento County. The property will be owned by Mercy Housing California XXVI, a California limited partnership whose managing general partner is Mercy Housing West, a California nonprofit public benefit corporation.

Martin Luther King, Jr. (MLK) Village is a new construction special needs project that will offer supportive services to adults with mental illness and a history of chronic homelessness. The 80-unit complex will house both single adults and families, but at least one adult in each unit must meet the requirements for disability and homelessness. The rents for 40 units will be subsidized with a two-year federal Supportive Housing Program grant. The rents for 20 units will be subsidized with a five-year Shelter Plus Care grant. The remaining 20 units will not receive rent subsidies.

The Agency will provide a construction loan as well as a bridge loan to bridge the tax credits. The Agency will not provide permanent financing for the project.

LOAN TERMS

Construction

Loan Amount	$9,335,000
Interest Rate	Variable
Term	15 months, interest only, with one 6-month extension, subject to an extension fee
Financing	Tax-exempt

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

Permanent

Bridge Loan	$4,000,000
Interest Rate	1.00%
Term	3-year fixed, fully amortized, payments due annually
Financing	Tax-exempt

Prepayment of the permanent loan is allowed.

SPECIAL NEEDS LOAN TERMS

The Agency will make a reduced interest rate bridge loan. An interest rate subsidy of $285,015, payable in three annual installments, will be required to reduce the bridge loan interest rate from 4.50% to 1.00%. This subsidy will be financed with taxable FAF funds.

PERMANENT FINANCING

Source	Type	Loan Amount	Term	Interest Rate	Repayment
HCD-MHP	Loan	$5,952,210	55	3.00%	Residual Receipts
HCD-MHP—NSSS	Loan	$500,000	55	0.00%	None
AHP—Farmers & Merchants Bank of Central California	Loan	$400,000	15	0.00%	None

The project is scheduled to start construction in summer 2005.

SUPPORTIVE HOUSING PROGRAM (SHP) GRANT AND SHELTER PLUS CARE (S+C) CONTRACT

The Sacramento County Department of Human Assistance has awarded the project a $308,691 Supportive Housing Program (SHP) grant. This grant will be used to subsidize rents for 40 units over a two-year period, including 25 units at 25% of AMI and 15 units at 35% of AMI. The borrower will be required to reserve all of the cash flow resulting from this grant (approximately $125,000) to augment operating expenses in Year 3.

The Department of Human Assistance has also awarded the project Shelter Plus Care (S+C) Rental Assistance. This assistance, anticipated to be $261,600 based on current Fair Market Rents (FMRs), will be budgeted over a period of five years and will provide rental subsidies for the 20 units at 45% of AMI. S+C covers 100% of the FMRs for these 20 units. The remaining 20 units, at 35% of AMI, have no subsidies. All units are targeted to adults with mental illness and a history of chronic homelessness.

The S+C and SHP contracts will be issued by the Department of Human Assistance at the completion of construction. The borrower will be required to seek and accept renewals of the SHP and S+C awards for 10 years.

PROJECT DESCRIPTION

Project Location

- MLK Village is located in the southern portion of the City of Sacramento near the intersection of 47th Avenue and Martin Luther King Jr. Boulevard, within the Franklin Boulevard Redevelopment Area. The property is located approximately five miles south of downtown Sacramento and the Central Business District. The property is bounded to the north by Highway 99 and 47th Avenue, to the east by single-family homes and

Highway 99, to the south by single-family and multifamily housing, and to the west by an ARCO gas station, a commercial structure and vacant land.

- The property is located within a residential area that includes both single family homes and multi-family developments. This residential area is bounded by Fruitridge Road to the north, Interstate 5 to the west, Sheldon Road and the city limits of Elk Grove to the south, and Highway 99 to the east. The neighborhood is considered mature, with most development having occurred in the 1960s through the 1980s. The neighborhood is mostly built out, with some vacant in-fill sites available for new development. The MLK Village property is such an in-fill site.

- A variety of retail shops and services are located within two miles of the property. Community and commercial facilities including a pharmacy, a grocery, parks, schools, churches, medical offices, fire stations and police are also located near the site. Campbell's Soup is the major employer in the area, employing nearly 840 workers during the peak season.

- Regional Transit (RT) provides public bus transportation throughout the neighborhood and to other parts of Sacramento County. Bus stops are located on Martin Luther King Boulevard less than one block from the site. There is easy access to Highway 99 and Interstate 5, as well as to other transportation routes.

Site

- The 5.34-acre vacant site is an irregularly shaped rectangular parcel, with two narrow strips of land that provide access to the property. The primary entrance will be on Martin Luther King Jr. Boulevard, with approximately 40 feet of frontage on the street to accommodate a 246-feet long ingress and egress to the property. The secondary entrance will be on 48th Avenue, where another narrow strip of land will provide access to the back of the property. The property is level and at street grade. To the north of the site, along 47th Avenue, is a drainage canal. The zoning is consistent with the proposed use.

Improvements

- Proposed improvements will consist of 80 single-story, one-bedroom cottage-style units comprised of 61 residential buildings, including 42 single cottages and 19 duplex cottages. There will also be a large single-story community building of approximately 4,815 square feet. There will be 48 uncovered parking spaces.

- The buildings will be wood frame with Hardiplank siding and trim. The roofs will be pitched with composite shingles. At the dwelling units, heating and cooling is provided by electric through-the-wall units, while the community building will have central heat and air. The community building will include a full kitchen, offices, a lounge area, laundry room and meeting rooms, and 24-hour property management service. Security features will include exterior lighting, perimeter fencing and secured entrances. Outdoor amenities will include a barbeque, tables, chairs and benches outside the community building, and a basketball court.

Off-site improvements

- The only off-site improvement will be a sidewalk along Martin Luther King Jr. Boulevard.

SPECIAL NEEDS SERVICES

- The target population will be adults with serious mental illness and a history of chronic homelessness. Without housing that includes supportive services, this population is at greater risk of hospitalization and/or incarceration. The typical tenant will also face other issues, such as substance abuse dependence and chronic health problems.

- Turning Point Community Programs (Turning Point), a California corporation, will be the primary service provider, with responsibility for assessing tenant needs, assisting tenants in developing individualized service plans, referring tenants to community-based services (including Turning Point programs), working with tenants on conflict resolution issues, monitoring service provision, and providing tenant liaison services. Several other mental health and employment service providers have made a commitment to assist Turning Point in serving tenants of MLK Village.

- Supportive services staff refer and link tenants to a full range of culturally appropriate, consumer-centered supportive services to tenants. These services will include assistance in developing an individualized supportive services plan. Support groups will be established on site to assist tenants in their recovery from mental illness and substance abuse. Employment services will be offered in collaboration with the State Department of Rehabilitation and other partners, and tenants will be assisted in using the county's One-Stop Career Center, located near the project site. Life skills instruction will also be available on site. Bus passes will be provided to residents who cannot afford to purchase them, and van transportation will be offered for community events and shopping.

- Property management staff experienced in dealing with the project's target population, as well as Turning Point staff, will be on site 24 hours a day, 7 days a week. The property management office will be located at the entrance to the project, with windows that enable on-site staff to view anyone entering or exiting. Turning Point staff will work collaboratively with property management staff to ensure that tenants are safe and their supportive services needs are met.

The Agency will require the borrower to lease 100% of the units to special needs tenants and provide them with supportive services for a 10-year period. These requirements will be incorporated into the Agency's Regulatory Agreement.

MARKET

Market Overview

The primary market area (PMA) for this project includes the City of Sacramento, most of Sacramento County, the City of West Sacramento and the City of Roseville. It is anticipated that most of the adults eligible to obtain housing at MLK Village will come from this area. The primary sources of tenants will be referrals from community outreach services, local mental

health providers, the Veteran's Resource Center, local hospitals, emergency shelters and law enforcement.

Housing Supply and Demand

- There are no existing projects in the PMA that target chronically homeless persons with mental illness. Most apartment complexes in the area are not affordable for this population, and those that are do not offer supportive services similar to those proposed at MLK Village. MLK Village will be the only option for the project's target population who are in need of supportive services in order to maintain stable housing.

- Sacramento County has a homeless population of approximately 5,400 persons, including 2,900 single individuals and 2,500 individuals with families. The percentage of mental illness in the homeless population is about 50%, according to county officials.

PROJECT FEASIBILITY

Estimated Lease-up Period

The number of months from construction completion to stabilized occupancy, at restricted rents, is estimated at three months, with a rent-up of approximately 30 units per month.

ENVIRONMENTAL

The Environmental Assessment Report (Phase I) was completed on April 2, 2001, and updated on February 24, 2005. The report concludes that there are no adverse environmental conditions that warrant further investigation or remedial action.

The Phase I recommends that the on-site septic system and cistern be removed and properly backfilled. The report further notes that there may be a water supply well on the site and, if encountered during site development, it must be properly abandoned and destroyed. The Agency will require documentation and/or certification that the recommended corrective actions are complete prior to construction of the buildings.

An acoustical analysis report was prepared on April 6, 2004, because of the proximity of the site to Highway 99. To meet Sacramento County's exterior and interior noise level requirements, the report recommended installation of an 8-foot noise barrier along 47th Avenue and the Highway 99 onramp. The report also recommended preparing a barrier insertion loss analysis once the barrier is installed, to ensure the exterior noise standard is met. Finally, the report recommended air conditioning or mechanical ventilation of the units so residents can close their windows and minimize interior noise levels. All of these recommendations have been incorporated into the project's design.

A seismic evaluation is in process. Any required remedial work will be included in the scope of work.

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

DEVELOPMENT TEAM

Borrower

Mercy Housing California XXVI

- The project will be owned by Mercy Housing California XXVI (Mercy XXVI), a California limited partnership. The managing general partner is Mercy Housing West (Mercy Housing), a California nonprofit public benefit corporation, which is an affiliate of Mercy Housing California (MHC), a California corporation. Mercy Housing has developed and rehabilitated 92 California projects with 4,878 units since it was established in 1988. Currently, Mercy Housing has an additional 4,635 units in advanced stages of development. The MLK Village project will be managed out of the Sacramento Office, whose staff has successfully developed several similar new construction projects in Sacramento County. Mercy Housing projects in Sacramento and surrounding counties that were financed by CalHFA include Countrywood Apartments, Mercy Village (formerly Duchow Way), White Rock Village and Grizzly Hollow.

Primary Service Provider

Turning Point Community Programs

- Turning Point was founded in 1976 as a 501(c)(3) non-profit corporation funded mainly by the County of Sacramento to develop and provide programs for individuals with serious mental illness or developmental disabilities. Turning Point serves clients in Sacramento, Yolo and Stanislaus counties and offers 17 different programs for its target populations. These programs include the Homeless Intervention Program, the Employment Services Program, and a variety of community-based mental health treatment services through its clinics, Integrated Services Agencies, and residential treatment programs. The majority of Turning Point's programs are designed to serve individuals with serious mental illness, many of who also suffer from substance abuse and dependence, HIV/AIDS, and other chronic health problems.

Management Agent

Mercy Services Corporation

- Mercy Services Corporation (Mercy Services), a non-profit affiliate of Mercy Housing California that will do business in California as Nebraska Mercy Services Corporation, is the property management arm of Mercy Housing Inc. (MHI). MHI is a nationally recognized affordable housing developer. Founded in 1992, Mercy Services manages all of the multifamily projects owned by Mercy Housing, the local affiliate of MHI. Nationally, Mercy Services is responsible for managing 139 properties with 7,955 units of affordable housing serving families, the elderly, and people with special needs, including 79 sites with more than 4,400 units in California.

Architect

Jon N. Westphal, Architect

- Established in 1989, Jon Westphal, Architect, specializes in residential and commercial architectural design. In 1991, he designed an affordable housing project for Loaves and Fishes, a relief organization for homeless Sacramentans. Since 2000, he has designed three low-income housing projects in Sacramento County, as well as the MLK Village project.

Contractor

- The contractor has not yet been selected. The borrower has been working with Bryan Weeks Associates, a HUD third-party cost estimator for 202 and 811 projects, on construction cost estimates. In addition, the borrower has issued a Request for Proposals for a General Contractor and is anticipating selection of a contractor in May.

PROJECT SUMMARY

PROJECT NUMBER: 03-032

Final Commitment

Project:	**Martin Luther King, Jr. Village**		
Location:	3900 47th Avenue	***Developer:***	**Mercy Housing California**
City:	Sacramento	***Partner:***	
County:	Sacramento	***Investor:***	Yet to be determined
Zip Code:	95824		

		No. of Buildings:	62	
Project Type:	New Construction	*No. of Stories:*	1	
Occupancy:	Family	*Residential Space*	32,000	sq. ft.
Total Units:	80	*Office Space*	4,850	sq. ft.
Style Units:	Cottages	*Commercial Space*	0	sq. ft.
Elevators:	none	*Gross Area*	36,850	sq. ft.
Total Parking	48	*Land Area*	239,280	sq. ft.
Covered	0	*Units per acre*	15	

Construction Financing	Amount	Rate	Term (Mths)
CalHFA Construction Financing	**$9,335,000**	**5.125%**	**15**
Corporation for Supportive Housing	$500,000	5.25%	15

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	**$0**	**0.00%**	**0**
CalHFA Bridge Loan	**$4,000,000**	**1.00%**	**3**
CalHFA Second Mortgage	**$0**	**0.00%**	**0**
HCD MHP	$5,952,210	3.00%	55
HCD NSSS	$500,000	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
AHP	$400,000	0.00%	15
Income from Operations	$0		
Developer Contribution	$673,934		
Deferred Dev. Fee	$170,779		
Tax Credit Equity	$5,357,763		

Construction Valuation		Appraisal		Value Upon Completion	
Investment Value	$10,720,000	**Appraisal Date:**	Mar. 22, 2005	**Restricted Value**	$5,640,000
Loan / Cost	87%	**Cap Rate:**	**7.00%**	**Bridge Loan / Cost**	31%
Loan / Value	87%			**Bridge. Loan / Value**	71%

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	**Amount**	**Required Reserves**	**Amount**
CalHFA Construction Loan Fee	$93,350		
CalHFA Permanent Loan Fees	$0	Investor Replacement Resv. Initial D	$80,000
Bridge Loan Fee	$20,000	Repl. Reserve - Per Unit/ Per Yr	$350
Construction Loan - Guarantees and Fees		CalHFA Operating Expense Reserve	$0
Completion Guarantee	$7,136,974	Rent Up Reserve	$0
Contractors Payment Bond	$7,136,974	Other Reserve	$0
Contractors Performance Bond	$7,136,974	MHP Operating Reserve	$725,000

Date: 4/26/2005 **Senior Staff Date:** 4/20/2005

UNIT MIX AND RENT SUMMARY — Martin Luther King, Jr. Village

03-032

Total Unit Mix			
# of Units	**Unit Type**	**# of Baths**	**Average Sq. Ft.**
80	1 Bedroom Flat	1	400
	2 Bedroom Flat	1	
	2 Bedroom Townhome	1.5	
	2 Bedroom Townhome	2	
	3 Bedroom Townhome	2	
	4 Bedroom Townhome	2.5	
80			

Number of Regulated Units By Agency						
Agency	**20%**	**25%**	**35%**	**45%**	**50%**	**60%**
CalHFA					28	
Tax Credits					16	64
Locality						
HCD		25	35		20	
AHP					80	
HUD SHP *		25	15			
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			$750		
25%	25	$128		$622	17%
35%	15	$368		$382	49%
35%	20	$368		$382	49%
45%	20	$489		$261	65%
80%	0	$0		$0	0%

*The 25 units at 25% AMI have SHP subsidies. The tenants will pay 30% of income.
15 of the 35 units at 35% of AMI have SHP subsidies. The tenants will pay 30% of income.
20 of the units at 35% of AMI have no subsidies. The tenants will pay $368/month.
The 20 units at 45% AMI all have Shelter Plus Care subsidies. The tenants will pay 30% of income.

Sources and Uses of Funds — Martin Luther King, Jr. Village

03-032

Final Commitment

SOURCES OF FUNDS:	Funds in during Construction ($)	Funds in at Permanent ($)	Total Sources of Funds ($)	Sources per Unit	%
CalHFA Construction Financing	9,335,000				
Corporation for Supportive Housing	500,000				
Construction Only Source 3	-				
CalHFA First Mortgage		-	-	-	0%
CalHFA Second Mortgage		-	-	-	0%
HCD MHP	-	5,952,210	5,952,210	74,403	46%
HCD NSSS	-	500,000	500,000	6,250	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%
AHP	400,000	-	400,000	5,000	3%
Income from Operations	-	-	-	-	0%
Developer Contribution	-	673,934	673,934	8,424	5%
Deferred Developer Fee	27,715	143,064	170,779	2,135	1%
Tax Credit Equity	500,000	4,857,763	5,357,763	66,972	41%
Total Sources	10,762,715	12,126,971	13,054,686	163,184	100%
(Gap)/Surplus	0	(0)	(0)		

Total Development Sources

USES OF FUNDS:	Construction ($)	Permanent ($)	Total Uses of Funds ($)	Cost per Unit	%
LOAN PAYOFFS & ROLLOVERS					
Construction Loan payoffs		**$9,835,000**			
ACQUISITION					
Lesser of Land Cost or Value	334,740	-	334,740	4,184	3%
Demolition	15,000	-	15,000	188	0%
Legal - Acquisition Related Fees	11,924	-	11,924	149	0%
Subtotal - Land Cost / Value	361,664	-	361,664		
Existing Improvements Value	-	-	-	-	0%
Off-Site Improvements	-	-	-	-	0%
Other	-	-	-	-	0%
Total Acquisition	**361,664**	**-**	**361,664**	**4,521**	**3%**
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	2,464,105	-	2,464,105	30,801	19%
Structures (Hard Costs)	3,916,705	-	3,916,705	48,959	30%
General Requirements	273,666	-	273,666	3,421	2%
Contractors Overhead	205,249	-	205,249	2,566	2%
Contractors Profit	205,249	-	205,249	2,566	2%
Contractor's Perf. & Pymt Bond	72,000	-	72,000	900	1%
General Liability Insurance	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total New Construction	**7,136,974**	**-**	**7,136,974**	**89,212**	**55%**
ARCHITECTURAL & ENGINEERING					
Architectural Design	67,000	-	67,000	838	1%
Architect's Supv during Construction	39,237	-	39,237	490	0%
Total Architectural	**106,237**	**-**	**106,237**	**1,328**	**1%**
Engineering Expense	171,650	-	171,650	2,146	1%
Engineers Supv. during Construction	-	-	-	-	0%
ALTA Survey	-	-	-	-	0%
Total Engineering & Survey	**171,650**	**-**	**171,650**	**2,146**	**1%**
CONSTRUCTION LOAN COSTS					
Construction Loan Interest	389,715		389,715	4,871	3%
CalHFA Construction Loan Fee	92,550		92,550	1,157	1%
Other Construction Loan Fees	-		-	-	0%
CalHFA Outside Legal Counsel Fees	20,000		20,000	250	0%
Other Lender Req'd Legal Fees	-		-	-	0%
Title and Recording fees	15,000		15,000	188	0%
CalHFA Req'd Inspection Fees	22,500		22,500	281	0%
Other Req'd Inspection Fees	-		-	-	0%
Prevailing Wage Monitoring Expense	10,000		10,000	125	0%
Taxes & Insurance during construction	20,000		20,000	250	0%
Predevelopment Interest	21,600		21,600	270	0%
Cost for Completion Guarantee	-		-	-	0%
CSH Interest	31,250		31,250	391	0%
Total Construction Loan Expense	**622,615**	**-**	**622,615**	**7,783**	**5%**
PERMANENT LOAN COSTS					
CalHFA Perm Loan Fees	-	-	-	-	0%
CalHFA Bridge Loan Fees	20,000	-	20,000	250	0%
CalHFA Loan Application Fee	500	-	500	6	0%
Other Lender Perm. Loan Fees	-	-	-	-	0%
Title and Recording	-	5,000	5,000	63	0%
Perm. Bridge Loan Interest Expense	-	80,265	80,265	1,003	1%
Bond Origination Guarantee Fee	-	-	-	-	0%
Tax Exempt Bond Allocation Fee	600	-	600	8	0%
Other	-	-	-	-	0%
Total Permanent Loan Expense	**21,100**	**85,265**	**106,365**	**1,330**	**1%**
LEGAL FEES					
Borrower Legal Fee	20,000	-	20,000	250	0%
Other: Syndication Legal Costs	30,000	-	30,000	375	0%
Total Attorney Expense	**50,000**	**-**	**50,000**	**625**	**0%**

USES OF FUNDS (Cont'd):	Construction ($)	Permanent ($)	Total Development Costs		
			Permanent of Funds ($)	Per Unit per Unit	%
CONTRACT / REPORT COSTS					
Appraisal	16,000	-	16,000	200	0%
Market Study	6,198	-	6,198	77	0%
Physical Needs Assessment	-	-	-	-	0%
HUD Risk Share Environ. Review	-	-	-	-	0%
CalHFA EQ Waiver Seismic Review Fee	700	-	700	9	0%
Environmental Phase I / II Reports	5,500	-	5,500	69	0%
Soils / Geotech Reports	-	-	-	-	0%
Asbestos / Lead-based Paint Report	-	-	-	-	0%
Traffic Study Report	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Contract Costs	**28,398**	**-**	**28,398**	**355**	**0%**
CONTINGENCY					
Hard Cost Contingency	713,697	-	713,697	8,921	5%
Soft Cost Contingency	126,445	-	126,445	1,581	1%
Total Contingency	**840,142**	**-**	**840,142**	**10,502**	**6%**
RESERVES					
CalHFA Operating Expense Reserve	-	-	50,031	625	0%
Construction Defects Reserve	-	-	-	-	0%
Transition Reserve for MHP	-	725,000	725,000	9,063	6%
Capitalized Investor Req'd Reserve	-	80,000	29,969	375	0%
Other	-	-	-	-	0%
Total Reserves	**-**	**805,000**	**805,000**	**10,063**	**6%**
OTHER					
CTCAC App/Alloc/Monitor Fees	14,903	25,000	39,903	499	0%
Local Permit Fees	490,648	-	490,648	6,133	4%
Local Development Impact Fees	219,784	-	219,784	2,747	2%
Other Local Fees	-	-	-	-	0%
Advertising & Marketing Expenses	44,500	-	44,500	556	0%
1st Year Taxes & Insurance	-	-	-	-	0%
Furnishings	50,000	-	50,000	625	0%
Final Cost Audit Expense	10,000	-	10,000	125	0%
Miscellaneous Admin Fees	-	-	-	-	0%
Other: Utility Capital Fees	348,000	-	348,000	4,350	3%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Other Expenses	**1,177,835**	**25,000**	**1,202,835**	**15,035**	**9%**
SUBTOTAL PROJECT COSTS	**10,516,615**	**10,750,265**	**11,431,880**	**142,899**	**88%**
DEVELOPER COSTS					
Developer Overhead/Profit (5% Acq.)	-	-	-	-	0%
Developer Overhead/Profit (NC/Rehab)	200,000	1,376,706	1,576,706	19,709	12%
Syndication Consultant	35,000	-	35,000	438	0%
Project Administration	-	-	-	-	0%
Broker Fees to a related party	-	-	-	-	0%
Construction Mgmt. Oversight	-	-	-	-	0%
Other Syndication Costs	11,100	-	11,100	139	0%
Total Developer Fee / Costs	**246,100**	**1,376,706**	**1,622,806**	**20,285**	**12%**
Total Costs	**10,762,715**	**12,126,971**	**13,054,686**	**163,184**	**100%**

Annual Operating Budget — **Martin Luther King, Jr. Village**

Final Commitment

INCOME:	$ Amount	Per Unit	% of Total
Total Rental Income	$497,817	$6,223	99.50%
Laundry	$2,496	$31	0.50%
Other Income	$0	$0	0.00%
Gross Potential Income (GPI)	**$500,313**	**$6,254**	100.00%
Less:			
Vacancy Loss	$10,437	$130	2.13%
Effective Gross Income	**$489,876**	**$6,123**	

EXPENSES:	Total Cost	Per Unit	% of Total
Payroll	$142,795	$1,785	34.49%
Administrative	$39,031	$488	9.43%
Management fee	$34,473	$431	8.33%
Utilities	$80,000	$1,000	19.32%
Operating and Maintenance	$85,230	$1,065	20.59%
Insurance and Business Taxes	$4,500	$56	1.09%
Locality Compliance Monitoring Fee	$0	$0	0.00%
Other	$0	$0	0.00%
Subtotal Expenses	**$386,029**	$4,825	93.24%
Replacement Reserves	$28,000	$350	6.76%
Taxes & Assessments	$0	$0	0.00%
Total Expenses	$414,029	$5,175	100.00%
Financial Expenses			
CalHFA First Mortgage	$0	$0	
CalHFA Second Mortgage	$0	$0	
MHP Debt Service	$24,999	$312	
NET OPERATING INCOME	**$50,848**	**$636**	

Cash Flow | Final Commitment | CalHFA Project Number: 03-032 Martin Luther King, Jr

RENTAL INCOME	Year 1	Year 2	Year 3
Affordable Rents	**291,420**	**297,248**	**303,193**
Affordable Rent Increase	*2.00%*	*2.00%*	*2.00%*
Shelter Plus Care Subsidies	**52,320**	**52,320**	**52,320**
Shelter Plus Care Subsidies Increase	*0.00%*	*0.00%*	*0.00%*
SHP Subsidy	**154,077**	**154,077**	
SHP Subsidy Increases	*0.00%*	*0.00%*	*0.00%*
SHP Operating Reserve			**124,643**
Unrestricted Units	**0**	**0**	**0**
Unrestricted Unit Increases	*0%*	*0%*	*0%*
TOTAL RENTAL INCOME	**497,817**	**503,645**	**480,156**
OTHER INCOME			
Laundry	**2,496**	**2,546**	**2,597**
Other Income	**0**	**0**	**0**
Other Income Increase	*2.00%*	*2.00%*	*2.00%*
TOTAL OTHER INCOME	**2,496**	**2,546**	**2,597**
GROSS POTENTIAL INCOME	**500,313**	**506,191**	**482,753**
VACANCY ASSUMPTIONS			
Affordable (Blended Average)	*3.00%*	*3.00%*	*3.00%*
Rental Subsidy Income	*3.00%*	*3.00%*	*3.00%*
Unrestricted Units	*0%*	*0%*	*0%*
Laundry & Other Income	*5.00%*	*5.00%*	*5.00%*
LESS: VACANCY LOSS	**10,437**	**10,614**	**10,795**
EFFECTIVE GROSS INCOME	**489,876**	**495,577**	**471,958**
OPERATING EXPENSES			
Expenses	395,484	409,326	423,652
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*
Taxes and Assessments	0	0	0
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*
Replacement Reserve	28,000	28,000	28,000
Percentage Increase Yearly	*0.00%*	*0.00%*	*0.00%*
TOTAL EXPENSES	**423,484**	**437,326**	**451,652**
NET OPERATING INCOME	**66,392**	**58,251**	**20,306**
DEBT SERVICE			
CalHFA - 1st Mortgage	0	0	0
CalHFA - Bridge Loan	1,360,088	1,360,088	1,360,088
CalHFA - 2nd Mortgage	0	0	0
HCD MHP	24,999	24,999	24,999
None	0	0	0
DEBT COVERAGE RATIO	**2.66**	**2.33**	**0.81**

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Street Atlas USA® 2004

MLK Village

3900 47th Avenue
Sacramento, Sacramento County

LANTANA AVE
FRANK CT
38TH AVE
39TH AVE
40TH AVE
41ST AVE
42ND AVE
43RD AVE
44TH AVE
45TH AVE
46TH AVE
47TH AVE
48TH AVE
49TH AVE
51ST AVE
52ND AVE
BRADHILL LN
HILLMONT LN
CR 18
37TH ST
MARTIN LUTHER KING JR BLVD
39TH ST
40TH ST
41ST ST
42ND ST
43RD ST
44TH ST
45TH ST
99
HILTS AVE
MELAVIC WAY
MELAVIC CT
DONNELLY LN
KIESSIG AVE
LA GRANDE BLVD
WESLEY AVE
RODOLFO CT
ELKO CT
CUNY AVE
JOE AVE
LUTHER DR
GOMEZ CT
BOWLING DR
GREENWICH CIR
CHEVY CHASE WAY
LAMONT WAY

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TN
MN (14.9°E)

Scale 1 : 8,800
0 200 400 600 800 1000 ft
0 80 160 240 320 400 m
1" = 733.3 ft
Data Zoom 14-5

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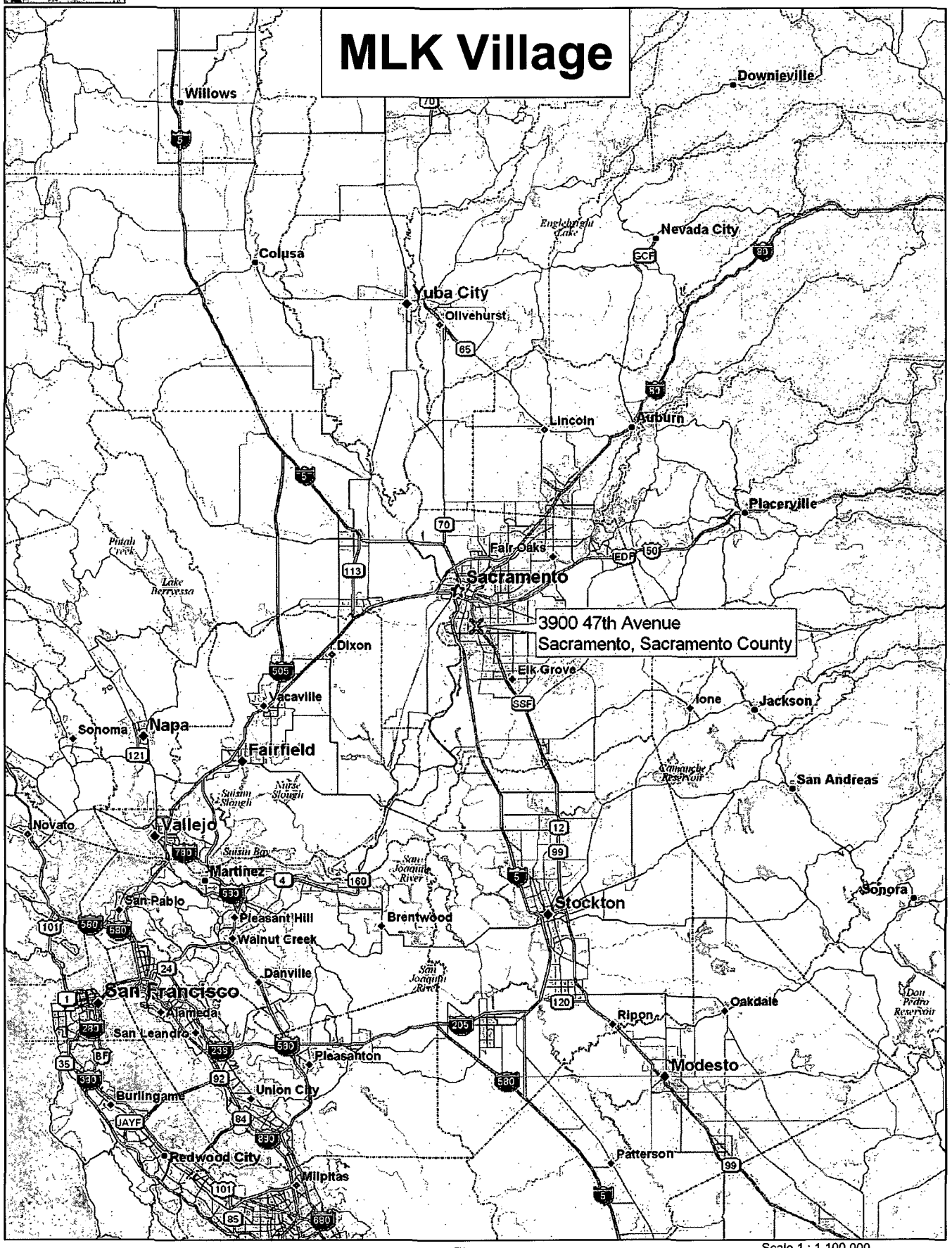
Street Atlas USA® 2004

MLK Village



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TN
MN (14.9°E)

Scale 1 : 1,100,000

1" = 17.36 mi

Data Zoom 7-5

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RESOLUTION 05-17

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 XXVI, a California limited partnership (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the loan amounts described herein, the proceeds of which are to be used to provide construction and permanent mortgage loans on a 80-unit multifamily housing development located in the City of Sacramento to be known as MLK Village (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated April 20, 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 March 8, 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	LOAN AMOUNT
03-032-C/N	MLK Village Sacramento/Sacramento	80	
		Construction First Mortgage:	$9,335,000
		Bridge Loan:	$4,000,000

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 loan 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 loan 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 05-17 adopted at a duly constituted meeting of the Board of the Agency held on May 12, 2005, at Burbank, California.

ATTEST: _____
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Woodhaven Manor Apartments
Rancho Cucamonga, San Bernardino County, CA
CalHFA # 05-010 A/S

SUMMARY

This is a final commitment request for a tax-exempt Acquisition/Rehabilitation Loan, a tax-exempt Permanent Loan, and a permanent second mortgage. Security for the loans will be a 117-unit family apartment complex known as Woodhaven Manor Apartments, located at 6230 North Haven Avenue, in Rancho Cucamonga. HB Housing Partners, L.P., whose managing general partner is The Southern California Development Corporation of the Inland Empire ("SoCal") and administrative general partner, National Housing Development Corporation ("NHDC") will own the property, and SoCal will be the sponsor, general contractor, and property management agent.

Woodhaven Manor Apartments is an existing portfolio loan currently owned by Woodhaven Manor, a California limited partnership. The project was constructed in 1983 and will be an acquisition of 32 two-story garden type buildings with 117 family units. The project is 100% Section 8; the initial 20-year term of its HAP contract expired September 30, 2003. The contract allows for four additional five-year extensions for an additional 20 years. The HAP agreement will expire September 2023.

LOAN TERMS

Acquisition

First Mortgage	$7,605,000
Interest Rate	4.65%, variable
Term	12 Months, interest only
Financing	Tax-exempt

Permanent

First Mortgage	$1,500,000
Interest Rate	5.90%
Term	30 year fixed, fully amortized
Financing	Tax-exempt
Second Mortgage	$3,000,000
Interest Rate	5.90%
Term	17 years, fully amortized
Financing	Tax-exempt

OTHER FINANCING

The City of Rancho Cucamonga Redevelopment Agency will provide funds in the amount of $8,996,235 to the developer and project. The terms are 3% interest, 55-year term, and payment from residual receipts.

HOUSING ASSISTANCE PAYMENT ("HAP") CONTRACT

The original HAP contract was executed on May 13, 1983, for a term of 20 years. The HAP contract expired on September 30, 2003, and by its terms, was extended for the first of four (4) additional 5-year terms (20 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").

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 replacement reserves will be transferred to the property and HB Housing Partners, L.P. upon ownership.

PROJECT DESCRIPTION

Project Location

- The project is located in Rancho Cucamonga, in southwest San Bernardino County.
- The City of Rancho Cucamonga (City) is located adjacent north of the City of Ontario. The City extends from the foot of the San Gabriel Mountains on the north to the San Bernardino (10) Freeway on the south, and from the Cucamonga Creek on the west to Etiwanda Avenue on the east.
- Rancho Cucamonga is 18 miles west of the San Bernardino Civic Center, and 37 miles east of the Los Angles Civic Center.
- The neighborhood is located in the community of Alta Loma, which is situated in the northern portion of the City of Rancho Cucamonga. The Alta Loma school district is one of the most desirable in the Inland Empire.
- The subject is surrounded by single family and supporting commercial services.
- Construction is currently taking place on the Victoria Gardens Regional Mall, a 1.3 million square foot shopping venue located at the northwest corner of Foothill Boulevard and the Ontario (15) Freeway. A regional mall anchored by Robinson's-May, Macy, J.C. Penny and 16-screen AMC theatre opened in 2004. A Sears store is located across the street.

Site

- The site is rectangular in shape and is 7.54 acres in size.
- The site is zoned M, Medium-Density Residential. According to zoning requirements, the subject is required to provide a minimum of 218 parking spaces, including 154 carports and 64 open spaces. The subject provides 233 parking spaces, including 102 carports and 131 open spaces. In addition, the city allows density bonuses of up to a 25 percent increase in the maximum density allowed by the zoning district. The subject's density of 15.5 units per acre is above the maximum of 14 units per acre. The improvements represent a legally non-conforming use, and if damaged, may be restored without special permit application.
- The subject and surrounding land uses are consistent with the zoning of the area.

Improvements

- The project was built in 1983 and is a 117-unit, garden story apartment complex at the northwest corner of Haven Avenue and Lemon Avenue. The property consists of 32 one and two story apartment buildings of wood frame construction in average condition. Project amenities include two children's play areas, basketball courts, and two common laundry facilities. There are four floor plans, which consist of 80 two-bedroom/one bath units and 37 three-bedroom/one and one-half bath units. Apartment amenities include full kitchens including dishwashers and central heating and air conditioning.

PHYSICAL NEEDS ASSESSMENT / SCOPE OF WORK

- The project is in average condition for a development of this type and in average condition when compared to other developments of similar type and age in the City of Rancho Cucamonga.
- The scope of rehabilitation work is as follows:
- Site work, $180,000 – demolition of old leasing building, handicap ramps, pavement, curbs & gutters, utilities-sewer repairs.
- Landscaping, $1,150,000 – drainage ($55,000), fencing, wrought iron ($128,000), landscaping ($86,000), rec. bldg./laundry/maint. bldg. ($498,000), tot lot upgrade ($30,000), lighting & signage ($107,000), and flatwork.
- Mechanical systems/Painting/Roofs, $1,154,000 – HVAC – heating & air ($122,850), exterior painting ($236,000), plumbing ($175,000), Roofs ($635,000), misc. ($60,400,000).
- Residential Units, $400,000 – allowance as needed for replacing/repairing interiors as needed.
- Windows, ($81,000) – Retrofit dual glazed windows in all units.
- The total amount of immediate rehabilitation is $3,114,250 or $26,617 per unit.
- Work is scheduled to commence upon closing and be completed within 12 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 the City of Rancho Cucamonga. It is estimated that 80+% of the tenant population will be from this area. The estimated PMA population is 153,876 persons (2004) and is expected to grow by 19.59% to 184,027 by 2009. There are 49,020 households within the PMA population, of which the majority are homeowners.

Housing Supply and Demand

- The subject is the only Section 8 project in the City of Rancho Cucamonga.
- The subject location is generally defined as a "bedroom" community, serving the larger employment centers in Los Angeles and Orange County. The Ontario Airport area is also exhibiting strong business growth, with an increasing employment base.
- Occupancy rates for market rate units ranged from 93% to 96%.
- The subject has a tenant waiting list in excess of two years.
- The largest category of existing apartment units in the city consists of one-bedroom/one bath units, followed by two-bedroom/two-bath units.
- The rental market is stable and the average rental rate increased 9.8 percent during the past twelve months. The three-bedroom townhouse units experienced the largest rental rate increase at 18.9 percent. The two-bedroom units increased 14.2 percent. The studio and one-bedroom units increased 11.5 and 9.1 percent, respectively.

Estimated Lease-up Period

- The project is currently 99.1% leased and the proposed rehabilitation will not interfere with occupancy.

ENVIRONMENTAL

A Phase I Environmental Assessment report was completed on February 16, 2005. The report concludes that there are no adverse environmental conditions that warrant further investigation or remedial action with the exception of the development and implementation of a Water Moisture/Mold Prevention Program (Program) for the project. This Program will ensure that

effective controls and measures are in place to prevent and/or address moisture intrusion. The new owners are in the process of setting up a program with the assistance of a health and safety professional firm experienced in performing microbial investigations. A condition of acquisition closing by our Agency will be to approve the Program.

A seismic evaluation is currently in process.

DEVELOPMENT TEAM

Borrower

HB Housing Partners, L.P.

- The non-profit Managing General Partner and sponsor/developer will be The Southern California Housing Development Corporation of the Inland Empire ("SoCal"). Founded in 1992, SoCal Housing has become one of the larget regional nonprofit developers operators of affordable housing in Southern California. The organization has more than $175 million dollars in assets and a portfolio of more than 3,500 units of multifamily and senior housing under its control.
- The co-general partner will be National Housing Development Corporation ("NHDC"). During the fallout from the 1980s Savings and Loan crisis, NHDC's founders served as the technical assistance advisor to the Resolution Trust Corporation (RTC) for the State of California. From this experience, NHDC created the concept of an acquisition intermediary of holding properties in trust while searching for community-based developers to become their long-term owners. NHDC was founded in 1999.

Management Agent

The Southern California Housing Development Corporation (SoCal)

- SoCal will also manage the property. SoCal provides management services and social services coordination for their facilities throughout Southern California, managing over 3,500 residential units for low-income to extremely low-income persons.

Architect

Not applicable

- Given that there are no structural modifications or additions, an architect was not recommended.

Contractor

The Southern California Housing Development Corporation (SoCal)

- Over the past 12 years, SoCal has successfully completed 16 major apartment community rehabilitations totaling 2,080 apartment homes, 10 minor apartment community rehabilitations totaling 1,472 units and 7 new apartment communities totaling 684 units. All but five of these projects were accomplished with SoCal as General

Contractor. In addition, SoCal has 1 project in moderate rehabilitation, 1 project in substantial rehabilitation and 4 new construction projects in process at this time, totaling 391 units.

PROJECT SUMMARY

PROJECT NUMBER: 05-010A/S

Final Commitment

Project:	**Woodhaven Manor**			
Location:	6230 North Haven Avenue	***Developer:***	**SoCal Housing**	
City:	Rancho Cucamonga	***Partner:***	Same	
County:	San Bernardino	***Investor:***	Related Capital	
Zip Code:	91737			
		No. of Buildings:	32	
Project Type:	Acq/Rehab	*No. of Stories:*	2	
Occupancy:	Family	*Residential Space*	119,700	sq. ft.
Total Units:	117	*Office Space*	0	sq. ft.
Style Units:	Flats	*Commercial Space*	0	sq. ft.
Elevators:	none	*Gross Area*	119,700	sq. ft.
Total Parking	233	*Land Area*	328,442	sq. ft.
Covered	102	*Units per acre*	16	

CalHFA Construction Financing	Amount	Rate	Term (Mths)
CalHFA Acquisition Financing	$7,605,000	4.65%	12

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	**$1,500,000**	**5.90%**	**30**
CalHFA Bridge Loan	**$0**	**5.00%**	**1**
CalHFA Second Mortgage	**$3,000,000**	**5.90%**	**17**
Rancho RDA Loan	$8,996,235	3.00%	55
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
Source 10	$0	0.00%	0
Source 11	$0	0.00%	0
Source 12	$0	0.00%	0
Income from Operations	$530,000		
Developer Contribution	$0		
Deferred Dev. Fee	$9,033		
Tax Credit Equity	$4,576,203		

Construction Valuation		Appraisal		Value Upon Completion	
Investment Value	$18,850,000	**Appraisal Date:**	**03/17/05**	**Restricted Value**	$11,780,000
Loan / Cost	45%	**Cap Rate:**	**6.00%**	**Perm. Loan / Cost**	8%
Loan / Value	40%			**Perm. Loan / Value**	13%

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	**Amount**	**Required Reserves**	**Amount**
CalHFA Construction Loan Fee	$76,050	Other Reserve	$0
CalHFA Permanent Loan Fees	$22,500	Replacement Resv. Initial Deposit	$117,000
Other Fee	$0	Repl. Reserve - Per Unit/ Per Yr	$438
Construction Loan - Guarantees and Fees		CalHFA Operating Expense Reserve	$114,670
Completion Guarantee Fee	$0	Rent Up Reserve	$0
Contractors Payment Bond	$0	Transition Operating Reserve	$500,000
Contractors Performance Bond	$0	Other Reserve	$0

Date: 4/26/2005 **Senior Staff Date:** 4/22/2005

UNIT MIX AND RENT SUMMARY — Woodhaven Manor

05-010A/S

Total Unit Mix

# of Units	Unit Type	# of Baths	Average Sq. Ft.
	1 Bedroom Flat	1	
80	2 Bedroom Flat	1	
	2 Bedroom Townhome	1.5	
	2 Bedroom Townhome	2	
37	3 Bedroom Flat	2	
	4 Bedroom Townhome	2.5	
117			

Number of Regulated Units By Agency

Agency	35%	45%	50%	60%	80%
CalHFA			24		
Tax Credits				116	
Locality	20	40		56	
HCD					
AHP					
Zoning					
Other					

Restricted Rents Compared to Average Market Rents

Median Income Rent Levels	Units Restricted	Restricted Rents	Avg. Mkt Rent	Sec. 8 Rent	Dollars Difference	% of Market
One 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%
Two Bedroom			$950	$799		
35%	14	$400			$550	42%
45%	27	$525			$425	55%
50%	0	$0			$0	0%
60%	39	$713			$237	75%
80%	0	$0			$0	0%
Three Bedroom			$1,400	$972		
35%	6	$459			$941	33%
45%	13	$604			$796	43%
50%	0	$0			$0	0%
60%	17	$821			$579	59%
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 — Woodhaven Manor

05-010A/S
Final Commitment

SOURCES OF FUNDS:	Funds in during Construction ($)	Funds in at Permanent ($)	Total Sources of Funds ($)	Sources per Unit	%
CalHFA Acquisition Financing	7,605,000	$0			
Existing Replacement Reserve	76,246				
Construction Only Source 3	-				
CalHFA First Mortgage		1,500,000	1,500,000	12,821	8%
CalHFA Second Mortgage		3,000,000	3,000,000	25,641	16%
Rancho RDA Loan	8,996,235	-	8,996,235	76,891	48%
Source 3	-	-	-	-	0%
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	181,591	348,409	530,000	4,530	3%
Developer Contribution	-	-	-	-	0%
Deferred Developer Fee		9,033	9,033	77	0%
Tax Credit Equity	-	4,576,203	4,576,203	39,113	25%
Total Sources	16,859,072	9,433,645	18,611,471	159,072	100%
(Gap)/Surplus	-	-	-		

Total Development Sources

USES OF FUNDS:	Construction ($)	Permanent ($)	Total Uses of Funds ($)	Cost per Unit	%
LOAN PAYOFFS & ROLLOVERS					
Construction Loan payoffs		**$7,681,246**			
ACQUISITION					
Lesser of Land Cost or Value	4,095,000	-	4,095,000	35,000	22%
Demolition	-	-	-	-	0%
Legal - Acquisition Related Fees	20,000	-	20,000	171	0%
Subtotal - Land Cost / Value	4,115,000	-	4,115,000		
Existing Improvements Value	7,605,000	-	7,605,000	65,000	41%
Off-Site Improvements	-	-	-	-	0%
Other	-	-	-	-	0%
Total Acquisition	**11,720,000**	**-**	**11,720,000**	**100,171**	**63%**
REHABILITATION					
Site Work	-	-	-	-	0%
Rehab to Structures	3,114,250	-	3,114,250	26,618	17%
General Requirements	144,000	-	144,000	1,231	1%
Contractors Overhead	145,997	-	145,997	1,248	1%
Contractors Profit	145,997	-	145,997	1,248	1%
Contractor's Bond	-	-	-	-	0%
Builder's Risk & Liability Insurance	97,632	-	97,632	834	1%
Environmental Mitigation Expense	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Rehabilitation	**3,647,876**	**-**	**3,647,876**	**31,178**	**20%**
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	-	-	-	-	0%
Structures (Hard Costs)	-	-	-	-	0%
General Requirements	-	-	-	-	0%
Contractors Overhead	-	-	-	-	0%
Contractors Profit	-	-	-	-	0%
Contractor's Perf. & Pymt Bond	-	-	-	-	0%
Builder's Risk & Liability Insurance	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total New Construction	**-**	**-**	**-**	**-**	**0%**
ARCHITECTURAL & ENGINEERING					
Architectural Design	110,000	-	110,000	940	1%
Architect's Supv during Construction	10,000	-	10,000	85	0%
Total Architectural	**120,000**	**-**	**120,000**	**1,026**	**1%**
Engineering Expense	20,000	-	20,000	171	0%
Engineers Supv. during Construction	-	-	-	-	0%
ALTA Survey	-	-	-	-	0%
Total Engineering & Survey	**20,000**	**-**	**20,000**	**171**	**0%**
CONSTRUCTION LOAN COSTS					
Construction Loan Interest	353,632		353,632	3,022	2%
CalHFA Construction Loan Fee	76,050		76,050	650	0%
Other Construction Loan Fees	-		-	-	0%
CalHFA Outside Legal Counsel Fees	20,000		20,000	171	0%
Other Lender Req'd Legal Fees	-		-	-	0%
Title and Recording fees	40,000		40,000	342	0%
CalHFA Req'd Inspection Fees	18,000		18,000	154	0%
Other Req'd Inspection Fees	-		-	-	0%
Prevailing Wage Monitoring Expense	-		-	-	0%
Taxes & Insurance during construction	20,000		20,000	171	0%
Predevelopment Interest	-		-	-	0%
Cost for Completion Guarantee	-		-	-	0%
Other	-		-	-	0%
Total Construction Loan Expense	**527,682**	**-**	**527,682**	**4,510**	**3%**
PERMANENT LOAN COSTS					
CalHFA Perm Loan Fees	22,500	-	22,500	192	0%
CalHFA Bridge Loan Fees	-	-	-	-	0%
CalHFA Loan Application Fee	500	-	500	4	0%
Other Lender Perm. Loan Fees	-	-	-	-	0%
Title and Recording	-	20,000	20,000	171	0%
Perm. Bridge Loan Interest Expense	-	-	-	-	0%
Bond Origination Guarantee Fee	-	-	-	-	0%
Tax Exempt Bond Allocation Fee	600	-	600	5	0%
Other	-	-	-	-	0%
Total Permanent Loan Expense	**23,600**	**20,000**	**43,600**	**373**	**0%**
LEGAL FEES					
Borrower Legal Fee	45,000	-	45,000	385	0%
Other	35,000	-	35,000	299	0%
Total Attorney Expense	**80,000**	**-**	**80,000**	**684**	**0%**

USES OF FUNDS (Cont'd):	Construction ($)	Permanent ($)	Total Development Costs		
			Permanent of Funds ($)	Per Unit per Unit	%
CONTRACT / REPORT COSTS					
Appraisal	6,000	-	6,000	51	0%
Market Study	6,000	-	6,000	51	0%
Physical Needs Assessment	6,000	-	6,000	51	0%
HUD Risk Share Environ. Review	-	-	-	-	0%
CalHFA EQ Waiver Seismic Review Fee	-	-	-	-	0%
Environmental Phase I / II Reports	10,000	-	10,000	85	0%
Soils / Geotech Reports	-	-	-	-	0%
Asbestos / Lead-based Paint Report	-	-	-	-	0%
Noise/Acoustical/Traffic Study Report	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Contract Costs	**28,000**	**-**	**28,000**	**239**	**0%**
CONTINGENCY					
Hard Cost Contingency	355,025	-	355,025	3,034	2%
Soft Cost Contingency	35,000	-	35,000	299	0%
Total Contingency	**390,025**	**-**	**390,025**	**3,334**	**2%**
RESERVES					
CalHFA Operating Expense Reserve	-	115,399	115,399	986	1%
Construction Defects Reserve	-	-	-	-	0%
Rent-Up Reserve	-	-	-	-	0%
Initial Deposit to Replacement Reserve	-	117,000	117,000	1,000	1%
Other	-	-	-	-	0%
Total Reserves	**-**	**232,399**	**232,399**	**1,986**	**1%**
OTHER					
CTCAC App/Alloc/Monitor Fees	71,889	-	71,889	614	0%
Local Permit Fees	100,000	-	100,000	855	1%
Local Development Impact Fees	-	-	-	-	0%
Other Local Fees	-	-	-	-	0%
Advertising & Marketing Expenses	15,000	-	15,000	128	0%
1st Year Taxes & Insurance	-	-	-	-	0%
Furnishings	100,000	-	100,000	855	1%
Final Cost Audit Expense	15,000	-	15,000	128	0%
Miscellaneous Admin Fees	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Other Expenses	**301,889**	**-**	**301,889**	**2,580**	**2%**
SUBTOTAL PROJECT COSTS	**16,859,072**	**7,933,645**	**17,111,471**	**146,252**	**92%**
DEVELOPER COSTS					
Developer Overhead/Profit (5% Acq.)	-	1,500,000	1,500,000	12,821	8%
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	**-**	**1,500,000**	**1,500,000**	**12,821**	**8%**
Total Costs	**16,859,072**	**9,433,645**	**18,611,471**	**159,072**	**100%**

Annual Operating Budget **Woodhaven Manor**

Final Commitment

INCOME:	$ Amount	Per Unit	% of Total
Total Rental Income	$1,183,632	$10,117	98.61%
Laundry	$16,731	$143	1.39%
Other Income	$0	$0	0.00%
Gross Potential Income (GPI)	**$1,200,363**	**$10,260**	100.00%
Less:			
Vacancy Loss	$53,660	$459	4.68%
Effective Gross Income	**$1,146,703**	**$9,801**	

EXPENSES:	Total Cost	Per Unit	% of Total
Payroll	$143,100	$1,223	24.24%
Administrative	$69,580	$595	11.79%
Management fee	$56,160	$480	9.51%
Utilities	$92,000	$786	15.59%
Operating and Maintenance	$120,600	$1,031	20.43%
Insurance and Business Taxes	$52,557	$449	8.90%
Locality Compliance Monitoring Fee	$0	$0	0.00%
Other	$0	$0	0.00%
Subtotal Expenses	**$533,997**	$4,564	90.47%
Replacement Reserves	$51,246	$438	8.68%
Taxes & Assessments	$5,000	$43	0.85%
Total Expenses	$590,243	$5,045	100.00%
Financial Expenses			
CalHFA First Mortgage	$106,765	$913	
CalHFA Second Mortgage	$279,922	$2,392	
Other Required Debt Service	$0	$0	
NET OPERATING INCOME	**$169,774**	**$1,451**	

Cash Flow	Final Commitment			CalHFA Project Number: 05-010A/S					Woodhaven Manor		
RENTAL INCOME	1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Affordable Rents	848,425	865,740	883,055	900,716	918,730	937,105	955,847	974,964	994,463	1,014,352	1,034,639
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	311,535	317,892	324,250	330,735	337,350	344,097	350,978	357,998	365,158	372,461	379,910
Rental Subsidy Increases		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
Unrestricted Unit Increases		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME	1,159,960	1,183,632	1,207,305	1,231,451	1,256,080	1,281,201	1,306,825	1,332,962	1,359,621	1,386,814	1,414,550
OTHER INCOME											
Laundry	15,895	16,731	17,066	17,407	17,755	18,110	18,472	18,842	19,219	19,603	19,995
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	15,895	16,731	17,066	17,407	17,755	18,110	18,472	18,842	19,219	19,603	19,995
GROSS POTENTIAL INCOME	1,175,855	1,200,363	1,224,370	1,248,858	1,273,835	1,299,312	1,325,298	1,351,804	1,378,840	1,406,417	1,434,545
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		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%
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	117,585	53,660	54,734	55,828	56,945	58,084	59,245	60,430	61,639	62,872	64,129
EFFECTIVE GROSS INCOME	1,058,270	1,146,703	1,169,637	1,193,029	1,216,890	1,241,228	1,266,052	1,291,373	1,317,201	1,343,545	1,370,416
OPERATING EXPENSES											
Expenses	523,315	526,743	545,179	564,260	584,009	604,449	625,605	647,501	670,164	693,619	717,896
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		5,000	5,100	5,202	5,306	5,412	5,520	5,631	5,743	5,858	5,975
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		58,500	58,500	58,500	58,500	58,500	61,425	61,425	61,425	61,425	61,425
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	523,315	590,243	608,779	627,962	647,815	668,361	692,550	714,557	737,332	760,903	785,297
NET OPERATING INCOME	534,955	556,460	560,858	565,068	569,075	572,866	573,502	576,817	579,869	582,642	585,119
DEBT SERVICE											
CalHFA - 1st Mortgage		106,765	106,765	106,765	106,765	106,765	106,765	106,765	106,765	106,765	106,765
CalHFA - Bridge Loan		0	0	0	0	0					
CalHFA - 2nd Mortgage		279,922	279,922	279,922	279,922	279,922	279,922	279,922	279,922	279,922	279,922
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	0	1.44	1.45	1.46	1.47	1.48	1.48	1.49	1.50	1.51	1.51
Cash Available for distribution	534,955	169,774	174,172	178,382	182,389	186,180	186,816	190,130	193,183	195,956	198,433

Cash Flow	CalHFA Project Number: 05-010A/S								Woodhaven Manor	
RENTAL INCOME	**Year 11**	**Year 12**	**Year 13**	**Year 14**	**Year 15**	**Year 16**	**Year 17**	**Year 18**	**Year 19**	**Year 20**
Affordable Rents	**1,055,332**	**1,076,439**	**1,097,968**	**1,119,927**	**1,142,326**	**1,165,172**	**1,188,475**	**1,212,245**	**1,236,490**	**1,261,220**
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	**387,509**	**395,259**	**403,164**	**411,227**	**419,452**	**427,841**	**0**	**0**	**0**	**0**
Rental Subsidy Increases	*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**
Unrestricted Unit Increases	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
TOTAL RENTAL INCOME	**1,442,841**	**1,471,698**	**1,501,132**	**1,531,154**	**1,561,777**	**1,593,013**	**1,188,475**	**1,212,245**	**1,236,490**	**1,261,220**
OTHER INCOME										
Laundry	**20,395**	**20,803**	**21,219**	**21,643**	**22,076**	**22,518**	**22,968**	**23,427**	**23,896**	**24,374**
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	**20,395**	**20,803**	**21,219**	**21,643**	**22,076**	**22,518**	**22,968**	**23,427**	**23,896**	**24,374**
GROSS POTENTIAL INCOME	**1,463,236**	**1,492,501**	**1,522,351**	**1,552,798**	**1,583,853**	**1,615,531**	**1,211,444**	**1,235,672**	**1,260,386**	**1,285,594**
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*4.16%*	*4.16%*	*4.16%*	*4.16%*
Rental Subsidy Income	*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%*
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	**65,412**	**66,720**	**68,054**	**69,415**	**70,804**	**72,220**	**50,589**	**51,601**	**52,633**	**53,685**
EFFECTIVE GROSS INCOME	**1,397,824**	**1,425,781**	**1,454,296**	**1,483,382**	**1,513,050**	**1,543,311**	**1,160,855**	**1,184,072**	**1,207,753**	**1,231,908**
OPERATING EXPENSES										
Expenses	743,022	769,028	795,944	823,802	852,635	882,478	901,336	932,883	965,534	999,327
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	6,095	6,217	6,341	6,468	6,597	6,729	6,864	7,001	7,141	7,284
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	58,500	58,500	58,500	58,500	58,500	52,650	52,650	52,650	52,650	52,650
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	**807,617**	**833,745**	**860,785**	**888,770**	**917,733**	**941,857**	**960,850**	**992,534**	**1,025,325**	**1,059,261**
NET OPERATING INCOME	**590,207**	**592,036**	**593,511**	**594,612**	**595,317**	**601,454**	**200,005**	**191,538**	**182,428**	**172,647**
DEBT SERVICE										
CalHFA - 1st Mortgage	106,765	106,765	106,765	106,765	106,765	106,765	106,765	106,765	106,765	106,765
CalHFA - Bridge Loan										
CalHFA - 2nd Mortgage	279,922	279,922	279,922	279,922	279,922	279,922	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	**1.53**	**1.53**	**1.53**	**1.54**	**1.54**	**1.56**	**1.87**	**1.79**	**1.71**	**1.62**
Cash Available for distribution	**203,521**	**205,349**	**206,825**	**207,926**	**208,631**	**214,768**	**93,240**	**84,773**	**75,664**	**65,882**

Cash Flow	CalHFA Project Number: 05-010A/S							Woodhaven Manor		
RENTAL INCOME	**Year 21**	**Year 22**	**Year 23**	**Year 24**	**Year 25**	**Year 26**	**Year 27**	**Year 28**	**Year 29**	**Year 30**
Affordable Rents	**1,286,444**	**1,312,173**	**1,338,416**	**1,365,185**	**1,392,488**	**1,420,338**	**1,448,745**	**1,477,720**	**1,507,274**	**1,537,420**
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	*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**
Unrestricted Unit Increases	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
TOTAL RENTAL INCOME	**1,286,444**	**1,312,173**	**1,338,416**	**1,365,185**	**1,392,488**	**1,420,338**	**1,448,745**	**1,477,720**	**1,507,274**	**1,537,420**
OTHER INCOME										
Laundry	**24,861**	**25,359**	**25,866**	**26,383**	**26,911**	**27,449**	**27,998**	**28,558**	**29,129**	**29,712**
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	**24,861**	**25,359**	**25,866**	**26,383**	**26,911**	**27,449**	**27,998**	**28,558**	**29,129**	**29,712**
GROSS POTENTIAL INCOME	**1,311,305**	**1,337,532**	**1,364,282**	**1,391,568**	**1,419,399**	**1,447,787**	**1,476,743**	**1,506,278**	**1,536,403**	**1,567,131**
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	*4.16%*	*4.16%*	*4.16%*	*4.16%*	*4.16%*	*4.16%*	*4.16%*	*4.16%*	*4.16%*	*4.16%*
Rental Subsidy Income	*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%*
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	**54,759**	**55,854**	**56,971**	**58,111**	**59,273**	**60,459**	**61,668**	**62,901**	**64,159**	**65,442**
EFFECTIVE GROSS INCOME	**1,256,546**	**1,281,677**	**1,307,311**	**1,333,457**	**1,360,126**	**1,387,329**	**1,415,075**	**1,443,377**	**1,472,244**	**1,501,689**
OPERATING EXPENSES										
Expenses	1,034,304	1,070,504	1,107,972	1,146,751	1,186,887	1,228,428	1,271,423	1,315,923	1,361,981	1,409,650
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	7,430	7,578	7,730	7,884	8,042	8,203	8,367	8,534	8,705	8,879
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	40,950	40,950	40,950	40,950	40,950	35,100	35,100	35,100	35,100	35,100
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	**1,082,684**	**1,119,033**	**1,156,652**	**1,195,586**	**1,235,880**	**1,271,731**	**1,314,891**	**1,359,558**	**1,405,786**	**1,453,629**
NET OPERATING INCOME	**173,863**	**162,645**	**150,659**	**137,871**	**124,247**	**115,597**	**100,185**	**83,819**	**66,459**	**48,060**
DEBT SERVICE										
CalHFA - 1st Mortgage	106,765	106,765	106,765	106,765	106,765	106,765	106,765	106,765	106,765	106,765
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	**1.63**	**1.52**	**1.41**	**1.29**	**1.16**	**1.08**	**0.94**	**0.79**	**0.62**	**0.45**
Cash Available for distribution	**67,098**	**55,880**	**43,894**	**31,107**	**17,482**	**8,833**	**(6,580)**	**(22,945)**	**(40,306)**	**(58,705)**

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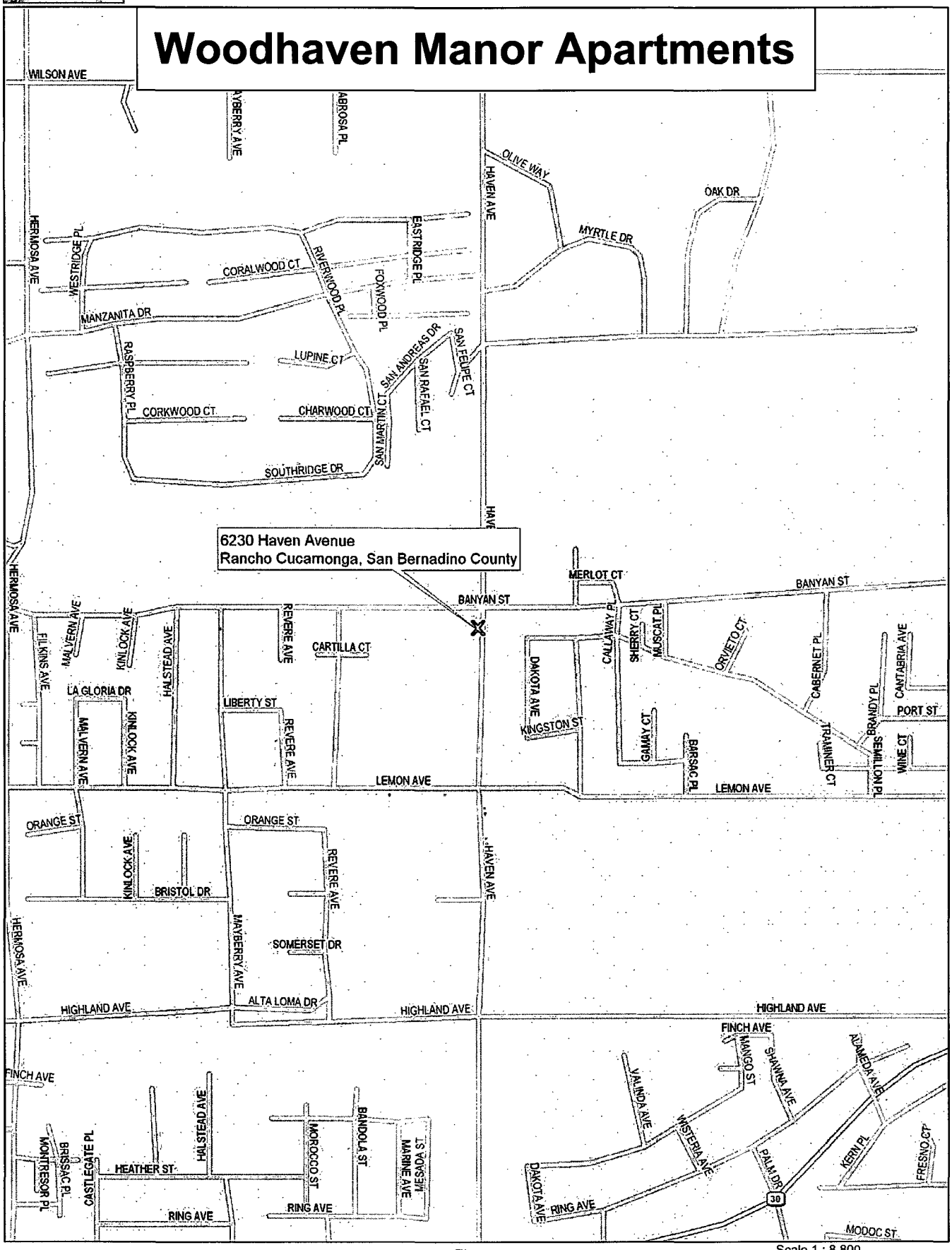
Woodhaven Manor Apartments



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TN
MN (13.1°E)

Scale 1 : 8,800
1" = 733.3 ft
Data Zoom 14-5

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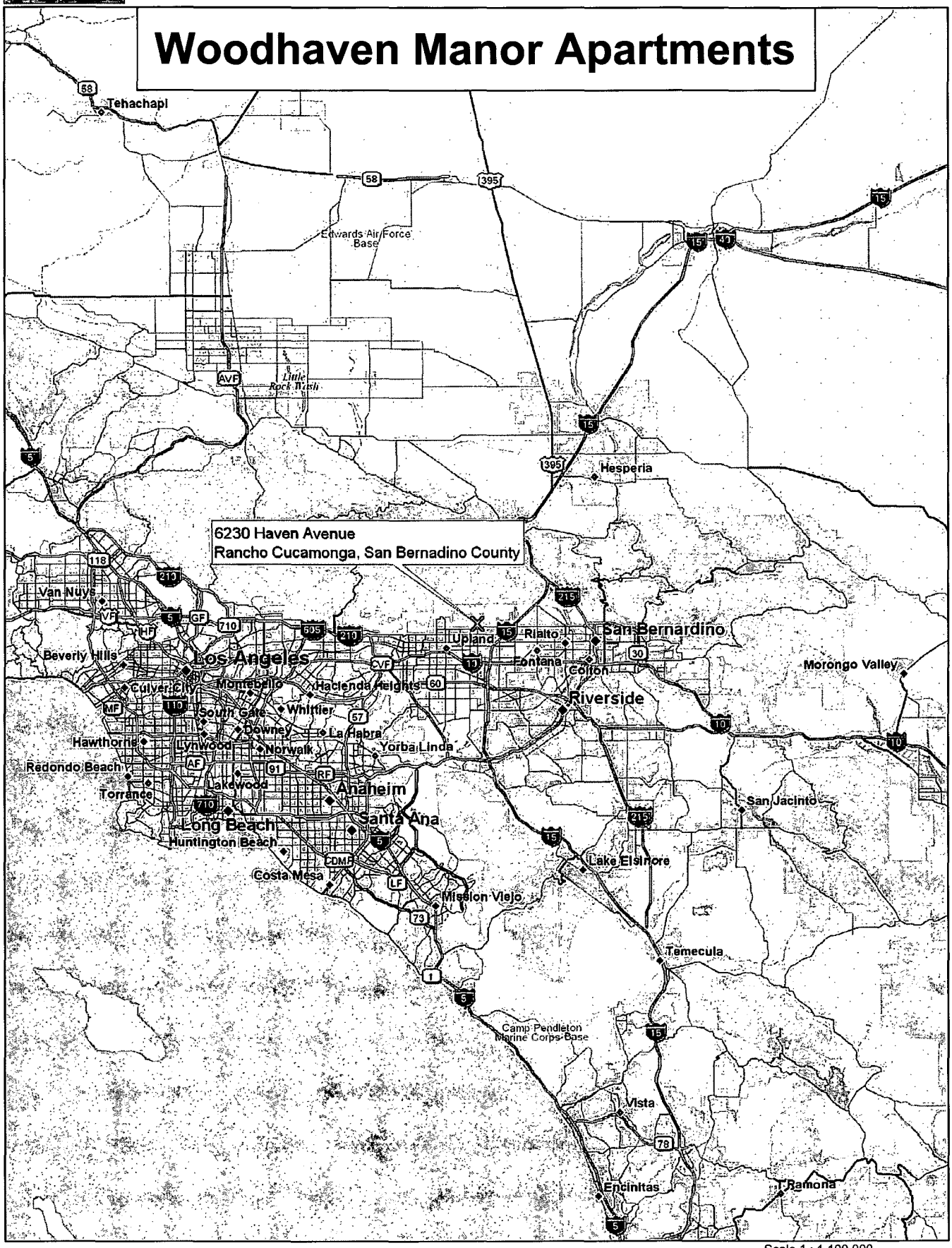
Street Atlas USA® 2004

Woodhaven Manor Apartments



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TN
MN (13.1°E)

Scale 1 : 1,100,000

1" = 17.36 mi

Data Zoom 7-5

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RESOLUTION 05-18

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application from HB Housing Partners, L.P. (the "Borrower"), seeking a loan commitment under the Agency's preservation acquisition program and a rehabilitation and permanent tax-exempt loan in the loan amount described herein, the proceeds of which are to be used to provide a permanent mortgage loan on a 117-unit multifamily housing development located in the City of Rancho Cucamonga to be known as Woodhaven Manor (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated April 22, 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 April 22, 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	LOAN AMOUNT
05-010-A/S	Woodhaven Manor Rancho Cucamonga/San Bernardino	117	
	CalHFA Acquisition/Rehabilitation First Mortgage:		$7,605,000
	Permanent First Mortgage:		$1,500,000
	Permanent Second Mortgage:		$3,000,000

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 loan 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 loan 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 05-18 adopted at a duly constituted meeting of the Board of the Agency held on May 12, 2005, at Burbank, California.

ATTEST: _____
Secretary

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

SUMMARY

This is a final commitment request for taxable permanent loan financing. 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 public benefit housing corporation. The administrative general partner is Pearl Avenue Joint Venture, A California limited partnership.

The project is located at 3220 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

Permanent

First Mortgage	$12,000,000 (cumulative) loan disbursement as follows:
i. Initial Loan Funding	$5,375,000**
ii. 2nd Completion Draw	$3,925,000 at 60% occupancy
iii. 3rd Final Draw	$2,700,000 at 95% occupancy
Interest Rate	variable
Term	24 months, then
Interest Rate	6.75%
Term	30 years fixed, fully amortized
Financing	Taxable

** Pay off CCRC loan of approximately $5,064,762, CalHFA commitment fees, and acquisition interest for first 5 months

Draws will be made within Agency guidelines including Loan to Value (LTV) requirements.

The Agency will also take a security interest against the settlement proceeds.

LOCALITY FINANCING

An existing loan from the City of San Jose Department of Housing totaling Six Million Dollars ($6,000,000) will be assumed by the existing partnership. The terms of the city loan are zero interest, fifty-five year term, with residual receipts payment. The loan will remain in place and subordinated to CalHFA.

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 leads to a mold problem. The Related Residential Corporation of California (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 use the proceeds of the lawsuit settlement, and along with proceeds from a new CalHFA permanent loan to pay off the original CCRC loan and renovate the complex.
All rehabilitation and remediation costs will be paid through settlement proceeds and operating cashflow.

PROJECT DESCRIPTION

Project Location

The subject is located in the southern San Jose, 3/4 mile east of the Almaden Expressway. It is less than 1/2 mile north of West Capitol Expressway, a major arterial running east and west. 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 (the City) issued a Planned Development permit for the subject authorizing development of 24.8 units per acre. The San Jose 2020 General Plan (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 childcare facilities and services.

Improvements

The subject consists of 6 three-story buildings containing 138-units, a community building, a childcare center, and four laundry rooms. The childcare center has a capacity for 40 students and is leased by Montessori. 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 fully equipped, but with a non-vented fan, and the kitchen cabinets will be plywood. New carpeting and vinyl flooring will be installed as needed. The bathrooms will contain an enamel tub with fiberglass shower surround. 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 and the 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. Related has provided CalHFA with a letter stating past tenants do not have relocation rights. They further stipulated that if any subsequent tenant claims arise, Related would be responsible for any obligations, and not the project.

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:** Improved landscaping, correct drainage and re-grading adjacent to buildings 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 vacancy increase is significant, the vacancy rate has decreased from a high of 6.6% at the conclusion of 2003. This gradual economic improvement may also be an indication that the rental market is approaching stabilization albeit 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. 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 high 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. on 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 ("Pearl") 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 from Pearl to protect the Agency. The Indemnification Agreement will be subject to CalHFA review and approval prior to initial funding 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 years 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

Charles Perry & Associates 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 Related.

Portrait Homes, Inc. was incorporated in 1989, has built more than 2,000 apartments in California and is located in Corona, California.

PROJECT SUMMARY

PROJECT NUMBER: 05-003-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 Construction Financing	Amount	Rate	Term (Mths)
CalHFA Financing	$0	0.00%	0

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	**$12,000,000**	**4.65%/6.75%**	**32**
CalHFA Bridge Loan	**$0**	**0.00%**	**0**
CalHFA Second Mortgage	**$0**	**0.00%**	**0**
Insurance/Lawsuit Proceeds	$6,240,000	0.00%	0
Cashflow	$729,948	0.00%	0
Cumis Settlement	$602,577	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
Source	$0		
Developer Contribution	$0		
Deferred Dev. Fee	$0		
Tax Credit Equity	$0		

As-Is Valuation		Appraisal		Value Upon Completion	
As-Is Value	**$10,500,000**	**Appraisal Date:**	**8-Feb-05**	**Restricted Value**	**$15,500,000**
Loan / Cost *	41%	**Cap Rate:**	**7.00%**	**Perm. Loan / Cost**	62%
Loan / Value	61%			**Perm. Loan / Value**	77%

*Refinance existing debt of $5,375,000

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	Amount	Required Reserves	Amount
CalHFA Construction Loan Fee	$0	Other Reserve	$0
CalHFA Permanent Loan Fees	$180,000	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: 4/26/2005 **Senior Staff Date:** 4/22/2005

UNIT MIX AND RENT SUMMARY — Hillview Glen

05-003-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-N

Final Commitment

SOURCES OF FUNDS:	Funds in at Permanent ($)	Total Development Sources: Total Sources of Funds ($)	Sources per Unit	%
CalHFA Financing				
Construction Only Source 2				
Construction Only Source 3				
CalHFA First Mortgage	12,000,000	12,000,000	86,957	61%
CalHFA Second Mortgage	-	-	-	0%
Insurance/Lawsuit Proceeds	6,240,000	6,240,000	45,217	32%
Cashflow	729,948	729,948	5,289	4%
Cumis Settlement	602,577	602,577	4,367	3%
Source 5	-	-	-	0%
Source 6	-	-	-	0%
Source 7	-	-	-	0%
Source 8	-	-	-	0%
Source 9	-	-	-	0%
Source 10	-	-	-	0%
Source 11	-	-	-	0%
Source 12	-	-	-	0%
Source	-	-	-	0%
Developer Contribution	-	-	-	0%
Deferred Developer Fee	-	-	-	0%
Tax Credit Equity	-	-	-	0%
Total Sources	19,572,525	19,572,525	141,830	100%
(Gap)/Surplus	120,000	120,000		

USES OF FUNDS:	Permanent ($)	Total Development Costs: Total Uses of Funds ($)	Cost per Unit	%
LOAN PAYOFFS & ROLLOVERS				
Pay-off Acquisition Loan	**$0**			
Legal Fees	2,596,104	2,596,104		
Consultants (environ, const., etc)	1,742,569	1,742,569	12,627	9%
Relocation/Remediation	400,205	400,205	2,900	2%
Operations (negative cashflow)	488,511	488,511		
Other	433,028	433,028		
Pay-off CCRC Loan	5,064,762	5,064,762	36,701	26%
Subtotal - Payoffs	10,725,179	10,725,179		
Other Acquisition Costs	-	-	-	0%
Off-Site Improvements	-	-	-	0%
Demolition	-	-	-	0%
Total Payoffs	**10,725,179**	**10,725,179**	**77,719**	**55%**
REHABILITATION				
Site Work	261,530	261,530	1,895	1%
Rehab to Structures	5,704,306	5,704,306	41,336	29%
General Requirements	564,483	564,483	4,090	3%
Contractors Overhead	-	-	-	0%
Contractors Profit	332,381	332,381	2,409	2%
Contractor's Bond	-	-	-	0%
General Liability Insurance	-	-	-	0%
Environmental Mitigation Expense	-	-	-	0%
Demolition	117,300	117,300	850	1%
Other	-	-	-	0%
Total Rehabilitation	**6,980,000**	**6,980,000**	**50,580**	**36%**
RELOCATION EXPENSES				
Relocation Expense	-	-	-	0%
Relocation Compliance Monitoring	-	-	-	0%
Total Relocation	**-**	**-**	**-**	**0%**

(Continued on Next 2 Pages)

USES OF FUNDS (Cont'd):	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	75,000	75,000	543	0%
Architect's Supv during Construction	-	-	-	0%
Total Architectural	**75,000**	**75,000**	**543**	**0%**
Engineering Expense	43,000	43,000	312	0%
Engineers Supv. during Construction	-	-	-	0%
ALTA Survey	-	-	-	0%
Total Engineering & Survey	**43,000**	**43,000**	**312**	**0%**
CONSTRUCTION LOAN COSTS				
Construction Loan Interest	130,000	130,000	942	1%
CalHFA Construction Loan Fee	-	-	-	0%
Other Construction Loan Fees		-	-	0%
CalHFA Outside Legal Counsel Fees		-	-	0%
Other Lender Req'd Legal Fees		-	-	0%
Title and Recording fees	39,000	39,000	283	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		-	-	0%
Misc.	10,000	10,000	72	0%
Cost for Completion Guarantee		-	-	0%
Other		-	-	0%
Total Construction Loan Expense	**191,000**	**191,000**	**1,384**	**1%**
PERMANENT LOAN COSTS				
CalHFA Perm Loan Fees	60,000	60,000	435	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	-	-	-	0%
Total Permanent Loan Expense	**60,500**	**60,500**	**438**	**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):	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	348,021	348,021	2,522	2%
Soft Cost Contingency	45,409	45,409	329	0%
Total Contingency	**393,430**	**393,430**	**2,851**	**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	50,000	50,000	362	0%
Local Development Impact Fees	-	-	-	0%
Other Local Fees	-	-	-	0%
Advertising & Marketing Expenses	140,000	140,000	1,014	1%
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	600	600	4	0%
Other	-	-	-	0%
Other	-	-	-	0%
Total Other Expenses	**314,600**	**314,600**	**2,280**	**2%**
SUBTOTAL PROJECT COSTS	**19,154,725**	**19,154,725**	**138,802**	**98%**
DEVELOPER COSTS				
Developer Overhead/Profit (5% Acq.)	297,800	297,800	2,158	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	**297,800**	**297,800**	**2,158**	**2%**
Total Costs	**19,452,525**	**19,452,525**	**140,960**	**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	26.66%
Administrative	$62,233	$451	9.80%
Management fee	$85,258	$618	13.42%
Utilities	$60,627	$439	9.54%
Operating and Maintenance	$123,726	$897	19.48%
Insurance and Business Taxes	$60,724	$440	9.56%
Locality Compliance Monitoring Fee	$0	$0	0.00%
Other	$0	$0	0.00%
Subtotal Expenses	**$561,957**	$4,072	88.46%
Replacement Reserves	$48,300	$350	7.60%
Taxes & Assessments	$25,000	$181	3.94%
Total Expenses	$635,257	$4,603	100.00%
Financial Expenses			
CalHFA First Mortgage	$933,981	$6,768	
CalHFA Second Mortgage	$0	$0	
Other Required Debt Service	$0	$0	
NET OPERATING INCOME	**$135,920**	**$985**	

Cash Flow			Final Commitment					CalHFA Project Number: 05-003-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	1,109,693	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	1,109,693	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			**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	15,883	25,356	**25,503**	**26,013**	**26,533**	**27,064**	**27,605**	**28,157**	**28,720**	**29,295**	**29,881**
GROSS POTENTIAL INCOME	1,125,576	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	36,900	87,968	**89,745**	**91,540**	**93,371**	**95,238**	**97,143**	**99,086**	**101,068**	**103,089**	**105,151**
EFFECTIVE GROSS INCOME	1,088,676	1,671,400	**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			561,957	581,625	601,982	623,052	644,858	667,428	690,788	714,966	739,990
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	542,008	622,668	**635,257**	**655,425**	**676,292**	**697,882**	**720,219**	**743,331**	**769,658**	**794,398**	**819,996**
NET OPERATING INCOME	546,668	1,048,732	**1,069,901**	**1,083,836**	**1,097,754**	**1,111,645**	**1,125,498**	**1,139,301**	**1,150,627**	**1,164,292**	**1,177,868**
DEBT SERVICE											
CalHFA - 1st Mortgage	0	660,000	933,981	933,981	933,981	933,981	933,981	933,981	933,981	933,981	933,981
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			**1.15**	**1.16**	**1.18**	**1.19**	**1.21**	**1.22**	**1.23**	**1.25**	**1.26**
Cash Available for distribution	**546,668**	**388,732**	**135,920**	**149,854**	**163,773**	**177,664**	**191,517**	**205,320**	**216,646**	**230,311**	**243,886**

Cash Flow	CalHFA Project Number: 05-003-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	765,890	792,696	820,440	849,155	878,876	909,637	941,474	974,425	1,008,530	1,043,829	1,080,363
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	**846,482**	**873,886**	**904,775**	**934,112**	**964,467**	**995,874**	**1,028,371**	**1,064,658**	**1,099,450**	**1,135,448**	**1,172,696**
NET OPERATING INCOME	**1,191,339**	**1,204,692**	**1,215,374**	**1,228,440**	**1,241,337**	**1,254,045**	**1,266,547**	**1,276,158**	**1,288,183**	**1,299,937**	**1,311,396**
DEBT SERVICE											
CalHFA - 1st Mortgage	933,981	933,981	933,981	933,981	933,981	933,981	933,981	933,981	933,981	933,981	933,981
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	**1.28**	**1.29**	**1.30**	**1.32**	**1.33**	**1.34**	**1.36**	**1.37**	**1.38**	**1.39**	**1.40**
Cash Available for distribution	**257,358**	**270,711**	**281,393**	**294,459**	**307,355**	**320,064**	**332,565**	**342,177**	**354,202**	**365,956**	**377,415**

Cash Flow	CalHFA Project Number: 05-003-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	1,118,176	1,157,312	1,197,818	1,239,741	1,283,132	1,328,042	1,374,523	1,422,632	1,472,424	1,523,959
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	**1,211,238**	**1,253,912**	**1,295,176**	**1,337,873**	**1,382,052**	**1,427,766**	**1,478,003**	**1,526,948**	**1,577,594**	**1,629,999**
NET OPERATING INCOME	**1,322,537**	**1,330,538**	**1,340,963**	**1,350,989**	**1,360,587**	**1,369,726**	**1,375,439**	**1,383,563**	**1,391,127**	**1,398,096**
DEBT SERVICE										
CalHFA - 1st Mortgage	933,981	933,981	933,981	933,981	933,981	933,981	933,981	933,981	933,981	933,981
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	**1.42**	**1.42**	**1.44**	**1.45**	**1.46**	**1.47**	**1.47**	**1.48**	**1.49**	**1.50**
Cash Available for distribution	**388,556**	**396,557**	**406,982**	**417,008**	**426,606**	**435,745**	**441,457**	**449,581**	**457,146**	**464,115**

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Street Atlas USA® 2004

Hillview Glen

3220 Pearl Avenue
San Jose, Santa Clara County

LANEWOOD DR
THRUSH CT
BLUE JAY DR
PITKIN LOOP
DEDERICK CT
ROMANI CT
RUBINO CIR
BREVINS LOOP
MCBRIDE LOOP
DESMET WAY
GOODACRE PL
GOODACRE CT
NATTINGER LN
KELTY LN
DUNHAM WAY
BRUNETTI WAY
RUBINO DR
Canoas Creek
PEARL AVE
DAKAN CT
FARM DR
DOW DR
SUMMERCREEK DR
CREEKFIELD DR
HILLSDALE AVE
MOUNTAIN SPRINGS RDGE DR
MOUNTAIN SPRINGS DR
ELK RIDGE WAY
MOUNTAIN HONE DR
NARVAEZ AVE
SHADOW CREEK DR
HONEYSUCKLE LN
LILAC LN
MAGNOLIA AVE
87
KELL WAY
W CAPITOL EXPY
Guadalupe River
ALMADEN EXPY
CHARD DR
ALMADEN RD
STEVAL PL
SHANDWICK CT
BOURNEMOUTH DR
RENOSO CT
CHARTER HALL CT
ETHAN CT
QUEN CT
LYNX DR
KENTON CT
KENTON LN
EDENBURRY
TICARA CT
LEWISTON DR
HEPPNER LN
MIDVALE LN
CLARKSTON DR
SELMAC AVE
TERRELL ST
BEND AVE
HAINES AVE
NORCLIFFE CT
VILLA GLEN WAY
WALGLEN CT
UPTON WAY
UPTON CT
SCOTSGLEN CT
DOWNSWICK DR
WELLINGTON SQ
ANFIELD CT
MULCASTER CT
RAEBURN CT
WESSEX DR
FUNSTON DR
SEABURY DR
MOUNTCASTLE WAY
GLENMONT DR
BEECHMONT AVE
BRIARGLEN CT
BROCKHAMPTON CT
LAURELDALE LN
GLENPARK DR
KNOLLFIELD WAY
HAMPSHIRE PL
LYNFIELD LN
HARVEST MEADOW CT
CEDARHURST LN
CANFIELD CT

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TN
MN (14.6°E)

Scale 1 : 8,800
0 200 400 600 800 1000 ft
0 80 160 240 320 400 m
1" = 733.3 ft
Data Zoom 14-5

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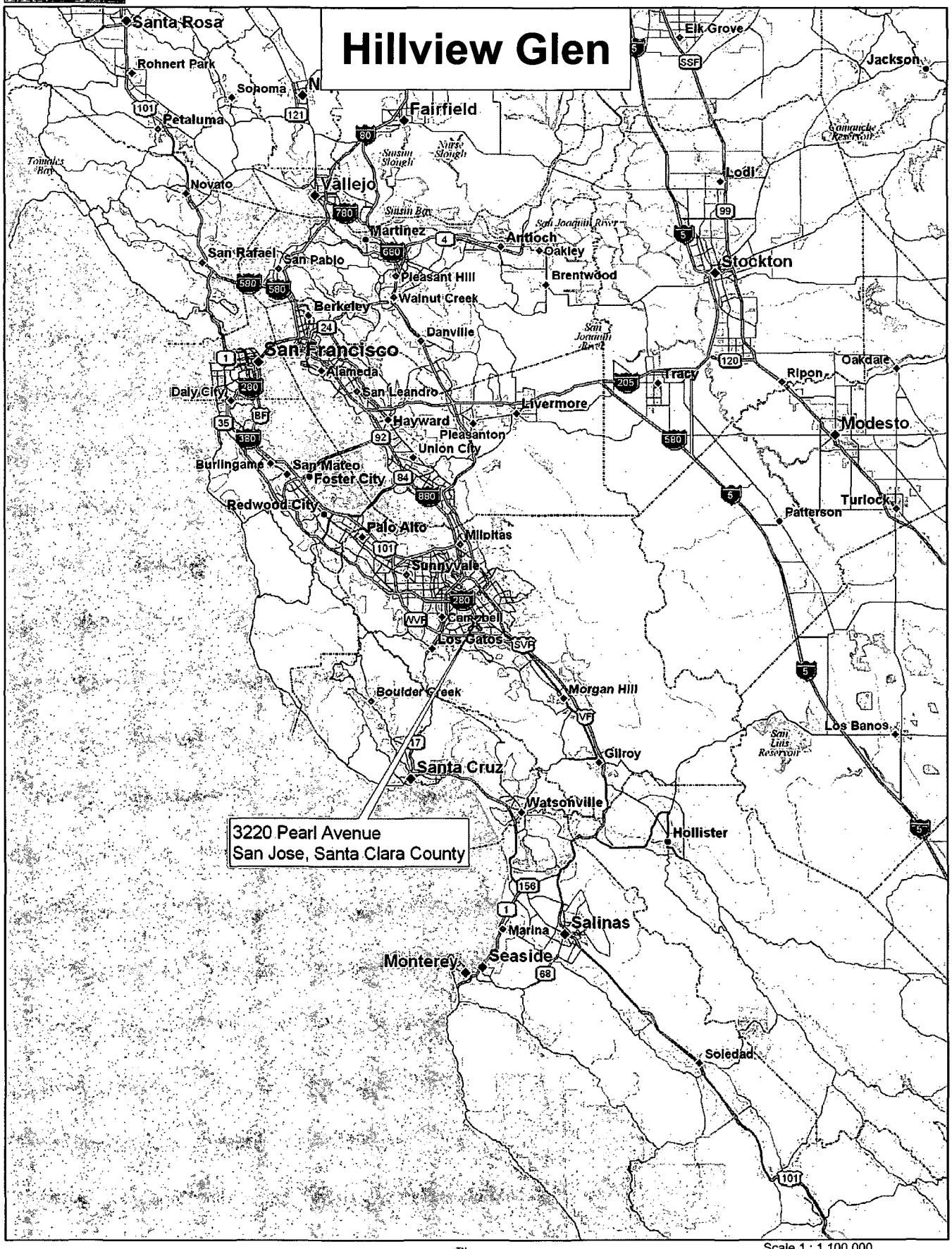
Hillview Glen



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TN
MN (14.6°E)

Scale 1 : 1,100,000

1" = 17.36 mi

Data Zoom 7-5

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RESOLUTION 05-19

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 permanent taxable loan in the loan 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 April 22, 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 March 2, 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	LOAN AMOUNT
05-003-N	Hillview Glen San Jose/Santa Clara	138	
		Permanent First Mortgage:	$12,000,000

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 loan 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 loan 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 05-19 adopted at a duly constituted meeting of the Board of the Agency held on May 12, 2005, at Burbank, California.

ATTEST: _____
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
New Dana Strand Townhomes
Wilmington, Los Angeles County
CalHFA Loan #4-010-C/S

SUMMARY:

This is a Final Commitment request for a construction loan, a tax-exempt, first mortgage loan, and a FAF loan. Security for all three loans will be the newly constructed, 116-unit New Dana Strand Townhomes family apartment community, including the Life Long Learning Center. The development will be owned by New Dana Strand Townhomes, a California limited partnership, with affiliates of Mercy Housing California and Los Angeles Community Design Center as the general partners. The project will be located on three lots between Hawaiian Avenue and Wilmington Boulevard, and between D and F Streets in Wilmington, California.

LOAN TERMS:

Construction

First Mortgage	$24,760,000
Interest Rate:	variable
Term:	20 Months, interest only
Financing:	$24,685,000 Tax-exempt
	$ 75,000 Taxable

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

Permanent

First Mortgage	$1,650,000
Interest Rate:	5.50%
Term:	25 year fixed, fully amortized
Financing:	Tax-exempt
FAF Loan	$580,000
Interest Rate:	3.00% simple interest deferred, Residual receipts only until year 25, Amortizing payments years 26 to 40
Term:	40 years
Financing:	Taxable

OTHER FINANCING:

The Housing Authority of the City of Los Angeles, (HACLA), will own fee title to the land. A Ground Lease will be executed between HACLA and the partnership, such that the partnership will own a leasehold interest in the land and a fee interest in the improvements. The Ground Lease is not yet final, but the term is expected to be at least 67 years. In addition, there is expected to be a prepaid lease amount of $238,924 which will become the ACC reserve for the project; and even though the land has an estimated value of $3,100,000, the lease payments will only be one dollar, due annually. CalHFA's Regulatory Agreement and construction and permanent Deeds of Trust will be placed on the leasehold interest in the land and the fee interest in the improvements, subject to satisfactory review of the final ground lease.

HACLA has also provided separate financing with a grant of HUD HOPE VI funds, in the amount of $3,261,909, for the relocation of the public housing tenants and the demolition of the existing public housing buildings on the entire 22.5 acre Dana Strand Redevelopment site. In exchange for the HOPE VI replacement public housing funds contributed to the project, (which are outside the Townhomes development budget and do not need to be repaid), HUD will require the recordation of a Regulatory and Operating Agreement (HUD Agreement) on the fee interest. The HUD Agreement will restrict 46 units as Public Housing Assisted Units, (PHAs) and will be senior to CalHFA's Regulatory Agreement and construction and permanent Deeds of Trust. It will specify that operating assistance will be available to subsidize the operation of the PHAs, subject to the terms of the Annual Contribution Contract (ACC) between HUD and HACLA. It is expected that income for the PHAs will be set at $371 per unit per month, (net after the HACLA administrative fee), as a combination of tenant rents, (based on 30% of their income) and subsidy payments from HACLA to the partnership.

Source	Type	Loan Amount	Term	Interest Rate	Repayment
HACLA	Loan	$6,729,758	55	3.00%	Residual Receipts, pro-rata basis
Los Angeles Housing Department (City)	Loan	$2,904,285	55	0.00%	Residual Receipts, pro-rata basis
Multi-Family Housing Program (MHP)	Loan	$7,950,640	55	3.00%	Required 0.42% payment plus RR
MHP Nonresidential Space for Supportive Services Program	Loan	$500,000	55	3.00%	Residual Receipts, pro-rata basis

PROJECT DESCRIPTION:

Project Location

New Dana Strand Townhomes (the Townhomes) will be located in the City of Wilmington, an incorporated area of the City of Los Angeles, located at the southern end of the Interstate 110. Wilmington is a harbor town, surrounded by Carson to the North, the Pacific Ocean to the South, Rancho Palo Verdes to the West, and Long Beach to the East.

New Dana Strand Townhomes is within HACLA's New Dana Strand Revitalization project area, and is the second phase of the revitalization of the former public housing site, named Dana Strand Village. HACLA first determined the need for the redevelopment of this physically dilapidated, 40 year old public housing development in the mid-1990's. The former 384 unit project was in a severe state of disrepair, which made rehabilitation economically infeasible.

Part of the revitalization effort is to integrate New Dana Strand into the wider Wilmington neighborhood by re-introducing the neighborhood street grid on the overall 22.5 acre site, and by providing a total of 413 mixed-income units including homeownership opportunities, as well the Life Long Learning Center, which will be accessible to the entire Wilmington community.

The New Dana Strand Revitalization project area will consist of four developments including the 116 unit Townhome project, a 120 unit affordable Garden Apartment development for large families, 100 units of HUD Section 202 financed senior housing, and 77 units of single family, for-sale homes. The New Dana Strand development will target a variety of income levels including 94 public housing units, 142 tax-credit units targeted from 20% to 60% of Area Median Income (AMI), 100 units for seniors earning up to 50% AMI, and 77 for-sale homes, 52 of which are market rate and will sold to families earning up to 120% AMI.

The surrounding neighborhood is primarily single family homes. New Dana Strand Townhomes will be conveniently located close to parks and recreation facilities, a public library, public transit, schools, retail and commercial areas including grocery and drug stores, and medical services. There is a small neighborhood serving grocery store immediately adjacent to the site to the northeast, and a large commercial strip with grocery, pharmacy and other retail uses approximately 5 blocks to the north. Also immediately adjacent to the site to the north is the Hawaiian Avenue Elementary School and the LA Best pre-school program.

Public Transit is adjacent to the site with a bus leaving every fifteen minutes with links to downtown Los Angeles and Union Station, which is a major regional public transit hub with access to Metro Red Line, Metrolink, and Amtrak. There is a commuter express route three blocks from the site that connects riders directly to downtown Los Angeles.

The Wilmington Recreation Center is 0.60 miles from the site, and the Little Company of Mary Hospital is 7.91 miles from the site. Wilmington has one public library, which is a branch of the Los Angeles Public Library, approximately 1.81 miles from the site. An industrial facility, the State Fish Plant, and vacant lots are located to the south of the site on C Street. To the south of C Street is the Port of Los Angeles and Harry Bridges Boulevard, which is under redevelopment and is planned to have recreational uses adjacent to it as part of the plan to enhance the Boulevard for greater Port of Los Angeles use.

Site

New Dana Strand Townhomes and the Life Long Learning Center will be built on an 8.29 acre parcel located on three lots connected by private streets between Hawaiian Avenue and Wilmington Boulevard, and between D and F Streets. The three lots and the private streets comprise one legal parcel, and include two residential blocks along Wilmington Boulevard and King Street, between D and F Streets, with a carve out for single family homes along both sides of E Street. The Life Long Learning Center lot is between King Street and Hawaiian Avenue. King and E Streets will be private streets, portions of which will be part of the New Dana Strand Townhomes parcel. These streets will be open to the public, but will be private and owned by the partnership to ensure their control by the partnership.

New Dana Strand Townhomes and the Garden Apartment project will jointly contract with a private security company to provide for roving security guards 20 hours a day, seven days a week. During the day light hours (10 a.m. to 6 p.m.) there will be one guard on site. During the evening hours (6 p.m. to 6 a.m.) there will be two guards on site. Property management will also work with tenants to set up a neighborhood watch. The site has been designed such that the buildings themselves provide security from the private/public streets and the interior of the Townhome blocks. Each Townhome residential block is completely enclosed from public access

with either buildings or six foot tall fences. Each interior Townhome driveway (from which the Townhome residents will access their garages) will be gated with auto gates. In addition, there will be a six foot fence completely enclosing the Life Long Learning Center and adjoining play yard.

The site is primarily flat, with a slight slope downward to the southeast. The project site is located in an area that Los Angeles County has designated as a possible potential methane mitigation zone. Although methane was not detected on the property, LA County requires minimal methane mitigation measures be provided on site. This minimum plan consists of a vapor barrier and passive sub slab venting system. The cost of the mitigation measures are included in the hard costs of residential construction.

Improvements

New Dana Strand Townhomes is the new construction of a two and three-story development with 116 units of housing for families, including 13 two-bedroom, 83 three-bedroom, and 20 four-bedroom units. All units are configured as townhome units with multi-levels, with the exception of eleven units which are flats. Seven of the flats will be fully accessible to persons with physical limitations, the other four will be accessible to persons hearing and sight impairments (two units each). All units (with one exception) will have an interior garage parking for one or two cars. In total, there are approximately 240 parking spaces on site in private, enclosed garages (127 spaces), inside gated areas (12 spaces), on the private streets (81 spaces), and at the Life Long Learning Center (20 spaces) .

Each unit will include a garage (with the exception of one unit), hot water heater, and a washer and dryer. The HVAC system is a gas powered, hydronic forced air system, with a fan coil providing heat as well as a cooling function. All units will have either a private balcony or semi-private patios immediately adjacent to their front doors. The entire development will be secured with an intercom system and auto gates with key card entry controls.

New Dana Strand Townhomes consists of twelve buildings of attached townhomes and two community buildings on two residential blocks. The buildings front the public or private streets on the exterior of the block and frame private courtyards on the interior of each block. In each of the two residential blocks there is a community building which opens onto a landscaped area where tot lots and play equipment for older children will be located, as well as picnic tables and barbeques. The recreation buildings include property management staff offices, a large community room, a laundry room, a computer learning lab and maintenance rooms.

Life Long Learning Center

The New Dana Strand Townhomes development includes the Life Long Learning Center, (Center) which will be developed as a separate structure on Hawaiian Avenue immediately adjacent to the Hawaiian Avenue Elementary School. This Center will serve the entire Wilmington community, as well as the residents of the other phases of the New Dana Strand Revitalization project, but the needs of the residents of New Dana Strand Townhomes will have first priority. The Center will be approximately 10,000 square feet, and will be designed to include a computer lab, two flexible classrooms, a 1,400 square foot performance space (which

can be divided into two classrooms), a community kitchen, and four administrative offices. There will also be recreation facilities on the Center site, including an outdoor half court basketball court, and green space which can be used for field games. These recreational facilities will be under a joint use arrangement with the Hawaiian Avenue Elementary School, which will utilize the outdoor facilities exclusively during school hours.

The Center will host a wide range of social service programs and activities including health, education, recreation, and arts programs, which will serve all household types. The main "anchor" tenant of the Center is expected to be the Boys and Girls Club of San Pedro, operating a Boys and Girls Club program with after school educational, music, recreational and civic participation functions. During the day time hours, the Center is expected to host English as a Second Language and computer learning classes, the Hawaiian Elementary School's Parent Support Group, and senior citizen programs. In the evenings, the Center will host recreational, life skills, computer learning and economic empowerment courses. Mercy Housing has contracted with a social services coordinator consultant to obtain Memorandums of Understanding (MOUs) from service providers to ensure service delivery and to coordinate service provisions. These MOUs are expected to be in place prior to the start of construction, and services are expected to commence when the Center's construction is complete in December 2006.

There are no operating costs for the Center budgeted as part of the Townhomes operating budget. The Life Long Learning Center operating cost will be paid by the tenants of the Center, on triple net leases. Each tenant will pay prorata operating costs based on their percentage use of the space. These operating expenses will include funding a replacement and operating reserve. There is a capitalized lease-up reserve of $43,552 in the development budget to be used in the event the Center incurs operating expenses before all tenants have been billed for their portion of the expenses.

Off-site Improvements

There is a required street dedication along North Wilmington Boulevard in the event the City wishes to convert North Wilmington Boulevard into a larger street. The partnership will be required to pave and improve a twelve foot area from the current, existing back of the Wilmington sidewalk to the Townhomes property line. Mercy is researching whether it is possible to provide street trees and landscaping in that area or whether it must be paved and appear as a sidewalk. Other off-sites include the cost to improve the capacity of existing utilities, including the storm water drainage system, and to bring existing utilities to the property line in locations that are required per the building's design. The amount off-sites currently budgeted is $400,895.

Relocation

All former residents of Dana Strand Village were relocated by HACLA pursuant to the HUD approved relocation plan by July 2003, and were provided with moving expenses and Section 8 vouchers. Some tenants relocated in the area and are using their Section 8 vouchers, others used their moving expense allowances to buy homes. The entire 384 unit public housing development was demolished by HACLA between August and December 2003. HACLA did commit (as part of their HUD approved relocation plan) that former Dana Strand Village residents wishing to return to New Dana Strand would be given first priority in applying for housing. After former residents have submitted their applications, they will be processed in a similar fashion to other applicants.

MARKET:

Market Overview

In the market study completed by Laurin Associates in March 2005, the Harbor Market Area is defined as portions the cities of Los Angeles, Wilmington, and Carson in the southern portion of Los Angeles County. The Market Area border runs to the north along Interstate 405, west along Interstate 110, extending south along Highway 47 and east along Highway 143. This area contains an estimated population of 107,307.

In 2004 "Services" was the largest employment sector in the Harbor Market Area, constituting 38.1% of employed persons. Manufacturing was the second largest employer with 22.6 % of the employed population. The largest employers in Los Angeles County as of 2004 were the City of Los Angeles, Ralph's Grocery, Southern California Edison, University of California, University of Southern California, and the Times Mirror Company.

Housing Supply and Demand

The market study surveyed 1,326 apartments in thirteen properties in the Harbor Market Area and found a vacancy rate of 0.7% for market units, and a vacancy rate of 0.0% for affordable units. All complexes reported long wait lists. There are no proposed developments in the Harbor Market Area with the exception of the New Dana Strand Revitalization project.

PROJECT FEASIBILITY:

Estimated Lease-Up Period

The market study has estimated that the project would need to capture from 0.3% to 5.9% of the current demand from existing households depending on unit type and rent level. Laurin Associates estimates that these apartments would fully rent up within six months of opening. Due to the fact that there is an ACC start-up reserve for the public housing units, CalHFA is only requiring a three month rent-up reserve letter of credit in the amount of $138,000.

ENVIRONMENTAL:

CalHFA has reviewed the Phase I Environmental Site Assessments for the project which were completed by LFR Levine-Fricke (LFR) in March 2000, June 2003 and June 2004 respectively. The subject of the Phase I reports was the approximately 22.5 acre site currently consisting of two vacant parcels, which were previously developed with the Dana Strand Village public housing complex. New Dana Stand Townhomes will be built on the northwest portion of the larger, eastern parcel which is located between Hawaiian Avenue and Wilmington Boulevard, and between C and F Streets.

Historically the site consisted of scattered residential dwellings and open land from at least 1921 until 1942, when construction of Dana Strand Village began. Dana Strand originally housed military families, and was converted to a public housing complex in the early 1950's. In 2003 Dana Strand Village was demolished and the site was graded.

On-site issues include the following:

a) Asbestos containing materials and lead based paint were present in the Dana Strand Village project that was demolished. CalHFA will require documentation that all ACM and LBP was removed properly.
b) Pole-mounted transformers were observed on-site. No stressed vegetation was observed beneath or around the transformers.
c) The site is located within an area of Los Angeles County that contains high levels of methane. Methane has not been detected at the site during recent sampling. (See next page)

Off-site issues include the following:

a) An industrial facility and vacant lots are located south of the site. The State Fish Plant on C Street was listed on an environmental database search, however LFR states that this facility (and three other regulated facilities located adjacent to the site) are not expected to pose a significant environmental concern to the site.
b) The Tosco Oil Refinery is cross-gradient to the site and located approximately 0.28 miles west of the site. LFR reviewed an Evaluation of Health Risk Assessment for the Tosco Oil Refinery prepared for Tosco by Environmental Audit Inc., conducted in March 2001, which was completed to determine if there were documented or potential excesses of permissible air toxic pollutant impacts from Tosco on the New Dana Strand property. Based on this review LFR concluded that emissions from the refinery were below the 10 per million excess cancer risk guideline established by the California Air Pollution Control Officers Association.

LFR concludes in their June 2004 Phase I that: a) no off-site facilities were identified that appear to represent a potential source of migration of hazardous substances to soil or groundwater beneath the site; and b) their assessment has revealed no evidence of recognized environmental conditions or features of concern in connection with the subject property.

CalHFA has received two Methane Assessment reports for the project site dated June 2004 and October 2004. Although laboratory analytical results indicate that methane was not-detected on-site, because the site falls within a Methane Zone as defined by the County of Los Angeles, Level I mitigation, consisting of a vapor barrier and passive sub slab venting system, is required.

A Geotechnical Engineering Investigation completed in April 2004 by Geotechnologies, Inc. includes recommendations regarding the development of the site including site preparation, grading, foundation design, expansive soils, resistance to lateral loading, floor slabs, pavement, and temporary excavations. In addition, an evaluation of potential seismic hazards was performed. Geotechnologies, Inc. found that, as with all of Southern California, the major seismic hazard to the site is moderate to strong ground shaking.

CalHFA is requesting a review of the above environmental reports, (in addition to a current update of the Phase I Assessment), by URS, its environmental consultant, and is requesting recommendations concerning any additional testing or remediation that should be completed. A condition of the final commitment will be satisfactory review of all of these documents and any additional reports or tests required as a result of the URS review. If additional remedial action is recommended, the work will be required to be completed prior to the start of construction.

The Borrower has requested an earthquake insurance waiver, and a seismic evaluation is underway. Any design modifications required as a condition of the earthquake insurance waiver shall be incorporated in the final plans and specifications approved by CalHFA. If the

earthquake waiver is denied, the CalHFA permanent loan amount may decrease so that the earthquake insurance premium can be included in the approved operating budget.

DEVELOPMENT TEAM:

A. Borrower's Profile - New Dana Strand Townhomes, a California limited partnership

The development will be owned by New Dana Strand Townhomes, a California limited partnership with affiliates of Mercy Housing California (MHC) and Los Angeles Community Design Center (LACDC) as the general partners. Mercy Housing West, a California non-profit corporation and an affiliate of MHC, will act as Managing General Partner, with LACDC as the co-general partner. LACDC will remain in the partnership until three successive years of sustained occupancy is realized and HACLA approves of their exit from the limited partnership.

The developer of New Dana Strand Townhomes is Mercy Housing California, which was established in 1988 as the California branch of Mercy Housing, Inc. (founded in 1981), a national, nonprofit affordable housing development, management, advocacy and technical assistance enterprise sponsored by eleven congregations of Catholic women's religious orders. MHC has successfully completed development of 92 properties (4,878 units) and 2,744 self help homes. Currently, MHC has an additional 4,635 in advanced stages of development. New Dana Strand Townhomes will be managed out of the San Francisco office. Through its work, MHC has served more than 23,000 economically disadvantaged people in California including low and very low income working families, seniors, persons who are homeless and people with special needs including physical and mental disabilities and persons with HIV/AIDS. Several of MHC's projects, including Bermuda Gardens, Britton Courts, Countrywood Apartments, Duchow Way, Mercy Village, Padre Apartments, St. Vincents, Villa Amador, Villa Madera, and White Rock Village were financed by CalHFA.

Construction Security required from the borrower is shown as a completion and repayment guarantee from the general partner's parent corporation, Mercy Housing, Inc. This is subject to review and approval of the financial information provided by the borrower and compliance with the Agency's underwriting standards.

Los Angeles Community Design Center

Since 1984, the Los Angeles Community Design Center (LACDC) has completed nearly fifty affordable housing developments totaling over 2,500 apartment units either as sole developer or in partnership with other non-profit corporations. Currently, LACDC has ownership interests in 26 properties with a total of over 1,300 units that provide affordable housing to over 3,900 low-income individuals. The organization serves a diverse population covering a broad geographic service area with housing types that include family-oriented and multi-generational developments, single room occupancy buildings, special needs housing, and senior housing. These buildings are located throughout Los Angeles, many in the densely populated areas west of downtown Los Angeles, others extending from the unincorporated Lennox community to suburban cities in the northern part of the San Gabriel Valley, to the community of Wilmington to the south; and serve resident populations that include the working poor, single parents, high-risk youths, recent immigrants, people with AIDS, the disabled, the mentally ill, and the elderly.

B. Management Agent - Design Center Housing Services, Inc.

Design Center Housing Services (DCHS), a tax-exempt 501(c)(3) organization, formed in 1998 as an affiliate of LACDC, will be the property management provider, responsible for day-to-day operations of the New Dana Strand Townhomes. DCHS will also manage the immediately adjacent 120 unit New Dana Strand Garden Apartment development, creating certain economies of scale in management. DCHS currently manages 1,561 units in 27 sites throughout Los Angeles County. DCHS' property management services are resident-focused, tailored to the special needs of each housing community, and driven by the goal of building healthy communities.

DCHS will employ one full time property manager and one part-time assistant property manager, in addition to one full time, on-site services coordinator to facilitate the coordination of services on-site and to bring available community services on-site for the residents' benefit. DCHS' staff will live and work on-site, providing a 24-hour presence in the community. MHC will provide their own partnership management of the New Dana Strand Townhomes development to ensure the DCHS is performing under the Management Agreement and Plan, providing all necessary reporting to investors, lenders, HACLA and HUD, and providing effective and responsive social service coordination.

Subject to HUD's approval and the consent of the investor and CalHFA, HACLA, or a wholly-owned subsidiary of HACLA, shall have the right to assume property management responsibilities at its option upon sixty days notice at any time following five years from completion of the Townhomes. As a condition to such management transition, HACLA shall establish to the satisfaction of any guarantors, lenders and investors that HACLA or its subsidiary, as applicable, can operate the project in accordance with reasonable benchmarks for performance and market-competitive expense levels.

C. Contractor -

The contractor has not yet been selected. The hard costs of construction in the budget were determined by "Professional Construction Management Services", a firm based in Los Angeles specializing in cost estimating. The budget numbers include an allowance for escalation from current costs. Requests for qualifications from general contractors will be distributed in the first week of May to approximately seven local contractors with experience building similar sized affordable housing projects and complying with State prevailing wage. Three qualified contractors will be selected to bid on the project by the first week of June. Bidding is expected to commence in mid-July. A thirty day bid period will be allowed, with bids being due by mid-August. Construction is expected to start mid-September with completion expected by December 2006.

D. Architects – Van Tilburg, Banvard & Soderbergh, AIA

Van Tilburg, Banvard & Soderbergh (VTBS Architects) was founded in 1994. The three principals with a combined total of over 80 years of experience, are formerly of Johannes Van Tilburg & Partners, a firm founded by Van Tilburg in 1971. VTBS Architects has over 70 employees in California and Colorado. The firm has designed ten affordable housing projects as well as over 50 market rate multi-family projects, and fifteen mixed use projects.

PROJECT SUMMARY

PROJECT NUMBER: 04-010-C/S

Final Commitment

Project:	**New Dana Strand Townhomes**		
Location:	425 N. Hawaiian Avenue	***Developer:***	**Mercy Housing California**
City:	Wilmington	***Partner:***	Mercy Housing West
County:	Los Angeles	***Investor:***	To be determined
Zip Code:	90744		

		No. of Buildings:	12	
Project Type:	New Construction	*No. of Stories:*	2 and 3	
Occupancy:	Family	*Residential Space*	185,718	sq. ft.
Total Units:	116	*Office, Community Spac*	3,002	sq. ft.
Style Units:	Townhomes & Flats	*Commercial Space*	9,909	sq. ft.
Elevators:	none	*Gross Area*	198,629	sq. ft.
Total Parking	240	*Land Area*	361,112	sq. ft.
Covered	127	*Units per acre*	14	

CalHFA Construction Financing	Amount	Rate	Term (Mths)
CalHFA Construction Financing	$24,760,000	5.15%	20

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	**$1,650,000**	**5.50%**	**25**
CalHFA Bridge Loan	$0	0.00%	0
CalHFA Second Mortgage - FAF	**$580,000**	**3.00%**	**40**
HCD-MHP	$7,950,640	3.00%	55
HCD-MHP-NSSS	$500,000	3.00%	55
Housing Authority City of Los Angeles	$6,729,758	3.00%	55
Los Angeles Housing Dept.- HOME funds	$2,904,285	0.00%	55
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
AHP Loan	$0	0.00%	0
Income during Construction			
Developer Contribution	$1,026,984		
Deferred Dev. Fee	$276,368		
Tax Credit Equity	$16,416,275		

Construction Valuation		Appraisal		Value Upon Completion	
Investment Value	$26,500,000	**Appraisal Date:**	03/24/05	**Restricted Value:**	$3,200,000
Loan / Cost	70%	**Cap Rate:**	6.50%	**Perm. Loan / Cost**	4%
Loan / Value	93%			**Perm. Loan / Value**	70%

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	**Amount**	**Required Reserves**	**Amount**	
CalHFA Construction Loan Fee	$247,600	Other Reserve	$0	
CalHFA Permanent Loan Fees	$11,150	Replacement Resv. Initial Deposit		
Other Fee	$0	Repl. Reserve - Per Unit/ Per Yr	$400	
Construction Loan - Guarantees and Fees		CalHFA Operating Expense Reserve	$78,295	Cash
Completion and Repayment Guarante	$24,760,000	Rent Up Reserve	$138,000	LOC
Contractors Payment Bond	$28,378,836	LTV over 90% LOC	$1,011,111	LOC
Contractors Performance Bond	$28,378,836	Other Reserve	$0	

Date: 4/26/2005 **Senior Staff Date:** 4/20/2005

UNIT MIX AND RENT SUMMARY — New Dana Strand Townhomes

04-010-C/S

Total Unit Mix

# of Units	Unit Type	# of Baths	Average Sq. Ft.
	1 Bedroom Flat	1	
1	2 Bedroom Flat, HC	0.75	1,044
12	2 Bedroom Townhome	1	1,024 - 1,035
4	3 Bedroom Flat, HC	1.75	1,330
67	3 Bedroom Townhome	2	1,205 - 1,228
12	3 Bedroom Townhome	2.5	1,237 - 1,247
2	4 Bedroom Flat, HC	1.75	1,590
6	4 Bedroom Flat	2	1,871 - 1,910
12	4 Bedroom Townhome	2	1,400 - 1,411
116			

Number of Regulated Units By Agency

Agency	ACC Units	25%*	35%*	40%	50%	60%	Manager
CalHFA					23		
Tax Credits						114	
HACLA	46						
HCD		10	36	22	29	17	2
City					23	46	
Zoning							
Other							

*The MHP units at 25% and 35% are ACC units.

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			$0		
ACC UNITS	0	$0		$0	0%
40%	0	$0		$0	0%
50%	0	$0		$0	0%
60%	0	$0		$0	0%
80%	0	$0		$0	0%
Two Bedroom			$1,524		
ACC UNITS	4	$371		$1,153	24%
40%	0	$0		$0	0%
50%	7	$620		$904	41%
60%	0	$0		$0	0%
80%	0	$0		$0	0%
Three Bedroom			$1,861		
ACC UNITS	32	$371		$1,490	20%
40%	17	$559		$1,302	30%
50%	17	$713		$1,148	38%
60%	17	$868		$993	47%
80%	0	$0		$0	0%
Four Bedroom			$2,555		
ACC UNITS	10	$371		$2,184	15%
40%	5	$615		$1,940	24%
50%	5	$787		$1,768	31%
60%	0	$0		$0	0%
80%	0	$0		$0	0%

Sources and Uses of Funds — New Dana Strand Townhomes

04-010-C/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 Construction Financing	24,760,000				
Construction Only Source 2					
Construction Only Source 3					
CalHFA First Mortgage		1,650,000	1,650,000	14,224	4%
CalHFA Second Mortgage - FAF		580,000	580,000	5,000	2%
HCD-MHP	-	7,950,640	7,950,640	68,540	21%
HCD-MHP-NSSS	-	500,000	500,000	4,310	1%
Housing Authority City of Los Angeles	6,729,758		6,729,758	58,015	18%
Los Angeles Housing Dept.- HOME funds	2,904,285		2,904,285	25,037	8%
Source 6	-	-	-	-	0%
Source 7	-	-	-	-	0%
Source 8	-	-	-	-	0%
Source 9	-	-	-	-	0%
Source 10	-	-	-	-	0%
Source 11	-	-	-	-	0%
AHP Loan	-	-	-	-	0%
Income during Construction	-	-	-	-	0%
Developer Contribution		1,026,984	1,026,984	8,853	3%
Deferred Developer Fee	-	276,368	276,368	2,382	1%
Tax Credit Equity	1,200,000	15,216,275	16,416,275	141,520	43%
Total Sources	35,594,043	27,200,267	38,034,310	327,882	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		**$24,760,000**			
ACQUISITION					
Lesser of Land Cost or Value	-	-	-	-	0%
Demolition	-	-	-	-	0%
Legal - Acquisition Related Fees	15,580		15,580	134	0%
Subtotal - Land Cost / Value	15,580	-	15,580		
Existing Improvements Value	-	-	-	-	0%
Off-Sites & Site Utilities	400,895		400,895	3,456	1%
Streets	171,323	-	171,323	1,477	0%
Total Acquisition	**587,798**	**-**	**587,798**	**5,067**	**2%**
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%**

(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	900,000	-	900,000	7,759	2%
Structures (Hard Costs)	24,252,467	-	24,252,467	209,073	64%
General Requirements	1,412,049	-	1,412,049	12,173	4%
Contractors Overhead	498,924	-	498,924	4,301	1%
Contractors Profit	826,990	-	826,990	7,129	2%
Contractor's Bond	183,906	-	183,906	1,585	0%
General Liability Insurance	-	-	-	-	0%
Personal Property and Furnishings	304,500	-	304,500	2,625	1%
Other		-		-	0%
Total New Construction	**28,378,836**	**-**	**28,378,836**	**244,645**	**75%**
ARCHITECTURAL & ENGINEERING					
Architectural Design	872,100	-	872,100	7,518	2%
Architect's Supv during Construction	-	-	-	-	0%
Total Architectural	**872,100**	**-**	**872,100**	**7,518**	**2%**
Engineering Expense	437,033	-	437,033	3,768	1%
Engineers Supv. during Construction	-	-	-	-	0%
ALTA Survey	-	-	-	-	0%
Total Engineering & Survey	**437,033**	**-**	**437,033**	**3,768**	**1%**
CONSTRUCTION LOAN COSTS					
Construction Loan Interest	1,100,000		1,100,000	9,483	3%
CalHFA Construction Loan Fee	247,600		247,600	2,134	1%
Other Construction Loan Fees	-		-	-	0%
CalHFA Outside Legal Counsel Fees	10,000		10,000	86	0%
Other Lender Req'd Legal Fees	55,000		55,000	474	0%
Title and Recording fees	35,498		35,498	306	0%
CalHFA Req'd Inspection Fees	30,000		30,000	259	0%
Other Req'd Inspection Fees	-		-	-	0%
Prevailing Wage Monitoring Expense	-		-	-	0%
Taxes during construction	50,000		50,000	431	0%
Predevelopment Loan Costs and Interest	51,500		51,500	444	0%
Insurance during construction	70,500		70,500	608	0%
Other	-		-	-	0%
Total Construction Loan Expense	**1,650,098**	**-**	**1,650,098**	**14,225**	**4%**
PERMANENT LOAN COSTS					
CalHFA Perm Loan Fees	11,150	-	11,150	96	0%
CalHFA Bridge Loan Fees	-	-	-	-	0%
CalHFA Loan Application Fee	500	-	500	4	0%
Other Lender Perm. Loan Fees	-	-	-	-	0%
Title and Recording	-	33,564	33,564	289	0%
Perm. Bridge Loan Interest Expense	-	-	-	-	0%
Bond Origination Guarantee Fee	-	-	-	-	0%
Tax Exempt Bond Allocation Fee	600	-	600	5	0%
Legal Fees		5,000	5,000	43	0%
Total Permanent Loan Expense	**12,250**	**38,564**	**50,814**	**438**	**0%**
LEGAL FEES					
Organization Legal Fee	5,500		5,500	47	0%
Syndication	25,000		25,000	216	0%
Total Attorney Expense	**30,500**	**-**	**30,500**	**263**	**0%**

USES OF FUNDS (Cont'd):	Construction ($)	Permanent ($)	Total Development Costs		
			Permanent of Funds ($)	Per Unit per Unit	%
CONTRACT / REPORT COSTS					
Appraisal	14,500	-	14,500	125	0%
Market Study	4,750	-	4,750	41	0%
Physical Needs Assessment	-	-	-	-	0%
HUD Risk Share Environ. Review	-	-	-	-	0%
CalHFA EQ Waiver Seismic Review Fee	10,000	-	10,000	86	0%
Environmental Phase I / II Reports	80,832	-	80,832	697	0%
Soils / Geotech Reports	-	-		-	0%
Asbestos / Lead-based Paint Report	-	-	-	-	0%
Noise/Acoustical/Traffic Study Report	-	-	-	-	0%
CalHFA Environmental Review Fee	5,000	-	5,000	43	0%
Other	-	-	-	-	0%
Total Contract Costs	**115,082**	**-**	**115,082**	**992**	**0%**
CONTINGENCY					
Hard Cost Contingency	1,700,000	-	1,700,000	14,655	4%
Soft Cost Contingency	243,400	-	243,400	2,098	1%
Total Contingency	**1,943,400**	**-**	**1,943,400**	**16,753**	**5%**
RESERVES					
CalHFA Operating Expense Reserve	-	78,295	78,295	675	0%
Construction Defects Reserve	-	-	-	-	0%
90% LTV and Rent-Up Reserve LOC	17,237		17,237	149	0%
Capitalized Investor Req'd Reserve		110,051	110,051		
Initial lease up reserve for LLLC	43,552		43,552		
Prepaid Ground Lease/ACC Reserve	-	238,924	238,924	2,060	1%
ACC Start-up Reserve	102,396	-	102,396	883	0%
Total Reserves	**163,185**	**427,270**	**590,455**	**5,090**	**2%**
OTHER					
CTCAC App/Alloc/Monitor Fees	18,000	46,393	64,393	555	0%
Local Permit Fees	90,000	-	90,000	776	0%
Local Development Impact Fees	285,210	-	285,210	2,459	1%
Other Local Fees	-	-	-	-	0%
Advertising & Marketing Expenses	118,575	-	118,575	1,022	0%
1st Year Taxes & Insurance	-	-	-	-	0%
Furnishings	-	-	-	-	0%
Final Cost Audit Expense		28,040	28,040	242	0%
Miscellaneous Admin Fees	-	-	-	-	0%
Security during construction	41,184		41,184		0%
onstruction Management & Cost Estimating	121,065		121,065		0%
Construction Testing	41,160	-	41,160	355	0%
Service Planning & Community Outreach	43,567		43,567	376	0%
Total Other Expenses	**758,761**	**74,433**	**833,194**	**7,183**	**2%**
SUBTOTAL PROJECT COSTS	**34,949,043**	**25,300,267**	**35,489,310**	**305,942**	**93%**
DEVELOPER COSTS					
Developer Overhead/Profit (5% Acq.)	-	-	-	-	0%
Developer Overhead/Profit (NC/Rehab)	600,000	1,900,000	2,500,000	21,552	7%
Consultant / Processing Agent	45,000	-	45,000	388	0%
Project Administration	-	-	-	-	0%
Broker Fees to a related party	-	-	-	-	0%
Construction Mgmt. Oversight	-	-	-	-	0%
Other	-	-	-	-	0%
Total Developer Fee / Costs	**645,000**	**1,900,000**	**2,545,000**	**21,940**	**7%**
Total Costs	**35,594,043**	**27,200,267**	**38,034,310**	**327,882**	**100%**

Annual Operating Budget — **New Dana Strand Townhomes**

Final Commitment

INCOME:	$ Amount	Per Unit	% of Total
Total Rental Income	$777,552	$6,703	95.46%
Laundry	$6,032	$52	0.74%
Other Income	$30,931	$267	3.80%
Gross Potential Income (GPI)	**$814,515**	**$7,022**	100.00%
Less:			
Vacancy Loss	$31,563	$272	4.03%
Effective Gross Income	**$782,952**	**$6,750**	

EXPENSES:	Total Cost	Per Unit	% of Total
Payroll	$169,987	$1,465	28.41%
Administrative	$95,183	$821	15.91%
Management fee	$58,339	$503	9.75%
Utilities	$80,340	$693	13.43%
Operating and Maintenance	$96,378	$831	16.11%
Insurance and Business Taxes	$44,304	$382	7.40%
Locality Compliance Monitoring Fee	$0	$0	0.00%
Other	$0	$0	0.00%
Subtotal Expenses	**$544,531**	$4,694	91.00%
Replacement Reserves	$46,400	$400	7.75%
Taxes & Assessments	$7,469	$64	1.25%
Total Expenses	$598,400	$5,159	100.00%
Financial Expenses			
CalHFA First Mortgage	$121,589	$1,048	
CalHFA Second Mortgage - FAF	$0	$0	
Other Required Debt Service- MHP	$33,393	$288	
NET OPERATING INCOME	**$29,570**	**$255**	

Cash Flow	Final Commitment	CalHFA Project Number: 04-010-C/S	New Dana Strand Townhomes

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
ACC RENTAL INCOME											
ACC Units		204,792	211,960	219,378	227,057	235,004	243,229	251,742	260,553	269,672	279,110
ACC Unit Increases		*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
TOTAL RENTAL INCOME		204,792	211,960	219,378	227,057	235,004	243,229	251,742	260,553	269,672	279,110
OTHER INCOME											
Laundry		2,392	2,476	2,562	2,652	2,745	2,841	2,940	3,043	3,150	3,260
Utility Subsidy (AUEL)		30,931	32,014	33,134	34,294	35,494	36,736	38,022	39,353	40,730	42,156
Other Income Increase		*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
TOTAL OTHER INCOME		33,323	34,489	35,696	36,946	38,239	39,577	40,962	42,396	43,880	45,416
GROSS POTENTIAL INCOME		238,115	246,449	255,075	264,002	273,242	282,806	292,704	302,949	313,552	324,526
VACANCY ASSUMPTIONS											
ACC Units		*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
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		5,762	5,964	6,172	6,388	6,612	6,843	7,083	7,331	7,587	7,853
EFFECTIVE GROSS ACC INCOME		232,353	240,485	248,902	257,614	266,630	275,962	285,621	295,618	305,965	316,673
OPERATING EXPENSES	**40%**										
Expenses		215,935	223,492	231,315	239,411	247,790	256,463	265,439	274,729	284,345	294,297
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		2,962	3,021	3,082	3,143	3,206	3,270	3,336	3,402	3,470	3,540
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		18,400	18,400	18,400	18,400	18,400	19,320	19,320	19,320	19,320	19,320
Percentage Increase Yearly		*0.00%*	*0.00%*	*0.00%*	*0.00%*	*5.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*5.00%*
TOTAL ACC EXPENSES		237,297	244,914	252,796	260,954	269,396	279,053	288,094	297,451	307,135	317,157
ACC NET OPERATING INCOME		(4,944)	(4,428)	(3,894)	(3,340)	(2,766)	(3,090)	(2,473)	(1,834)	(1,171)	(483)

INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Affordable Rents	572,760	587,079	601,756	616,800	632,220	648,025	664,226	680,832	697,852	715,299
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
TOTAL RENTAL INCOME	572,760	587,079	601,756	616,800	632,220	648,025	664,226	680,832	697,852	715,299
OTHER INCOME										
Laundry	3,640	3,767	3,899	4,036	4,177	4,323	4,474	4,631	4,793	4,961
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	3,640	3,767	3,899	4,036	4,177	4,323	4,474	4,631	4,793	4,961
GROSS POTENTIAL INCOME	576,400	590,846	605,655	620,836	636,397	652,349	668,700	685,463	702,646	720,260
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	*4.47%*	*4.47%*	*4.47%*	*4.47%*	*4.47%*	*4.47%*	*4.47%*	*4.47%*	*4.47%*	*4.47%*
Laundry & Other Income	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*

Cash Flow Final Commitment		CalHFA Project Number: 04-010-C/S								New Dana Strand Townhomes	
LESS: VACANCY LOSS		**25,801**	**26,448**	**27,111**	**27,791**	**28,488**	**29,202**	**29,934**	**30,685**	**31,454**	**32,243**
EFFECTIVE GROSS INCOME		**550,599**	**564,398**	**578,544**	**593,045**	**607,909**	**623,147**	**638,766**	**654,778**	**671,191**	**688,017**
OPERATING EXPENSES	**60%**										
Expenses		328,596	340,097	352,001	364,321	377,072	390,269	403,929	418,066	432,699	447,843
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		4,507	4,597	4,689	4,783	4,879	4,976	5,076	5,177	5,281	5,386
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		28,000	28,000	28,000	28,000	28,000	29,400	29,400	29,400	29,400	29,400
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		**361,103**	**372,694**	**384,690**	**397,104**	**409,950**	**424,646**	**438,405**	**452,644**	**467,379**	**482,629**
TC UNITS NET OPERATING INCOME		**189,495**	**191,704**	**193,854**	**195,941**	**197,959**	**198,501**	**200,362**	**202,134**	**203,812**	**205,387**
		Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
TOTAL NET OPERATING INCOME		**184,552**	**187,276**	**189,960**	**192,601**	**195,193**	**195,411**	**197,888**	**200,301**	**202,641**	**204,904**
DEBT SERVICE											
CalHFA - 1st Mortgage		121,589	121,589	121,589	121,589	121,589	121,589	121,589	121,589	121,589	121,589
CalHFA - 2nd Mortgage	FAF	0	0	0	0	0	0	0	0	0	0
HCD-MHP		33,393	33,393	33,393	33,393	33,393	33,393	33,393	33,393	33,393	33,393
Sum of all required debt service		154,982	154,982	154,982	154,982	154,982	154,982	154,982	154,982	154,982	154,982
Cash flow after CalHFA debt service		**62,962**	**65,686**	**68,371**	**71,012**	**73,604**	**73,821**	**76,299**	**78,711**	**81,052**	**83,315**
DCR for just CalHFA loans		**1.52**	**1.54**	**1.56**	**1.58**	**1.61**	**1.61**	**1.63**	**1.65**	**1.67**	**1.69**
DEBT COVERAGE RATIO (ALL LOANS)		**1.19**	**1.21**	**1.23**	**1.24**	**1.26**	**1.26**	**1.28**	**1.29**	**1.31**	**1.32**

Cash Flow	Final Commitm CalHFA Project Number: 04-010-C/S									New Dana Strand Townhomes
ACC RENTAL INCOME		Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
ACC Units		288,879	298,990	309,455	320,286	331,496	343,098	354,249	365,762	377,649	389,923
ACC Unit Increases		3.50%	3.50%	3.50%	3.50%	3.50%	3.25%	3.25%	3.25%	3.25%	3.25%
TOTAL RENTAL INCOME		288,879	298,990	309,455	320,286	331,496	343,098	354,249	365,762	377,649	389,923
OTHER INCOME											
Laundry		3,374	3,492	3,614	3,741	3,872	4,007	4,148	4,293	4,443	4,599
Utility Subsidy (AUEL)		43,631	45,158	46,739	48,375	50,068	51,820	53,634	55,511	57,454	59,465
Other Income Increase		3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
TOTAL OTHER INCOME		47,005	48,651	50,353	52,116	53,940	55,828	57,782	59,804	61,897	64,064
GROSS POTENTIAL INCOME		335,885	347,641	359,808	372,401	385,435	398,926	412,030	425,566	439,546	453,986
VACANCY ASSUMPTIONS											
ACC Units		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
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		8,128	8,412	8,707	9,011	9,327	9,653	9,974	10,305	10,648	11,002
EFFECTIVE GROSS ACC INCOME		327,757	339,228	351,101	363,390	376,109	389,272	402,056	415,260	428,898	442,985
OPERATING EXPENSES	40%										
Expenses		304,597	315,258	326,292	337,712	349,532	361,766	374,428	387,533	401,096	415,135
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		3,610	3,683	3,756	3,831	3,908	3,986	4,066	4,147	4,230	4,315
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		20,286	20,286	20,286	20,286	20,286	21,300	21,300	21,300	21,300	21,300
Percentage Increase Yearly		0.00%	0.00%	0.00%	0.00%	5.00%	0.00%	0.00%	0.00%	0.00%	5.00%
TOTAL ACC EXPENSES		328,494	339,227	350,335	361,830	373,726	387,053	399,794	412,980	426,627	440,750
ACC NET OPERATING INCOME		(737)	2	767	1,560	2,382	2,220	2,262	2,280	2,271	2,235

INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Affordable Rents	733,181	751,511	770,299	789,556	809,295	829,527	850,265	871,522	893,310	915,643
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
TOTAL RENTAL INCOME	733,181	751,511	770,299	789,556	809,295	829,527	850,265	871,522	893,310	915,643
OTHER INCOME										
Laundry	5,135	5,314	5,500	5,693	5,892	6,098	6,312	6,533	6,761	6,998
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	5,135	5,314	5,500	5,693	5,892	6,098	6,312	6,533	6,761	6,998
GROSS POTENTIAL INCOME	738,316	756,825	775,799	795,249	815,187	835,626	856,577	878,055	900,071	922,641
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	4.47%	4.47%	4.47%	4.47%	4.47%	4.47%	4.47%	4.47%	4.47%	4.47%
Laundry & Other Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

Cash Flow	Final Commitm	CalHFA Project Number:	04-010-C/S						New Dana Strand Townhomes		
LESS: VACANCY LOSS		**33,052**	**33,880**	**34,730**	**35,601**	**36,494**	**37,409**	**38,348**	**39,309**	**40,295**	**41,306**
EFFECTIVE GROSS INCOME		**705,264**	**722,945**	**741,069**	**759,648**	**778,693**	**798,216**	**818,230**	**838,745**	**859,776**	**881,335**
OPERATING EXPENSES	**60%**										
Expenses		463,518	479,741	496,532	513,910	531,897	550,513	569,781	589,724	610,364	631,727
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		5,494	5,604	5,716	5,830	5,947	6,066	6,187	6,311	6,437	6,566
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		30,870	30,870	30,870	30,870	30,870	32,414	32,414	32,414	32,414	32,414
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		**499,882**	**516,215**	**533,118**	**550,611**	**568,714**	**588,993**	**608,382**	**628,448**	**649,215**	**670,706**
TC UNITS NET OPERATING INCOME		**205,383**	**206,730**	**207,951**	**209,037**	**209,979**	**209,223**	**209,847**	**210,297**	**210,561**	**210,628**
		Year 11	**Year 12**	**Year 13**	**Year 14**	**Year 15**	**Year 16**	**Year 17**	**Year 18**	**Year 19**	**Year 20**
TOTAL NET OPERATING INCOME		**204,646**	**206,731**	**208,718**	**210,597**	**212,361**	**211,443**	**212,110**	**212,577**	**212,833**	**212,863**
DEBT SERVICE											
CalHFA - 1st Mortgage		121,589	121,589	121,589	121,589	121,589	121,589	121,589	121,589	121,589	121,589
CalHFA - 2nd Mortgage	FAF	0	0	0	0	0	0	0	0	0	0
HCD-MHP		33,393	33,393	33,393	33,393	33,393	33,393	33,393	33,393	33,393	33,393
Sum of all required debt service		154,982	154,982	154,982	154,982	154,982	154,982	154,982	154,982	154,982	154,982
Cash flow after CalHFA debt service		**83,056**	**85,142**	**87,129**	**89,008**	**90,772**	**89,854**	**90,520**	**90,988**	**91,243**	**91,274**
DCR for just CalHFA loans		**1.68**	**1.70**	**1.72**	**1.73**	**1.75**	**1.74**	**1.74**	**1.75**	**1.75**	**1.75**
DEBT COVERAGE RATIO (ALL LOANS)		**1.32**	**1.33**	**1.35**	**1.36**	**1.37**	**1.36**	**1.37**	**1.37**	**1.37**	**1.37**

Cash Flow Final Commitm CalHFA Project Number: 04-010-C/S New Dana Strand Townhomes

ACC RENTAL INCOME		Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
ACC Units		402,595	415,679	429,189	443,138	457,540	472,410	487,763	503,615	519,983	536,882
ACC Unit Increases		*3.25%*	*3.25%*	*3.25%*	*3.25%*	*3.25%*	*3.25%*	*3.25%*	*3.25%*	*3.25%*	*3.25%*
TOTAL RENTAL INCOME		402,595	415,679	429,189	443,138	457,540	472,410	487,763	503,615	519,983	536,882
OTHER INCOME											
Laundry		4,760	4,926	5,099	5,277	5,462	5,653	5,851	6,056	6,267	6,487
Utility Subsidy (AUEL)		61,546	63,700	65,930	68,237	70,626	73,098	75,656	78,304	81,045	83,881
Other Income Increase		*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
TOTAL OTHER INCOME		66,306	68,626	71,028	73,514	76,087	78,750	81,507	84,359	87,312	90,368
GROSS POTENTIAL INCOME		468,901	484,306	500,217	516,652	533,627	551,160	569,270	587,975	607,295	627,250
VACANCY ASSUMPTIONS											
ACC Units		*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
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		11,367	11,745	12,135	12,538	12,955	13,386	13,831	14,290	14,765	15,256
EFFECTIVE GROSS ACC INCOME		457,534	472,561	488,082	504,114	520,672	537,774	555,439	573,684	592,530	611,994
OPERATING EXPENSES	**40%**										
Expenses		429,664	444,703	460,267	476,377	493,050	510,307	528,167	546,653	565,786	585,589
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		4,401	4,489	4,579	4,671	4,764	4,859	4,956	5,056	5,157	5,260
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		22,365	22,365	22,365	22,365	22,365	23,484	23,484	23,484	23,484	23,484
Percentage Increase Yearly		*0.00%*	*0.00%*	*0.00%*	*0.00%*	*5.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*5.00%*
TOTAL ACC EXPENSES		456,431	471,557	487,212	503,413	520,179	538,649	556,607	575,192	594,426	614,332
ACC NET OPERATING INCOME		1,103	1,004	871	701	493	(875)	(1,168)	(1,508)	(1,897)	(2,338)

INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Affordable Rents	938,534	961,997	986,047	1,010,698	1,035,966	1,061,865	1,088,412	1,115,622	1,143,512	1,172,100
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
TOTAL RENTAL INCOME	938,534	961,997	986,047	1,010,698	1,035,966	1,061,865	1,088,412	1,115,622	1,143,512	1,172,100
OTHER INCOME										
Laundry	7,243	7,496	7,759	8,030	8,311	8,602	8,903	9,215	9,537	9,871
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	7,243	7,496	7,759	8,030	8,311	8,602	8,903	9,215	9,537	9,871
GROSS POTENTIAL INCOME	945,777	969,494	993,806	1,018,729	1,044,277	1,070,467	1,097,315	1,124,837	1,153,050	1,181,972
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	*4.47%*	*4.47%*	*4.47%*	*4.47%*	*4.47%*	*4.47%*	*4.47%*	*4.47%*	*4.47%*	*4.47%*
Laundry & Other Income	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*

Cash Flow	Final Commitm	CalHFA Project Number: 04-010-C/S								New Dana Strand Townhomes	
LESS: VACANCY LOSS		**42,342**	**43,404**	**44,493**	**45,610**	**46,754**	**47,927**	**49,129**	**50,362**	**51,626**	**52,921**
EFFECTIVE GROSS INCOME		**903,434**	**926,089**	**949,313**	**973,119**	**997,523**	**1,022,540**	**1,048,186**	**1,074,475**	**1,101,424**	**1,129,050**
OPERATING EXPENSES	**60%**										
Expenses		653,837	676,722	700,407	724,921	750,293	776,554	803,733	831,864	860,979	891,113
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		6,697	6,831	6,968	7,107	7,249	7,394	7,542	7,693	7,847	8,004
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		34,034	34,034	34,034	34,034	34,034	35,736	35,736	35,736	35,736	35,736
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		**694,569**	**717,587**	**741,409**	**766,063**	**791,577**	**819,684**	**847,011**	**875,293**	**904,562**	**934,853**
TC UNITS NET OPERATING INCOME		**208,866**	**208,502**	**207,904**	**207,057**	**205,946**	**202,857**	**201,174**	**199,182**	**196,863**	**194,198**
		Year 21	**Year 22**	**Year 23**	**Year 24**	**Year 25**	**Year 26**	**Year 27**	**Year 28**	**Year 29**	**Year 30**
TOTAL NET OPERATING INCOME		**209,968**	**209,506**	**208,774**	**207,758**	**206,439**	**201,982**	**200,006**	**197,674**	**194,966**	**191,860**
DEBT SERVICE											
CalHFA - 1st Mortgage		121,589	121,589	121,589	121,589	121,589	0	0	0	0	0
CalHFA - 2nd Mortgage	FAF	0	0	0	0	0	83,000	83,000	83,000	83,000	83,000
HCD-MHP		33,393	33,393	33,393	33,393	33,393	33,393	33,393	33,393	33,393	33,393
Sum of all required debt service		154,982	154,982	154,982	154,982	154,982	116,393	116,393	116,393	116,393	116,393
Cash flow after CalHFA debt service		**88,379**	**87,917**	**87,185**	**86,168**	**84,850**	**118,982**	**117,006**	**114,674**	**111,966**	**108,860**
DCR for just CalHFA loans		**1.73**	**1.72**	**1.72**	**1.71**	**1.70**	**2.43**	**2.41**	**2.38**	**2.35**	**2.31**
DEBT COVERAGE RATIO (ALL LOANS)		**1.35**	**1.35**	**1.35**	**1.34**	**1.33**	**1.74**	**1.72**	**1.70**	**1.68**	**1.65**

Cash Flow	Final Commitm CalHFA Project Number: 04-010-C/S									New Dana Strand Townhomes

ACC RENTAL INCOME		Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
ACC Units		554,331	573,733	593,813	614,597	636,108	658,371	681,414	705,264	729,948	755,496
ACC Unit Increases		3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
TOTAL RENTAL INCOME		554,331	573,733	593,813	614,597	636,108	658,371	681,414	705,264	729,948	755,496
OTHER INCOME											
Laundry		6,714	6,949	7,192	7,444	7,704	7,974	8,253	8,542	8,841	9,150
Utility Subsidy (AUEL)		86,817	89,856	93,000	96,255	99,624	103,111	106,720	110,455	114,321	118,323
Other Income Increase		3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
TOTAL OTHER INCOME		93,531	96,804	100,193	103,699	107,329	111,085	114,973	118,997	123,162	127,473
GROSS POTENTIAL INCOME		647,862	670,537	694,006	718,296	743,436	769,457	796,388	824,261	853,110	882,969
VACANCY ASSUMPTIONS											
ACC Units		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
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		15,763	16,315	16,886	17,477	18,089	18,722	19,377	20,055	20,757	21,484
EFFECTIVE GROSS ACC INCOME		632,099	654,222	677,120	700,819	725,348	750,735	777,011	804,206	832,353	861,485
OPERATING EXPENSES	40%										
Expenses		606,084	627,297	649,253	671,976	695,496	719,838	745,032	771,108	798,097	826,031
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		5,365	5,472	5,582	5,693	5,807	5,923	6,042	6,163	6,286	6,412
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		24,658	24,658	24,658	24,658	24,658	25,891	25,891	25,891	25,891	25,891
Percentage Increase Yearly		0.00%	0.00%	0.00%	0.00%	5.00%	0.00%	0.00%	0.00%	0.00%	5.00%
TOTAL ACC EXPENSES		636,107	657,427	679,492	702,327	725,961	751,652	776,965	803,162	830,274	858,333
ACC NET OPERATING INCOME		(4,008)	(3,205)	(2,372)	(1,508)	(613)	(917)	46	1,044	2,079	3,153

INCOME	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
Affordable Rents	1,201,403	1,231,438	1,262,224	1,293,779	1,326,124	1,359,277	1,393,259	1,428,090	1,463,793	1,500,387
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
TOTAL RENTAL INCOME	1,201,403	1,231,438	1,262,224	1,293,779	1,326,124	1,359,277	1,393,259	1,428,090	1,463,793	1,500,387
OTHER INCOME										
Laundry	10,217	10,574	10,944	11,327	11,724	12,134	12,559	12,999	13,453	13,924
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	10,217	10,574	10,944	11,327	11,724	12,134	12,559	12,999	13,453	13,924
GROSS POTENTIAL INCOME	1,211,620	1,242,012	1,273,168	1,305,107	1,337,848	1,371,411	1,405,818	1,441,089	1,477,246	1,514,312
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	4.47%	4.47%	4.47%	4.47%	4.47%	4.47%	4.47%	4.47%	4.47%	4.47%
Laundry & Other Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

Cash Flow	Final Commitm	CalHFA Project Number:	04-010-C/S						New Dana Strand Townhomes		
LESS: VACANCY LOSS		**54,249**	**55,610**	**57,006**	**58,437**	**59,903**	**61,407**	**62,948**	**64,528**	**66,147**	**67,808**
EFFECTIVE GROSS INCOME		**1,157,371**	**1,186,402**	**1,216,162**	**1,246,670**	**1,277,945**	**1,310,005**	**1,342,870**	**1,376,561**	**1,411,099**	**1,446,504**
OPERATING EXPENSES	**60%**										
Expenses		922,302	954,583	987,993	1,022,573	1,058,363	1,095,405	1,133,745	1,173,426	1,214,496	1,257,003
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		8,164	8,327	8,494	8,664	8,837	9,014	9,194	9,378	9,566	9,757
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		37,523	37,523	37,523	37,523	37,523	39,399	39,399	39,399	39,399	39,399
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		**967,989**	**1,000,433**	**1,034,010**	**1,068,759**	**1,104,723**	**1,143,818**	**1,182,338**	**1,222,202**	**1,263,460**	**1,306,159**
TC UNITS NET OPERATING INCOME		**189,382**	**185,969**	**182,153**	**177,911**	**173,222**	**166,187**	**160,533**	**154,359**	**147,639**	**140,345**
		Year 31	**Year 32**	**Year 33**	**Year 34**	**Year 35**	**Year 36**	**Year 37**	**Year 38**	**Year 39**	**Year 40**
TOTAL NET OPERATING INCOME		**185,373**	**182,764**	**179,781**	**176,403**	**172,609**	**165,270**	**160,578**	**155,403**	**149,718**	**143,498**
DEBT SERVICE											
CalHFA - 1st Mortgage		0	0	0	0	0	0	0	0	0	0
CalHFA - 2nd Mortgage	FAF	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000
HCD-MHP		33,393	33,393	33,393	33,393	33,393	33,393	33,393	33,393	33,393	33,393
Sum of all required debt service		116,393	116,393	116,393	116,393	116,393	116,393	116,393	116,393	116,393	116,393
Cash flow after CalHFA debt service		**102,373**	**99,764**	**96,781**	**93,403**	**89,609**	**82,270**	**77,578**	**72,403**	**66,718**	**60,498**
DCR for just CalHFA loans		**2.23**	**2.20**	**2.17**	**2.13**	**2.08**	**1.99**	**1.93**	**1.87**	**1.80**	**1.73**
DEBT COVERAGE RATIO (ALL LOANS)		**1.59**	**1.57**	**1.54**	**1.52**	**1.48**	**1.42**	**1.38**	**1.34**	**1.29**	**1.23**

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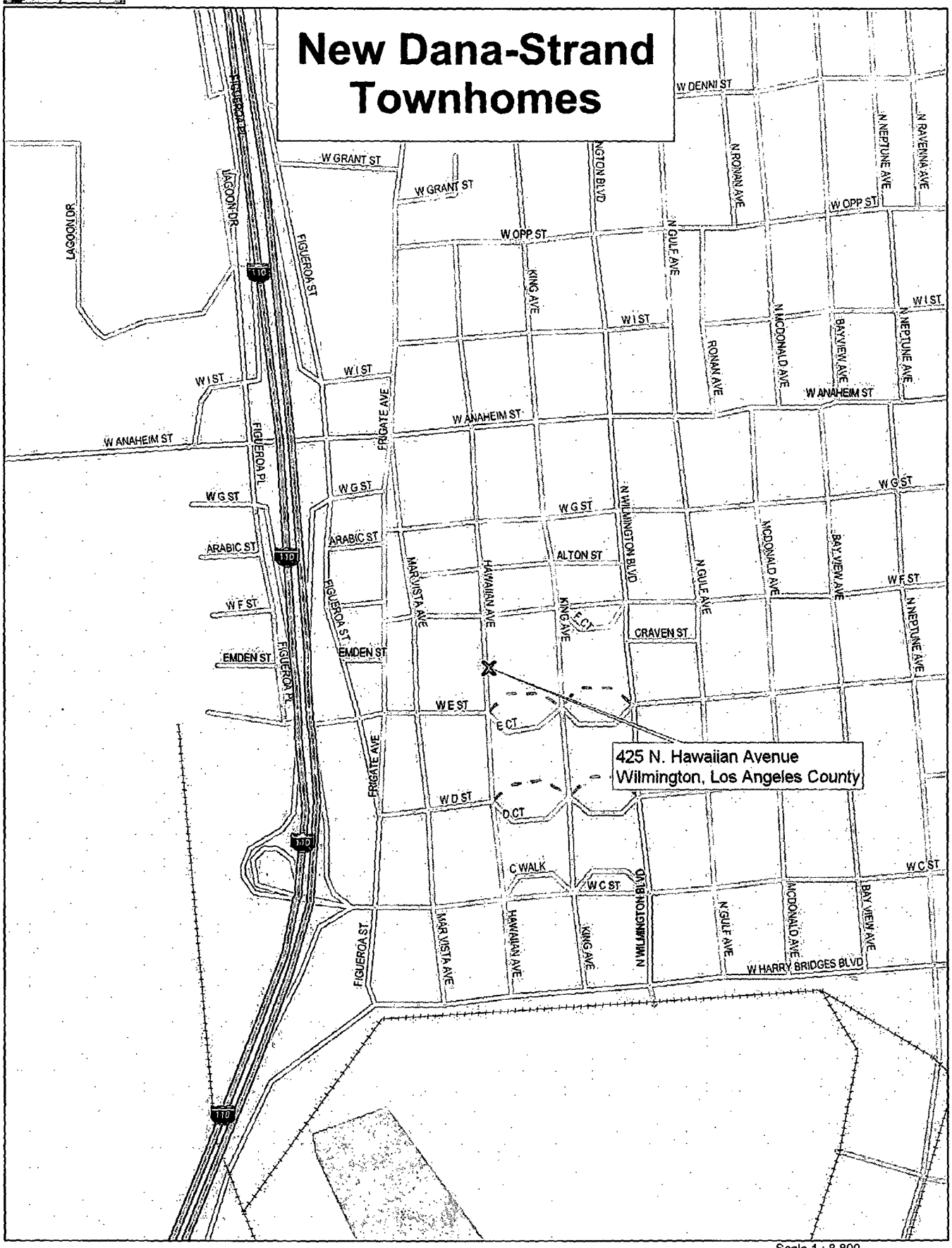
New Dana-Strand Townhomes



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TN
MN (13.1°E)

Scale 1 : 8,800
1" = 733.3 ft
Data Zoom 14-5

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DELORME
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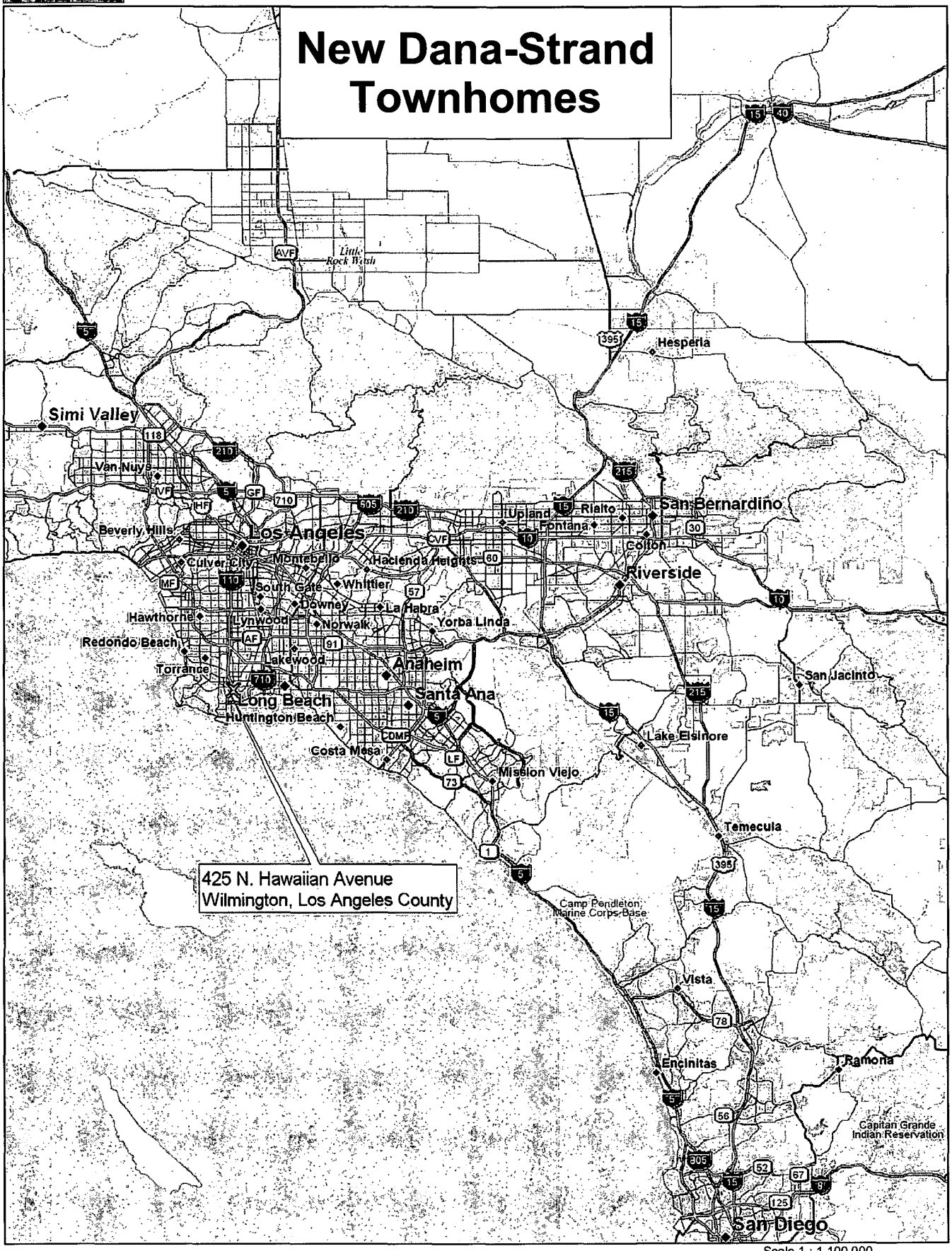
New Dana-Strand Townhomes



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TN
MN (13.0°E)

Scale 1 : 1,100,000
1" = 17.36 mi
Data Zoom 7-5

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RESOLUTION 05-20

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of New Dana Strand Townhomes, a California limited partnership (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the loan amounts described herein, the proceeds of which are to be used to provide construction and permanent mortgage loans on a 116-unit multifamily housing development located in the City of Wilmington to be known as Dana Strand (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated April 20, 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 March 8, 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	LOAN AMOUNT
04-010-C/S	Dana Strand Wilmington/Los Angeles	116	
		Construction First Mortgage:	$24,760,000
		Permanent First Mortgage:	$ 1,650,000
		Permanent Second Mortgage:	$ 580,000

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 loan 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 loan 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 05-20 adopted at a duly constituted meeting of the Board of the Agency held on May 12, 2005, at Burbank, California.

ATTEST: _____
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Larkfield Oaks
Larkfield, Sonoma County, CA
CalHFA # 03-062-L/N

SUMMARY

This is a final commitment request for tax-exempt, Loan to Lender and permanent loan financing. Silicon Valley Bank is providing the construction financing under the loan to lender agreement to finance the new construction of a 56-unit family apartment project called Larkfield Oaks in the Larkfield neighborhood of Sonoma County ("Project"). The Project is being co-developed by Burbank Housing Development Corporation ("BHDC" or "Developer") and Community Housing Development Corporation of Santa Rosa ("Co-Developer"). Upon completion the Project will be owned by a yet to be formed limited partnership ("Owner"), whose managing general partner will be a single-asset affiliate entity of Burbank Housing Development Corporation ("BHCD").

Fourteen units will be set aside for households with agricultural workers and seven units will be set aside for households with a member who is developmentally disabled or mentally ill. Larkfield Oaks will work with the Sonoma County Mental Health Department to place people needing housing in the units.

LOAN TERMS

Loan to Lender (Construction)

Loan Amount	**$ 9,590,000**
Interest Rate	4.00%, fixed
Term	24-Months, interest only
Financing	$9,235,000 Tax-Exempt
	$ 355,000 Taxable

Permanent

First Mortgage	**$2,000,000**
Interest Rate	5.90%
Term	30 year fixed, fully amortized
Financing	Tax-exempt

An Affordable Housing and Loan Agreement between Burbank Housing and Sonoma County will restrict occupancy to 23 very-low and low-income households for a minimum period of 30 years. All planning, zoning, density bonus and County-mandated occupancy restrictions running with the land or tied to the Project will be required to be subordinate to the CalHFA deeds of trust and regulatory agreement.

OTHER FINANCING

Source	Type	Loan Amount	Term	Interest Rate	Repayment
MHP	Loan	$3,135,000	55	3%	Residual receipts
Joe Serna Farm worker	Loan	$1,988,752	40	3%	Residual receipts
Sonoma County HOME	Loan	$ 117,159	32	3%	Residual receipts
County HOME/CHDO	Loan	$ 864,151	32	3%	Residual receipts
County HOME 2005-06	Loan	$ 371,000	32	3%	Residual receipts
AHP	Loan	$ 302,500	32	0%	Residual receipts

PROJECT DESCRIPTION

Project Location

- Larkfield Oaks will be located at 5255 Fulton Road in the small unincorporated area of Sonoma County known as Larkfield.
- The site is just off Interstate 101, five miles north of Santa Rosa and four miles south of the City of Windsor at the southwest corner of Fulton Road and Airport Boulevard.
- Fulton Road is a four-lane divided street with fairly heavy traffic flow and Airport Boulevard is a two lane street that provides access to Highway 101 and Old Redwood Highway.
- The site has good access to major highways, schools, and public transportation. The bus stop on Fulton Road adjacent the site will allow easy, affordable, transportation access to recreation, shopping, health services, and employment centers.

Site

- The 3.06 acre oak-studded site is vacant, flat and nearly rectangular in shape.
- The site is located in an urban service area identified in the County General Plan and Larkfield Wikiup Specific Plan, and has been specifically identified as a potential urban affordable housing site pursuant to provisions of the General Plan Housing Element.
- There is vacant land to the north of the site; an older single family home and freeway access to the south; a small single-family subdivision built in the 90's to the east; and an exit ramp for Highway 101 to the west (not visible from the site).
- The subject site is zoned R-2 (multifamily residential) which allows 11 dwelling units per acre. The higher density is a result of a 100% density housing bonus issued to the development by the County of Sonoma, which allows for a total of 66 units.
- The site is located in a "Zone X" (100-year to 500-year flood plain) due to potential flooding from the Mark West Creek. Mitigation measures have been incorporated in the grading plans with a minimum floor level of one foot above the 100-year flood elevation.
- The site is located in an agricultural area and all tenants are required to be notified prior to occupancy that agricultural activities occur in the area and noise, dust, smoke and chemical use may occur and are consistent with the Sonoma County General Plan.

Improvements

- The new improvements will consist of 17 buildings with post-tension slab foundations and wood frame two-story structures.

- The buildings will have composition roof tiles, vinyl windows and flush steel entry doors.
- There will be a total of 20 flats consisting of three studios, five 1-Bedroom and twelve 2-bedroom units. There will also be 36 town-homes consisting of eight 2-Bedroom, twenty-five 3-Bedroom, and three 4-Bedroom units.
- There will be 104 surface parking spaces, a 1,600 square foot community room, a tot lot, on-site laundry facilities and a sports court.
- All units will have a ceiling fan and patio/balcony.
- The town-home units will include washer and dryer hookups and have small rear yards with patios.

Off-Site Improvements

- The Developer is required to make improvements to the site roadway frontage areas along Fulton Road and Airport Boulevard, and to provide noise barrier walls, seven foot wide sidewalks, bicycle lanes, and street lighting. The street lighting energy costs and future maintenance costs are to be paid by the Project.
- The Developer shall provide Right-of-Way dedication of land as needed to meet the County requirements for the future signalization of the Airport Boulevard/Fulton Road intersection, Fulton Road Bus Stop and public drainage facilities.

MARKET

Market Overview

- The Primary Market Area (PMA) encompasses 11.68 square miles and is defined as the area bordered by the City of Windsor to the north, Calistoga Road to the east, Bodega Highway to the south, and Eastside Road to the west. It is estimated that 90% of the tenant population will derive from this area.
- The remaining 10% of the tenant population will derive from the larger Secondary Market Area (SMA) encompassing approximately 18 square miles. The SMA is defined as the area bordered by Dry Creek Road to the north, Highway 12 to the east, and Highway 116 to the south and west.
- Sonoma County has a diverse economic base, with a growing number of jobs in farm labor, services, retail, and manufacturing. In 2004, about 27% of all county jobs were related to farm labor.
- Sonoma County firms experienced relatively low unemployment rates of 3% in 2004.
- There are an estimated 5,319 income-eligible renter households in the PMA resulting in a 1.03% capture rate and there are an estimated 9,452 income-eligible renter households in the SMA resulting in a .58% capture rate.

Housing Demand and Supply

- The rental housing stock in the PMA is primarily comprised of older market rate and subsidized tax-credit developments in good condition with an average occupancy rate of 97%.
- The subsidized tax-credit properties surveyed in the PMA had an average occupancy rate of 100%, with waiting lists ranging from 447 to 800 families.
- There are 1,200 families on the currently closed Sonoma Housing Authority waiting list. The County has a total of 2,700 existing housing vouchers.

- Sonoma County has had numerous new rental housing developments constructed over the past five years – with only two of them are within the SMA and are fully leased up.
- According to the Sonoma County planning division, there are no future projects planned for the immediate market area.
- Only two other developments surveyed, provided four bedroom units.
- Average sales prices for single family homes in the SMA start at approximately $329,000. As a result, newer, well-managed affordable apartment alternatives compete successfully against entry level home opportunities.

Estimated Lease-up Period

- The Project is expected to be leased up in four months.

ENVIRONMENTAL

An environmental site survey was conducted in July 30, 2001 by Harris & Lee, and the report concluded that there are no known adverse environmental conditions warranting further investigation or remedial action. Prior to the close of the construction loan, a clear Phase I environmental assessment is required.

A seismic evaluation was ordered and the Project was approved for an earthquake insurance waiver.

DEVELOPMENT TEAM

Borrowers

Burbank Housing Development Corporation

Burbank Housing Development Corporation ("BHDC") is a non-profit public benefit corporation with over 23 years of experience developing affordable housing in California. The organization has developed over 40 projects and created 1,630 low-income housing opportunities. Over the past 5 years, BHDC has developed over 775 affordable housing units. BHDC is the lead developer for this project. The Agency has provided financing to BHDC for the development of several other projects; some of which include: Carrillo Place, Stony Point, Timothy Commons and Springs Village.

Community Housing Development Corporation of Santa Rosa

Community Housing Development Corporation of Santa Rosa ("CHDC/SR") is a community-based non profit housing development organization located in Santa Rosa ("CHDO"). The mission of the CHDC/SR is to develop and improve affordable housing opportunities in Sonoma County for very-low income people of all ages with a special interest in developing and expanding permanent supportive housing opportunities for people living with disabilities. CHDC/SR is currently partners with BHDC on two projects; Carrillo Place, a new multifamily affordable housing development that provides 5 units for individuals with developmental

disabilities; and Stony Point Commons, which involves the acquisition and renovation of a 16-bedroom residential care facility in Santa Rosa.

CHDC/SR will be part of the single-asset entity that will own Larkfield Oaks.

Management Agent

Burbank Housing Management Corporation

Burbank Housing Management Corporation (BHMC) has been providing property management, physical maintenance, financial management, budgeting, cash flow management, social services coordination, marketing and communication for all of BHMC projects since its formation over 10 years ago. It currently manages over 1,600 rental units in 40 developments.

Architect

Kellogg & Associates

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

Contractor

Midstate Construction

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

PROJECT SUMMARY

PROJECT NUMBER: 03-062

Final Commitment

Project:	**Larkfield Oaks**		
Location:	5255 Fulton Road	***Developer:***	**Burbank Housing Dev. Corp.**
City:	Larkfield	***Partner:***	**Community Housing Dev. Corp.**
County:	Sonoma	***Investor:***	Yet to be determined
Zip Code:	95403		

		No. of Buildings:	17	
Project Type:	New Construction	*No. of Stories:*	2	
Occupancy:	Family	*Residential Space*	58,931	sq. ft.
Total Units:	56	*Community Room Space*	1,600	sq. ft.
Style Units:	Townhomes & Flats	*Commercial Space*	0	sq. ft.
Elevators:	no	*Gross Area*	60,531	sq. ft.
Total Parking	104	*Land Area*	133,294	sq. ft.
Covered	0	*Units per acre*	18	

CalHFA Construction Financing	Amount	Rate	Term
CalHFA Loan to Lender	$9,590,000	4.00%	24 mths

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	**$2,000,000**	**5.90%**	**30**
CalHFA Bridge Loan	**$0**	**0.00%**	**0**
CalHFA Second Mortgage	**$0**	**0.00%**	**0**
MHP Loan	$3,135,000	3.00%	55
Joe Serna Farmworker Loan	$1,988,752	3.00%	40
Sonoma County HOME 2002-05	$117,159	3.00%	32
Sonoma County CHDO/HOME - 05	$864,151	3.00%	32
Sonoma County Home 05-06	$371,000	3.00%	32
AHP Loan	$302,500	0.00%	32
Other	$0	0.00%	0
Other	$0	0.00%	0
Other	$0	0.00%	0
Other	$0	0.00%	0
Other	$0	0.00%	0
Income during Construction	$0		
GP Equity Contribution	$525,000		
Deferred Developer Fee	$199,000		
Tax Credit Equity	$5,913,589		

Construction Valuation		Appraisal		Value Upon Completion	
Investment Value	$9,760,000	**Appraisal Date:**	**March 3, 2005**	**Restricted Value**	$4,150,000
Loan / Cost	62%	**Cap Rate:**	**6.00%**	**Perm. Loan / Cost**	14%
Loan / Value	98%			**Perm. Loan / Value**	48%

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	**Amount**	**Required Reserves**	**Amount**	
CalHFA Construction Loan Fee	$95,900	Repl. Reserve - Per Unit/ Per Yr	$600	Average
CalHFA Permanent Loan Fees	$10,000			
CDLAC Fee	$600			

Construction Loan - Guarantees and Fees			
Completion Guarantee Fee	$0	CalHFA Operating Expense Reserve	$110,547
Contractors Payment Bond	$0	Construction Defects Reserve	$0
Contractors Performance Bond	$0	Other Reserve	$0

Senior Staff Date: 4/20/2005

UNIT MIX AND RENT SUMMARY — Larkfield Oaks

03-062

Unit Mix			
# of Units	Unit Type	# of Baths	Average Sq. Ft.
3	Studio Flat	1	565
5	1 Bedroom Flat	1	640
12	2 Bedroom Flat	1	915
8	2 Bedroom Townhome	1.5	990
25	3 Bedroom Townhome	2	1305
3	4 Bedroom Townhome	2	1470
56			

Occupancy Restrictions by Agency							
Regulating Agency	Percent of Area Median Income						TOTAL UNITS
	30%	45%	50%	60%	80%	Unrestricted	
CalHFA			12				12
HCD-FWHG	4		10	41		1	56
HCD - MHP	20		14	21		1	56
TCAC				55		1	56
County			23	32		1	56
AHP	20		14	21		1	56

Restricted Rents Compared to Market Area Rents				
Median Income Rent Levels	Subject Rents	Avg. Market Rate Rents	Dollars Difference	% of Market
STUDIO		$772		
30%	$361		$411	47%
One Bedroom		$941		
30%	$382		$559	41%
Two Bedroom		$1,196		
30%	$454		$742	38%
50%	$790		$406	66%
60%	$957		$239	80%
Three Bedroom		$1,700		
30%	$528		$1,172	31%
50%	$916		$784	54%
60%	$1,110		$590	65%
Four Bedroom		$1,940		
50%	$1,020		$920	53%
60%	$1,236		$704	64%

Sources and Uses of Funds — LARKFIELD OAKS

03-062
Final Commitment

SOURCES OF FUNDS:	Funds in during Construction ($)	Funds in at Permanent ($)	Total Sources of Funds ($)	Sources per Unit	% of Total
CalHFA Loan to Lender	$9,590,000				
RCAC	$800,000				
Construction Period Only Source 3	$0				
CalHFA First Mortgage		2,000,000	2,000,000	35,714	13%
Joe Serna Farmworker Loan	$1,370,000	618,752	1,988,752	35,513	13%
Sonoma County HOME 2002-05	$117,159		117,159	2,092	1%
Sonoma County CHDO/HOME - 05	$864,151		864,151	15,431	6%
Sonoma County Home 05-06	$371,000		371,000	6,625	2%
AHP Loan	$302,500		302,500	5,402	2%
MHP Loan		3,135,000	3,135,000	55,982	20%
Source 8					
Source 9					
Source 10					
Source 11					
Source 12					
Income during Construction					
GP Equity Contribution		525,000	$525,000	9,375	3%
Deferred Developer Fee		199,000	$199,000	3,554	1%
Tax Credit Equity	778,134	5,135,455	$5,913,589	105,600	38%
Total Sources	**14,192,944**	**11,613,207**	**15,416,151**	**275,288**	**100%**
(Gap)/Surplus					

Total Development Sources

USES OF FUNDS:	Construction ($)	Permanent ($)	Total Uses of Funds ($)	Cost per Unit	%
LOAN PAYOFFS & ROLLOVERS					
Construction Loan payoffs		**$10,390,000**			
ACQUISITION					
Lesser of Land Cost or Value	$1,050,000		$1,050,000	18,750	7%
Legal & 3rd Party Broker Fees					
Off-Site Improvements (in Site Work)					
Demolition					
Existing Improvements Value					
Other	$41,553		$41,553	742	0%
Total Acquisition	$1,091,553	$0	$1,091,553	$19,492	7%
REHABILITATION					
Site Work					
Rehab to Structures					
General Requirements					
Overhead & Profit					
Contractor's Bond					
General Liability Insurance					
Environmental Mitigation Expense					
Other					
Other					
Total Rehabilitation	$0	$0	$0	$0	0%
RELOCATION EXPENSES					
Relocation Expense					
Relocation Compliance Monitoring					
Total Relocation	$0	$0	$0	$0	0%

Total Development Costs

(Continued on Next 2 Pages)

USES OF FUNDS (Cont'd):	Construction	Permanent ($)	Permanent	Per Unit	%
NEW CONSTRUCTION					
Site Work	$1,581,787		$1,581,787	$28,246	10%
Structures (Hard Costs)	$5,996,762		$5,996,762	$107,085	39%
General Requirements	$234,324		$234,324	$4,184	2%
Overhead & Profit	$383,012		$383,012	$6,840	2%
Contractor's Bond	$45,144		$45,144	$806	0%
General Liability Insurance	$90,833		$90,833	$1,622	1%
Other					
Other					
Total New Construction	$8,331,862	$0	$8,331,862	$148,783	54%
ARCHITECTURAL & ENGINEERING					
Architectural Design	$340,305		$340,305	$6,077	2%
Architect's Supv during Construction	$72,000		$72,000	$1,286	0%
Total Architectural	$412,305	$0	$412,305	$7,363	3%
Engineering Expense	$36,980		$36,980	$660	0%
Engineers Supv. during Construction					
ALTA Survey					
Total Engineering & Survey	$36,980	$0	$36,980	$660	0%
CONSTRUCTION LOAN COSTS					
Construction Loan Interest	$479,560		$479,560	$8,564	3%
CalHFA Construction Loan Fee	$95,900		$95,900	$1,713	1%
Other Construction & Predv. Loan Fees	$102,452		$102,452	$1,830	1%
CalHFA Legal Fees					
Bank Legal Fees	$25,000		$25,000	$446	0%
Title and Recording fees	$45,000		$45,000	$804	0%
CalHFA Req'd Inspection Fees	$18,000		$18,000	$321	0%
Bank Req'd Inspection Fees	$8,115		$8,115	$145	0%
Prevailing Wage Monitoring Expense					
R.E. Taxes & Assessments	$58,417		$58,417	$1,043	0%
Predevelopment Interest	$347,351		$347,351	$6,203	2%
General Liability - Wrap Insurance	$160,895		$160,895	$2,873	1%
Total Construction Loan Expense	$1,340,690	$0	$1,340,690	$23,941	9%
PERMANENT LOAN COSTS					
CalHFA Perm Loan Fees	$10,000		$10,000	$179	0%
CalHFA Bridge Loan Fees					
CalHFA Loan Application Fee	$500		$500	$9	0%
Title and Recording		$10,671	$10,671	$191	0%
Perm. Bridge Loan Interest Expense					
CDLAC Fee	$600		$600	$11	0%
Other					
Total Permanent Loan Expense	$11,100	$10,671	$21,771	$389	0%
LEGAL FEES					
Borrower Legal Fee	$31,444	$5,000	$36,444	$651	0%
Other					
Total Attorney Expense	$31,444	$5,000	$36,444	$651	0%

USES OF FUNDS (Cont'd):	Construction	Permanent ($)	Permanent	Per Unit	%
CONTRACT / REPORT COSTS					
Appraisal	$15,000		$15,000	$268	0%
Market Study	$10,000		$10,000	$179	0%
Physical Needs Assessment					
HUD Risk Share Environ. Review					
CalHFA EQ Waiver Seismic Review Fee	$10,000		$10,000	$179	0%
Environmental Phase I / II Reports	$27,697		$27,697	$495	0%
Soils / Geotech Reports	$15,600		$15,600	$279	0%
Asbestos / Lead-based Paint Report					
Noise/Acoustical/Traffic Study Report	$3,500		$3,500	$63	0%
Costs of Updating Reports at Closing	$7,500		$7,500	$134	0%
Other					
Total Contract Costs	$89,297	$0	$89,297	$1,595	1%
CONTINGENCY					
Hard Cost Contingency	$464,993		$464,993	$8,303	3%
Soft Cost Contingency	$131,574		$131,574	$2,350	1%
Total Contingency	$596,567	$0	$596,567	$10,653	4%
RESERVES					
CalHFA Operating Expense Reserve		$110,547	$110,547	$1,974	1%
Construction Defects Reserve					
Rent-Up Reserve					
Advertising & Marketing Reserve					
Other					
Other					
Other					
Total Reserves	$0	$110,547	$110,547	$1,974	1%
OTHER		-			
TCAC App/Alloc/Monitor Fees	$8,096	$22,960	$31,056	$555	0%
Permit & Other Local Fees	$208,152		$208,152	$3,717	1%
Local Development Impact Fees	$1,139,914		$1,139,914	$20,356	7%
Advertising & Marketing	$56,000		$56,000	$1,000	0%
1st Year Taxes & Insurance		$15,000	$15,000	$268	0%
Furnishings	$305,613		$305,613	$5,457	2%
Costs for Letters of Credit					
Audit	$8,200	$8,200	$16,400	$293	0%
Other					
Total Other Expenses	$1,725,975	$46,160	$1,772,135	$31,645	11%
SUBTOTAL PROJECT COSTS	**$13,667,773**	**$10,562,378**	**$13,840,151**	**$247,146**	**90%**
DEVELOPER COSTS					
Developer Fee (Overhead/Profit)	$239,171	$1,050,829	$1,290,000	$23,036	8%
Consultant / Processing Agent	$35,000		$35,000	$625	0%
Project Administration	$176,000		$176,000	$3,143	1%
Broker Fees to a related party					
Staff Construction Mgmt. Oversight	$75,000		$75,000	$1,339	0%
Other					
Total Developer Fee / Costs	**$525,171**	**$1,050,829**	**$1,576,000**	**$28,143**	**10%**
TOTAL PROJECT COST	**$14,192,944**	**$11,613,207**	**$15,416,151**	**$275,288**	**100%**

Annual Operating Budget — Larkfield Oaks

INCOME:	$ Amount	Per Unit
Total Rental Income	$519,792	$9,451
Laundry	$1,820	$33
Other Income	$0	$0
Gross Potential Income (GPI)	**$521,612**	**$9,484**
Less:		
Vacancy Loss	$23,930	$435
Effective Gross Income	**$497,682**	**$9,049**

EXPENSES:	Total Cost	Per Unit
Payroll	$98,100	$1,784
Administrative	$25,772	$469
Management fee	$30,240	$550
Utilities	$59,600	$1,084
Operating and Maintenance	$44,620	$811
Insurance and Business Taxes	$18,800	$342
Locality Compliance Monitoring Fee	$2,800	$51
Other		
Subtotal Expenses	**$279,932**	**$5,090**
Replacement Reserves	$33,600	$611
Taxes & Assessments	$6,735	$122
Total Expenses	**$320,267**	**$5,823**
Financial Expenses		
CalHFA First Mortgage	$142,353	$2,588
CalHFA Second Mortgage		
MHP Required Debt Service	$13,167	$239
Total Debt Service	**$155,520**	**$2,828**
NET OPERATING INCOME	**$21,895**	**$398**

Cash Flow	CalHFA Project Number: 03-062									Larkfield Oaks
RENTAL INCOME	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Affordable Rents	**519,792**	**532,787**	**546,106**	**559,759**	**573,753**	**588,097**	**602,799**	**617,869**	**633,316**	**649,149**
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
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%*
Manger's Unit	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Unrestricted Unit Increases	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
TOTAL RENTAL INCOME	**519,792**	**532,787**	**546,106**	**559,759**	**573,753**	**588,097**	**602,799**	**617,869**	**633,316**	**649,149**
OTHER INCOME										
Laundry	**1,820**	**1,866**	**1,912**	**1,960**	**2,009**	**2,059**	**2,111**	**2,163**	**2,217**	**2,273**
Other Income	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
TOTAL OTHER INCOME	**1,820**	**1,866**	**1,912**	**1,960**	**2,009**	**2,059**	**2,111**	**2,163**	**2,217**	**2,273**
GROSS POTENTIAL INCOME	**521,612**	**534,652**	**548,019**	**561,719**	**575,762**	**590,156**	**604,910**	**620,033**	**635,534**	**651,422**
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	*4.59%*	*4.59%*	*4.59%*	*4.59%*	*4.59%*	*4.59%*	*4.59%*	*4.59%*	*4.59%*	*4.59%*
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	**23,930**	**24,521**	**25,134**	**25,762**	**26,406**	**27,067**	**27,743**	**28,437**	**29,148**	**29,876**
EFFECTIVE GROSS INCOME	**497,682**	**510,131**	**522,885**	**535,957**	**549,356**	**563,090**	**577,167**	**591,596**	**606,386**	**621,545**
OPERATING EXPENSES										
Expenses	279,932	291,129	302,774	314,885	327,481	340,580	354,203	368,371	383,106	398,431
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Taxes and Assessments	6,735	6,870	7,007	7,147	7,290	7,436	7,585	7,736	7,891	8,049
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	33,600	33,600	33,600	33,600	33,600	34,160	34,160	34,160	34,160	34,160
TOTAL EXPENSES	**320,267**	**331,599**	**343,382**	**355,633**	**368,371**	**382,176**	**395,948**	**410,268**	**425,157**	**440,639**
NET OPERATING INCOME	**177,415**	**178,532**	**179,503**	**180,324**	**180,985**	**180,913**	**181,219**	**181,328**	**181,228**	**180,906**
DEBT SERVICE										
CalHFA - 1st Mortgage	142,353	142,353	142,353	142,353	142,353	142,353	142,353	142,353	142,353	142,353
MHP Debt Service	13,167	13,167	13,167	13,167	13,167	13,167	13,167	13,167	13,167	13,167
Sum of all req'd debt service	155,520	155,520	155,520	155,520	155,520	155,520	155,520	155,520	155,520	155,520
Cash flow after CalHFA debt service	**35,062**	**36,180**	**37,150**	**37,971**	**38,632**	**38,561**	**38,866**	**38,975**	**38,876**	**38,553**
DCR for just CalHFA loans	**1.25**	**1.25**	**1.26**	**1.27**	**1.27**	**1.27**	**1.27**	**1.27**	**1.27**	**1.27**
CASH FLOW after all debt service	**21,895**	**23,013**	**23,983**	**24,804**	**25,465**	**25,394**	**25,699**	**25,808**	**25,709**	**25,386**
DEBT COVERAGE RATIO	**1.14**	**1.15**	**1.15**	**1.16**	**1.16**	**1.16**	**1.17**	**1.17**	**1.17**	**1.16**

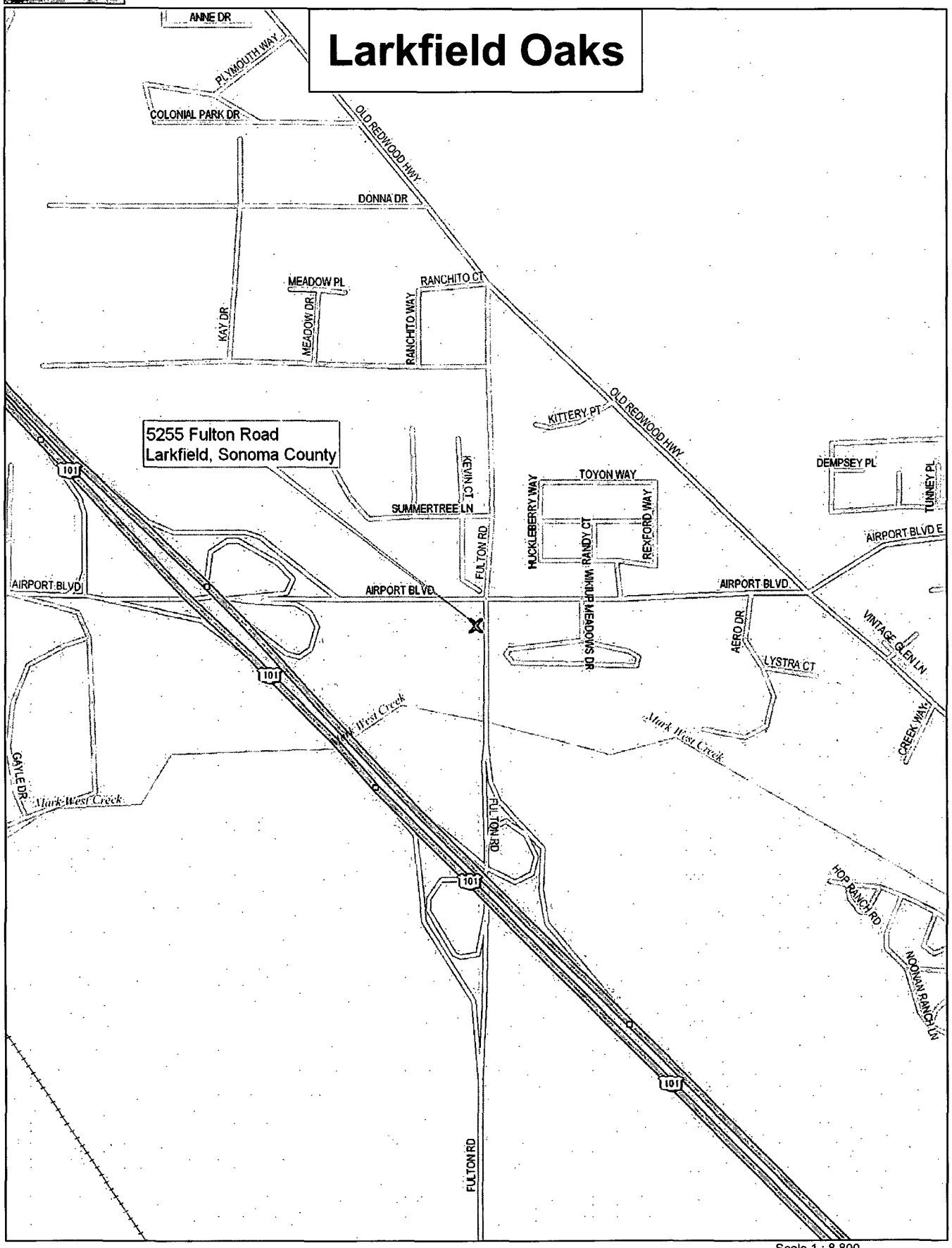
Cash Flow CalHFA Project Number: 03-062 Larkfield Oaks

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Affordable Rents	665,378	682,012	699,062	716,539	734,452	752,814	771,634	790,925	810,698	830,966
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
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%
Manger's Unit	0	0	0	0	0	0	0	0	0	0
Unrestricted Unit Increases	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL RENTAL INCOME	665,378	682,012	699,062	716,539	734,452	752,814	771,634	790,925	810,698	830,966
OTHER INCOME										
Laundry	2,330	2,388	2,448	2,509	2,572	2,636	2,702	2,769	2,839	2,910
Other Income	0	0	0	0	0	0	0	0	0	0
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
TOTAL OTHER INCOME	2,330	2,388	2,448	2,509	2,572	2,636	2,702	2,769	2,839	2,910
GROSS POTENTIAL INCOME	667,707	684,400	701,510	719,048	737,024	755,450	774,336	793,694	813,537	833,875
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	4.59%	4.59%	4.59%	4.59%	4.59%	4.59%	4.59%	4.59%	4.59%	4.59%
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	30,623	31,389	32,174	32,978	33,802	34,648	35,514	36,402	37,312	38,244
EFFECTIVE GROSS INCOME	637,084	653,011	669,336	686,070	703,222	720,802	738,822	757,293	776,225	795,631
OPERATING EXPENSES										
Expenses	414,368	430,942	448,180	466,107	484,752	504,142	524,307	545,280	567,091	589,775
Annual Expense Increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Taxes and Assessments	8,210	8,374	8,542	8,712	8,887	9,064	9,246	9,431	9,619	9,812
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	33,600	33,600	33,600	33,600	33,600	33,600	33,600	33,600	30,000	30,000
TOTAL EXPENSES	456,178	472,917	490,322	508,420	527,238	546,806	567,153	588,310	606,710	629,586
NET OPERATING INCOME	180,906	180,095	179,015	177,650	175,983	173,996	171,669	168,982	169,515	166,045
DEBT SERVICE										
CalHFA - 1st Mortgage	142,353	142,353	142,353	142,353	142,353	142,353	142,353	142,353	142,353	142,353
MHP Debt Service	13,167	13,167	13,167	13,167	13,167	13,167	13,167	13,167	13,167	13,167
Sum of all req'd debt service	155,520	155,520	155,520	155,520	155,520	155,520	155,520	155,520	155,520	155,520
Cash flow after CalHFA debt service	38,554	37,742	36,662	35,297	33,631	31,643	29,316	26,630	27,162	23,692
DCR for just CalHFA loans	1.27	1.27	1.26	1.25	1.24	1.22	1.21	1.19	1.19	1.17
CASH FLOW after all debt service	25,387	24,575	23,495	22,130	20,464	18,476	16,149	13,463	13,995	10,525
DEBT COVERAGE RATIO	1.16	1.16	1.15	1.14	1.13	1.12	1.10	1.09	1.09	1.07

Cash Flow | **CalHFA Project Number: 03-062** | **Larkfield Oaks**

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Affordable Rents	851,740	873,033	894,859	917,231	940,161	963,665	987,757	1,012,451	1,037,762	1,063,706
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
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%
Manger's Unit	0	0	0	0	0	0	0	0	0	0
Unrestricted Unit Increases	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL RENTAL INCOME	851,740	873,033	894,859	917,231	940,161	963,665	987,757	1,012,451	1,037,762	1,063,706
OTHER INCOME										
Laundry	2,982	3,057	3,133	3,212	3,292	3,374	3,459	3,545	3,634	3,724
Other Income	0	0	0	0	0	0	0	0	0	0
Other Income Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
TOTAL OTHER INCOME	2,982	3,057	3,133	3,212	3,292	3,374	3,459	3,545	3,634	3,724
GROSS POTENTIAL INCOME	854,722	876,090	897,992	920,442	943,453	967,039	991,215	1,015,996	1,041,396	1,067,431
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	4.59%	4.59%	4.59%	4.59%	4.59%	4.59%	4.59%	4.59%	4.59%	4.59%
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	39,200	40,180	41,185	42,215	43,270	44,352	45,461	46,597	47,762	48,956
EFFECTIVE GROSS INCOME	815,522	835,910	856,807	878,227	900,183	922,688	945,755	969,399	993,634	1,018,475
OPERATING EXPENSES										
Expenses	613,365	637,900	663,416	689,953	717,551	746,253	776,103	807,147	839,433	873,010
Annual Expense Increase	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Taxes and Assessments	10,008	10,208	10,412	10,620	10,833	11,049	11,270	11,496	11,726	11,960
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	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	623,373	648,108	673,828	700,573	728,384	757,302	787,373	818,643	851,159	884,971
NET OPERATING INCOME	192,148	187,801	182,979	177,654	171,799	165,385	158,381	150,756	142,475	133,504
DEBT SERVICE										
CalHFA - 1st Mortgage	142,353	142,353	142,353	142,353	142,353	142,353	142,353	142,353	142,353	142,353
MHP Debt Service	13,167	13,167	13,167	13,167	13,167	13,167	13,167	13,167	13,167	13,167
Sum of all req'd debt service	155,520	155,520	155,520	155,520	155,520	155,520	155,520	155,520	155,520	155,520
Cash flow after CalHFA debt service	49,795	45,449	40,626	35,302	29,447	23,033	16,029	8,403	122	(8,849)
DCR for just CalHFA loans	1.35	1.32	1.29	1.25	1.21	1.16	1.11	1.06	1.00	0.94
CASH FLOW after all debt service	36,628	32,282	27,459	22,135	16,280	9,866	2,862	(4,764)	(13,045)	(22,016)
DEBT COVERAGE RATIO	1.24	1.21	1.18	1.14	1.10	1.06	1.02	0.97	0.92	0.86

Larkfield Oaks



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TN
MN (15.1°E)

Scale 1 : 8,800
1" = 733.3 ft
Data Zoom 14-5

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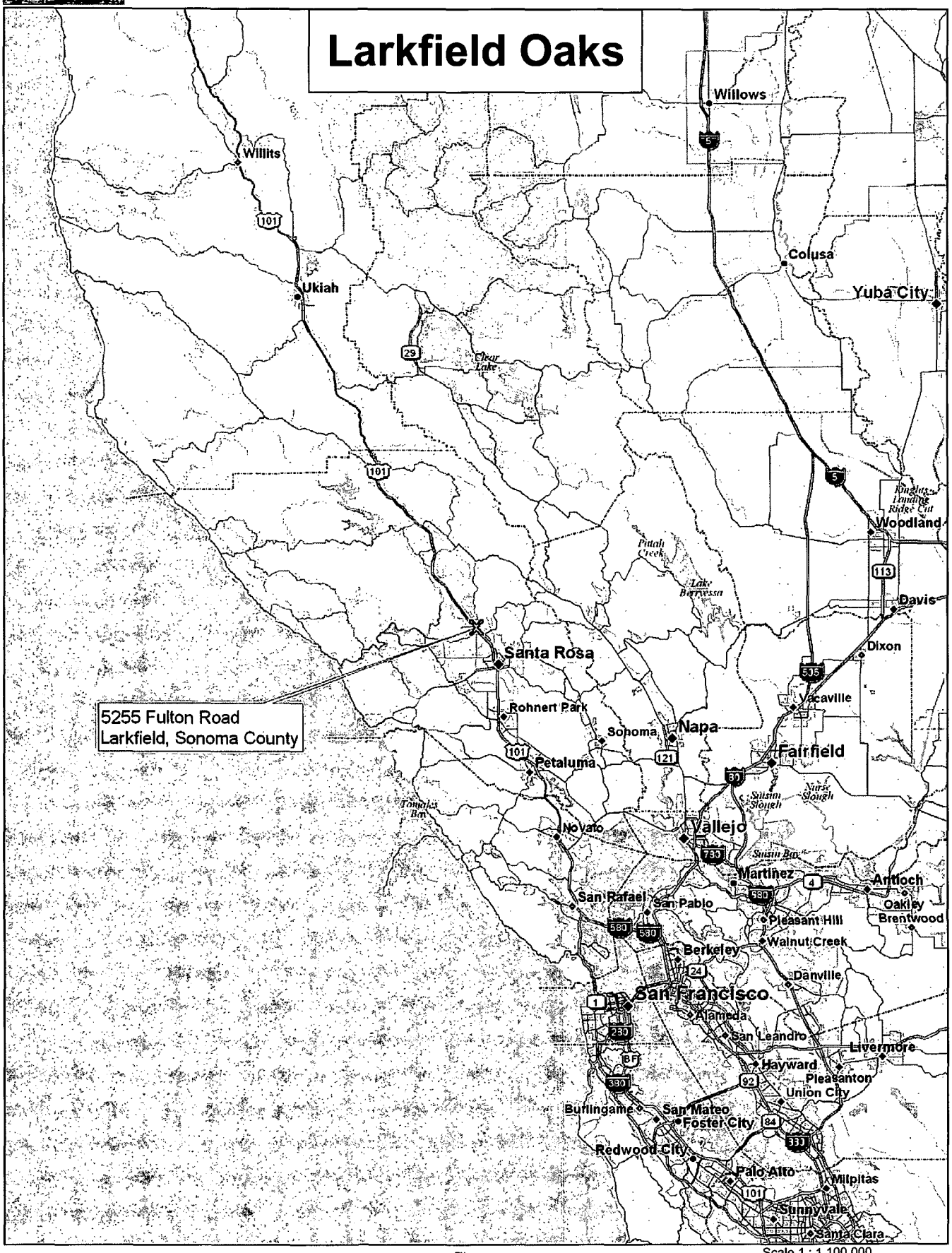
Larkfield Oaks



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TN
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Scale 1 : 1,100,000

1" = 17.36 mi

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RESOLUTION 05-21

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Larkfield Oaks, L.P., (the "Borrower"), seeking a loan commitment under the Agency's Loan-to-Lender and Tax-Exempt Loan Programs in the loan amounts described herein, the proceeds of which are to be used to provide financing for a 56-unit multifamily housing development located in the City of Larkfield to be known as Larkfield Oaks (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated April 20, 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 March 8, 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 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	LOAN AMOUNT
03-062-L/N	Larkfield Oaks Larkfield/Sonoma	56	
		Loan-to-Lender:	$9,590,000
		Permanent First Mortgage:	$2,000,000

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 loan amount so stated in this resolution by an amount not to exceed seven percent (7%) and modify the interest rate charged on the Loan-to-Lender loan based upon the then cost of funds without further Board approval.

3. All other material modifications to the final commitment, including increases in loan 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 05-21 adopted at a duly constituted meeting of the Board of the Agency held on May 12, 2005, at Burbank, California.

ATTEST:_____
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Villa Montgomery Apartments
Redwood City, San Mateo County, CA
CalHFA # 05-005 C/N

SUMMARY

This is a final commitment request for a construction and permanent loan. Security for the loans will be a 58-unit family housing project located at 1540 El Camino Real, Redwood City. The property will be owned by Villa Montgomery, L.P., a California limited partnership whose non-profit managing general partner is First Community Housing ("FCH"), a California nonprofit public benefit corporation.

The project is a high-density affordable family project on .62 acres consisting 58 flats and 1,158 square feet of retail space in a single five-story building situated over two levels of parking.

LOAN TERMS

Construction

First Mortgage	$15,600,000
Interest Rate	variable
Term	24 Months, interest only
Financing	Tax-exempt
Second Mortgage	$405,000
Interest Rate	3%
Term:	32 years
Financing	Agency Funds

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

Permanent

First Mortgage	$4,760,000
Interest Rate	5.90%
Term	30 year fixed, fully amortized
Financing	Tax-exempt
Second Mortgage	$405,000
Interest Rate	3%
Term:	32 years
Financing	Agency Funds

Agency funds will be for a total of 32 years: two years during construction and 30 years during the permanent loan period.

AHP financing is typically issued by the lender who provides the construction loan, It has become increasingly difficult to obtain a commitment for AHP funding from banks if they are not the main construction lender. The Agency has been asked to provide AHP-replacement financing for this project at terms that mirror the AHP program. During the term of the loan, repayment is to be residual receipts with CalHFA and Redwood City (the City) sharing equally in net income after payment of the deferred developer fee and a management fee. The balance of the loan is due at maturity of the permanent loan. CalHFA's loan of $405,000 will be junior to the MHP financing, because MHP does not allow loans with a balloon payment to be senior to MHP debt.

OTHER FINANCING

Source	Type	Loan Amount	Term	Interest Rate	Repayment
Redwood City RDA	Loan	$3,160,000	40	3%	Residual Receipts
Redwood City RDA	Grant	$1,350,000		0%	0
HCD-MHP	Loan	$5,600,000	55	3%	.42% annually

Redwood City currently owns the land and has executed a Disposition Development Agreement obligating the City to transfer the land to the Borrower prior to closing the construction loan. In addition, the City will provide a $1,350,000 grant for the land and a development loan of $3,160,000 with simple interest of 3% for 40 years payable out of residual receipts. The development loan is funded by a mixture of CDBG and HOME block grants. Eleven units will be subject to HOME program requirements and available to tenants earning no more than 50% of AMI.

PROJECT DESCRIPTION

Project Location

- The project is located on El Camino Real and Vera Drive in Redwood City.
- Redwood City is bordered by San Carlos, Belmont and Foster City to the North and Woodside and Atherton to the South.
- The site is ¼ mile from the downtown core of Redwood City along the El Camino Real, a primary commercial arterial running through the Bay Area.
- The property is in the City's Precise Plan Area, which is an area that is the focus of redevelopment projects such as a 20 screen cinema and retail project under construction, the 206-unit Franklin Street Apartments to the east of the subject and for-sale condominiums that are in the planning stages.
- The property is also in a Transit Oriented District, which is an area located within ½ mile from transit services and a wide range of services. Projects in this area are encouraged to be high density, mixed-use, pedestrian-oriented and of high architectural standards.
- Other uses in this area include a mix of commercial, retail and residential. Adjacent to the site will be an 8 unit for-sale townhome project developed by Habitat for Humanity, which will break ground after completion of the subject development.

- The residential neighborhood west of the subject site consists of both single and multi-family housing which is generally 30 years old or more and well-maintained.
- The site is within walking distance to a multitude of services, employment and transportation. It is .25 miles from a major grocery store/pharmacy, less than a mile from a medical facility and less than ½ mile from a library.
- All levels of schools are within .4 to 1 mile from the subject.
- Public parks are between .4 miles to 1 mile from the subject.
- A bus stop is within a block of the project site and the Caltrain Station is 1/3 mile from the property.
- The project is centrally located near employment centers and is less than a mile from Highway 101 and the downtown core.

Site

- The subject site currently consists of two parcels totaling .62 acres. Prior to construction loan closing, the parcels will be combined into one parcel.
- The site is zoned P (Planning Community) which allows for the proposed density of 97 units per acre.

Improvements

- The project consists a single building containing 58 units and 1,158 square feet of ground level retail. There is one level of subterranean and one level of at-grade parking, on top of four levels of residential type five wood-frame construction.
- There will be 8 studios, 8 one-bedroom units, 18 two-bedroom units and 24 three-bedroom.
- The units will have a full range of amenities, including heating and air conditioning. The units will be wired for internet access and have energy-efficient appliances, heating, cooling and windows.
- An open lobby, office space, community kitchen and a community meeting area are on the ground floor level. A computer room will be on the second level as well as a 9,500 square foot common open space area with landscaping, benches, barbeque area and a play structure on the second level. An elevator will provide access from the garage to all levels of the building and there will be two laundry rooms at two levels.
- The exterior of the building will be stucco, with stone trim on the first floor and built-up roofing.
- There will be a total of 112 parking spaces with 7 guest spaces. Parking for the retail will be on the street.
- This project will exceed energy code requirements by at least 25% by including green standards and renewable materials for mechanical systems, interior finishes, appliances plumbing fixtures and lighting. Pursuit of renewable energy methods is intended to minimize water consumption and reduce the energy cost to the tenant and the operating budget.
- The site is located at an entrance to Redwood City's downtown core. The design was based on a great deal of input from the public and City staff. This development has neighborhood support and is an important step toward Redwood City's goal of providing a diverse supply of affordable housing.

Off-Site Improvements

Off site improvements will include relocation of a traffic signal and PG & E distribution facilities, installation of sidewalks and street trees.

MARKET

Market Overview

- The subject's Primary Market Area ("PMA") is considered all of Redwood City, which has a population of 76,936. The secondary market area is considered San Mateo County, with a population of 709,200.
- There are 28,617 households in the PMA, averaging 2.62 persons per household.
- The median household income for the PMA is $79,689 and is lower than that of the County, which is $83,261.
- The median housing price in the PMA is $755,563, higher than the County which is $684,251.
- Renters occupy 48% of housing units in the PMA, for a total of 13,736 renter households.
- Up to 32% of renter households in the PMA pay more than 35% of their income towards rent.
- Thirty-one percent of renters are one-person households and 56% of the renters are made up of households of 2-4 persons.
- The majority of employment provided in the PMA is the within the service sector (49%), followed by manufacturing (12%) and retail trade (11%). The unemployment rate is low, at 2.7%. The largest employers in the PMA include Oracle (7,400 employed), San Mateo County (2,200 employed), Kaiser Permanente (1,800 employed) and Sequoia Hospital (1,100 employed).

Housing Supply and Demand

- The market study surveyed nine comparable market rate projects totaling 449 units and 4 affordable projects totaling 394 units within 1.25 miles of the subject property. There are no affordable apartments currently in the planning/development stages in the PMA and only 1 market rate four-plex in the planning stages.
- The market rate projects surveyed were of similar size and density to the subject and offered underground parking. The subject has air conditioning and more recreational space, which is not typically found in market-rate projects. The market rate projects surveyed were 94% occupied.
- Unit sizes in the market rate projects were typically larger (19% larger for 1 bedroom units and 31% larger for 3 bedroom units). However, the market study concluded that unit sizing will not be an impediment to marketability due to the subject's deep affordability.
- The affordable housing projects surveyed consist of two tax-credit projects and two mixed-financing projects. Sixty-five percent of the units surveyed were offered at 50% and 60% of AMI. Most of the projects are older rehab/conversions, and 65% of the units offered are 1 bedroom units. The subject has more amenities and floor plans than what is currently offered in the affordable market. The affordable housing projects are 100% occupied, with waiting lists of 800 and 1,000 in two of the projects.

PROJECT FEASIBILITY

Estimated Lease-up Period

- The market study concludes that the absorption rate is estimated to be 28 units per month, for a total of a two-month lease-up period for the following reasons:
  There is an estimated undersupply of affordable housing of 1,161 units at the 20% to 50% of MAI.
  The subject offers deeply discounted rents (47% of the units are rented below 40% of median).
  There is no competition in the PMA at the same income limits this project is offered.
  The project is well-located and offers several floor plans.

ENVIRONMENTAL

The site has a previous development history including residential uses, an automobile repair facility and a Chevron service station. In 1987, the Chevron station was demolished, four underground storage tanks were removed and remediation efforts included removal of 2,340 yards of impacted soil and ground water and installation of monitoring wells. The wells were monitored from 1987 until 1996. Following remediation a case closure memorandum was issued in 1996 for the property by the San Mateo County Remedial Oversight Program.

A Phase II is in progress and preliminary testing reveals soil and water contamination at low levels, allowing for standard disposal of these materials. The updated Phase II will be required as a condition of closing the construction loan.

Geotechnical report

A Geotechnical Report dated June 2004 concluded that ground water levels fluctuate from 5 to 14 feet below grade. The report found that there is potential for soil expansion which could result in fluctuations in soil volume during seasonal changes in moisture content. The report recommends construction of a matt foundation thickened to compensate for soil buoyancy; below-grade walls designed to retain expansive soils; shoring for excavation of the below-grade garage along the entire frontage of El Camino Real; underpinning of the adjacent retail building and soil dewatering operations. These findings have been incorporated into the project's design.

DEVELOPMENT TEAM

Borrower

The project is to be owned by Villa Montgomery L.P. a California limited partnership, with First Community Housing Corporation, a California nonprofit public benefit corporation ("FCH") as the general partner. FCH has been developing affordable housing in California for over 15 years and has completed 12 projects containing 778 units. Currently three projects with 148 units are under construction. CalHFA financed loans for Murphy Ranch Phase I and Phase II. Phase II is completed and leasing, with a permanent loan scheduled to close in July, which is well ahead of schedule.

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

Management Agent

Jon Berkley Management Inc.

Jon Berkley Management Inc. ("JBM") was formed in 1979 and manages a wide range of market rate and affordable apartments in the Bay Area and Sacramento Valley. The company specializes in affordable housing and manages four projects financed by CalHFA.

Architect

Fisher-Friedman Associates

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

Contractor

Branagh Construction

Branagh Construction has been in business since 1920, with projects ranging from educational facilities to churches, high density residential, commercial, hotels and offices. Branagh is based in Oakland and its projects are primarily in the Bay Area. Branagh has built 2 projects developed by FCH totaling 174 units of high density residential construction.

PROJECT SUMMARY

PROJECT NUMBER: 05-005

Final Commitment

Project:	**Villa Montgomery**			
Location:	1540 El Camino Real	***Developer:***	**First Community Housing**	
City:	Redwood City	***Partner:***	0	
County:	San Mateo	***Investor:***	Apollo Housing Capital, LLC	
Zip Code:	94063-1908			
		No. of Buildings:	1	
Project Type:	New Construction	*No. of Stories:*	5	
Occupancy:	Family	*Residential Space*	66,384	sq. ft.
Total Units:	58	*Office Space*	0	sq. ft.
Style Units:	flats	*Commercial Space*	1,158	sq. ft.
Elevators:	Yes	*Gross Area*	113,949	sq. ft.
Total Parking	112	*Land Area*	27,060	sq. ft.
Covered	112	*Units per acre*	93	

CalHFA Construction Financing	Amount	Rate	Term (Mths)
CalHFA Construction Financing	$15,600,000	4.65%	24 months
CalHFA	$405,000	3.00%	24 months

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	**$4,760,000**	**5.90%**	**30**
CalHFA Bridge Loan	**$0**	**0.00%**	**0**
CalHFA Second Mortgage	**$0**	**3.00%**	**0**
CalHFA	$405,000	3.00%	30
MHP	$5,600,000	3.00%	55
Redwood City RDA Loans	$3,160,000	3.00%	40
Redwood City RDA-grant	$1,350,000	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	$410,905		
Deferred Dev. Fee	$0		
Tax Credit Equity	$7,547,310		

Construction Valuation		Appraisal		Value Upon Completion	
Investment Value	$17,250,000	**Appraisal Date:**	**March 14, 2005**	**Restricted Value**	$8,670,000
Loan / Cost	67%	**Cap Rate:**	**5.00%**	**Perm. Loan / Cost**	20%
Loan / Value	90%			**Perm. Loan / Value**	55%

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	Amount	Required Reserves	Amount
CalHFA Construction Loan Fee	$156,000	Other Reserve	$0
CalHFA Permanent Loan Fees	$25,825	Replacement Resv. Initial Deposit	$0
Other Fee	$0	Repl. Reserve - Per Unit/ Per Yr	$400
Construction Loan - Guarantees and Fees		CalHFA Operating Expense Reserve	$65,520
Completion Guarantee Fee	$14,908,527	Rent Up Reserve	$0
Contractors Payment Bond	$14,908,527	Other Reserve	$0
Contractors Performance Bond	$14,908,527	Other Reserve	$0

Date: 4/14/2005 **Senior Staff Date:** 4/20/2005

UNIT MIX AND RENT SUMMARY — Villa Montgomery

05-005

Total Unit Mix

# of Units	Unit Type	# of Baths	Average Sq. Ft.
8	Studio	1	395
8	1 Bedroom Flat	1	533
18	2 Bedroom Flat	1	830
24	3 Bedroom Flat	2	1,064
58			

Number of Regulated Units By Agency

Agency	20%	40%	50%	60%	80%
CalHFA			12		
Tax Credits				58	
Locality	20	7	30		
HCD	20	7	30		
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
Studio			$991		
20%	6	$379		$612	28%
40%	2	$775		$216	78%
50%	0	$0		$0	0%
60%	0	$0		$0	0%
80%	0	$0		$0	0%
One Bedroom			$1,447		
20%	5	$399		$1,048	28%
40%	0	$0		$0	0%
50%	3	$985		$462	68%
60%	0	$0		$0	0%
80%	0	$0		$0	0%
Two Bedroom			$1,481		
20%	5	$477		$1,004	32%
40%	0	$0		$0	0%
50%	12	$1,240		$241	84%
60%	0	$0		$0	0%
80%	0	$0		$0	0%
Three Bedroom			$2,604		
20%	4	$549		$2,055	21%
40%	5	$1,137		$1,467	44%
50%	15	$1,431		$1,173	55%
60%	0	$0		$0	0%
80%	0	$0		$0	0%

PROJECT SUMMARY

PROJECT NUMBER: **05-005**

Final Commitment

Project:	**Villa Montgomery**			
Location:	1540 El Camino Real	***Developer:***	**First Community Housing**	
City:	Redwood City	***Partner:***	0	
County:	San Mateo	***Investor:***	Apollo Housing Capital, LLC	
Zip Code:	94063-1908			
		No. of Buildings:	1	
Project Type:	New Construction	*No. of Stories:*	5	
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CalHFA	$405,000	3.00%	30
MHP	$5,600,000	3.00%	55
Redwood City RDA Loans	$3,160,000	3.00%	40
Redwood City RDA-grant	$1,350,000	0.00%	0
Source 6	$0	0.00%	0
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Date: 4/14/2005 **Senior Staff Date:** 4/20/2005

UNIT MIX AND RENT SUMMARY — Villa Montgomery

05-005

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80%	0	$0		$0	0%

Sources and Uses of Funds

Villa Montgomery
05-005
Final Commitment

SOURCES OF FUNDS:	Funds in during Construction ($)	Funds in at Permanent ($)	Total Development Sources: Total Sources of Funds ($)	Sources per Unit	%
CalHFA Construction Financing	15,600,000				
Construction Only Source 2	-				
Construction Only Source 3	-				
CalHFA First Mortgage		4,760,000	4,760,000	82,069	20%
CalHFA Second Mortgage		-	-	-	0%
CalHFA	405,000	-	405,000	6,983	2%
MHP	-	5,600,000	5,600,000	96,552	24%
Redwood City RDA Loans	3,160,000	-	3,160,000	54,483	14%
Redwood City RDA-grant	1,350,000	-	1,350,000	23,276	6%
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	-	410,905	410,905	7,085	2%
Deferred Developer Fee	-	-		-	0%
Tax Credit Equity	1,003,870	6,543,440	7,547,310	130,126	32%
Total Sources	21,518,870	17,314,345	23,233,215	400,573	100%
(Gap)/Surplus	-		-		

USES OF FUNDS:	Construction ($)	Permanent ($)	Total Development Costs: Total Uses of Funds ($)	Cost per Unit	%
LOAN PAYOFFS & ROLLOVERS					
Construction Loan payoffs		**$15,600,000**			
ACQUISITION					
Lesser of Land Cost or Value	1,350,000	-	1,350,000	23,276	6%
Demolition	-	-	-	-	0%
Legal - Acquisition Related Fees	-	-	-	-	0%
Subtotal - Land Cost / Value	1,350,000	-	1,350,000	23,276	
Existing Improvements Value	-	-	-	-	0%
Off-Site Improvements	-	-	-	-	0%
Other	-	-	-	-	0%
Total Acquisition	**1,350,000**	**-**	**1,350,000**	**23,276**	**6%**
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%**

(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	1,061,378	-	1,061,378	18,300	5%
Structures (Hard Costs)	12,070,715	-	12,070,715	208,116	52%
General Requirements	761,170	-	761,170	13,124	3%
Contractors Overhead	570,373	-	570,373	9,834	2%
Contractors Profit	444,891	-	444,891	7,671	2%
Contractor's Perf. & Pymt Bond	86,461	-	86,461	1,491	0%
General Liability Insurance	279,594	-	279,594	4,821	1%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total New Construction	**15,274,582**	**-**	**15,274,582**	**263,355**	**66%**
ARCHITECTURAL & ENGINEERING					
Architectural Design	1,000,000	-	1,000,000	17,241	4%
Architect's Supv during Construction	-	-	-	-	0%
Total Architectural	**1,000,000**	**-**	**1,000,000**	**17,241**	**4%**
Engineering Expense	95,000	-	95,000	1,638	0%
Engineers Supv. during Construction	-	-	-	-	0%
ALTA Survey	-	-	-	-	0%
Total Engineering & Survey	**95,000**	**-**	**95,000**	**1,638**	**0%**
					0%
CONSTRUCTION LOAN COSTS					
Construction Loan Interest	944,410		944,410	16,283	4%
CalHFA Construction Loan Fee	156,000		156,000	2,690	1%
Other Construction Loan Fees	-		-	-	0%
CalHFA Outside Legal Counsel Fees	20,000		20,000	345	0%
Other Lender Req'd Legal Fees	-		-	-	0%
Title and Recording fees	15,000		15,000	259	0%
CalHFA Req'd Inspection Fees	22,500		22,500	388	0%
Other Req'd Inspection Fees	-		-	-	0%
Prevailing Wage Monitoring Expense	-		-	-	0%
Taxes & Insurance during construction	10,000		10,000	172	0%
Predevelopment Interest	-		-	-	0%
Cost for Completion Guarantee	-		-	-	0%
Other	-		-	-	0%
Total Construction Loan Expense	**1,167,910**	**-**	**1,167,910**	**20,136**	**5%**
					0%
PERMANENT LOAN COSTS					
CalHFA Perm Loan Fees	25,825	-	25,825	445	0%
CalHFA Bridge Loan Fees	-	-	-	-	0%
CalHFA Loan Application Fee	500	-	500	9	0%
Other Lender Perm. Loan Fees	-	-	-	-	0%
Title and Recording	-	15,000	15,000	259	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	**26,925**	**15,000**	**41,925**	**723**	**0%**
LEGAL FEES					
Borrower Legal Fee	45,000	-	45,000	776	0%
Other-syndication legal	30,000	-	30,000	517	0%
Total Attorney Expense	**75,000**	**-**	**75,000**	**1,293**	**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	172	0%
Market Study	7,500	-	7,500	129	0%
Physical Needs Assessment	-	-	-	-	0%
HUD Risk Share Environ. Review	-	-	-	-	0%
CalHFA EQ Waiver Seismic Review Fee	10,000	-	10,000	172	0%
Environmental Phase I / II Reports	10,000	-	10,000	172	0%
Soils / Geotech Reports	-	-	-	-	0%
Asbestos / Lead-based Paint Report	-	-	-	-	0%
Noise/Acoustical/Traffic Study Report	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Contract Costs	**37,500**	**-**	**37,500**	**647**	**0%**
CONTINGENCY					
Hard Cost Contingency	1,250,421	-	1,250,421	21,559	5%
Soft Cost Contingency	50,000	-	50,000	862	0%
Total Contingency	**1,300,421**	**-**	**1,300,421**	**22,421**	**6%**
RESERVES					
CalHFA Operating Expense Reserve	-	65,520	65,520	1,130	0%
Construction Defects Reserve	-	-	-	-	0%
Rent-Up Reserve	-	74,656	74,656	1,287	0%
Capitalized Investor Req'd Reserve	-	-	-	-	0%
Other	-	-	-	-	0%
Total Reserves	**-**	**140,176**	**140,176**	**2,417**	**1%**
OTHER					
CTCAC App/Alloc/Monitor Fees	33,532	-	33,532	578	0%
Local Permit Fees	250,000	-	250,000	4,310	1%
Local Development Impact Fees	833,000	-	833,000	14,362	4%
Other Local Fees	-	-	-	-	0%
Advertising & Marketing Expenses	30,000	-	30,000	517	0%
1st Year Taxes & Insurance	-	-	-	-	0%
Furnishings	10,000	-	10,000	172	0%
Final Cost Audit Expense	-	20,000	20,000	345	0%
Miscellaneous Admin Fees	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Other Expenses	**1,156,532**	**20,000**	**1,176,532**	**20,285**	**5%**
SUBTOTAL PROJECT COSTS	**21,483,870**	**15,775,176**	**21,659,046**	**373,432**	**93%**
				373,432	
DEVELOPER COSTS					
Developer Overhead/Profit (5% Acq.)	-	-	1,539,169	26,537	7%
Developer Overhead/Profit (NC/Rehab)	-	-	-	-	0%
Consultant / Processing Agent	35,000	-	35,000	603	0%
Project Administration	-	-	-	-	0%
Broker Fees to a related party	-	-	-	-	0%
Construction Mgmt. Oversight	-	-	-	-	0%
Other	-	-	-	-	0%
Total Developer Fee / Costs	**35,000**	**-**	**1,574,169**	**27,141**	**7%**
Total Costs	**21,518,870**	**15,775,176**	**23,233,215**	**400,573**	**100%**

Annual Operating Budget **Villa Montgomery**

Final Commitment

INCOME:	$ Amount	Per Unit	% of Total
Total Rental Income	$679,308	$11,712	98.61%
Laundry	$9,600	$166	1.39%
Other Income	$0	$0	0.00%
Gross Potential Income (GPI)	**$688,908**	**$11,878**	100.00%
Less:			
Vacancy Loss	$33,711	$581	5.15%
Effective Gross Income	**$655,197**	**$11,297**	

EXPENSES:	Total Cost	Per Unit	% of Total
Payroll	$111,947	$1,930	43.58%
Administrative	$28,435	$490	11.07%
Management fee	$22,840	$394	8.89%
Utilities	$16,310	$281	6.35%
Operating and Maintenance	$31,550	$544	12.28%
Insurance and Business Taxes	$20,289	$350	7.90%
Locality Compliance Monitoring Fee	$0	$0	0.00%
Other	$0	$0	0.00%
Subtotal Expenses	**$231,371**	$3,989	90.07%
Replacement Reserves	$23,200	$400	9.03%
Taxes & Assessments	$2,320	$40	0.90%
Total Expenses	$256,891	$4,429	100.00%
Financial Expenses			
CalHFA First Mortgage	$338,800	$5,841	
CalHFA Second Mortgage	$0	$0	
Other Required Debt Service	$22,852	$394	
NET OPERATING INCOME	**$36,654**	**$632**	

Cash Flow	Final Commitment			CalHFA Project Number:	05-005					Villa Montgomery
RENTAL INCOME	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Affordable Rents	**664,620**	**677,912**	**691,471**	**705,300**	**719,406**	**733,794**	**748,470**	**763,439**	**778,708**	**794,282**
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	**14,688**	**14,688**	**14,688**	**14,688**	**14,688**	**14,688**	**14,688**	**14,688**	**14,688**	**14,688**
Unrestricted Unit Increases	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
TOTAL RENTAL INCOME	**679,308**	**692,600**	**706,159**	**719,988**	**734,094**	**748,482**	**763,158**	**778,127**	**793,396**	**808,970**
OTHER INCOME										
Laundry	**9,600**	**9,792**	**9,988**	**10,188**	**10,391**	**10,599**	**10,811**	**11,027**	**11,248**	**11,473**
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	**9,600**	**9,792**	**9,988**	**10,188**	**10,391**	**10,599**	**10,811**	**11,027**	**11,248**	**11,473**
GROSS POTENTIAL INCOME	**688,908**	**702,392**	**716,146**	**730,176**	**744,485**	**759,081**	**773,969**	**789,155**	**804,644**	**820,443**
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	*0.00%*	*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	**33,711**	**34,385**	**35,073**	**35,774**	**36,490**	**37,220**	**37,964**	**38,723**	**39,498**	**40,288**
EFFECTIVE GROSS INCOME	**655,197**	**668,007**	**681,074**	**694,401**	**707,996**	**721,862**	**736,005**	**750,432**	**765,146**	**780,156**
OPERATING EXPENSES										
Expenses	231,371	239,469	247,850	256,525	265,504	274,796	284,414	294,369	304,671	315,335
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	2,320	2,366	2,414	2,462	2,511	2,561	2,613	2,665	2,718	2,773
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	23,200	23,200	23,200	23,200	23,200	22,800	23,940	23,940	23,940	23,940
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	**256,891**	**265,035**	**273,464**	**282,187**	**291,215**	**300,158**	**310,967**	**320,973**	**331,330**	**342,048**
NET OPERATING INCOME	**398,306**	**402,972**	**407,609**	**412,214**	**416,781**	**421,704**	**425,038**	**429,458**	**433,817**	**438,108**
DEBT SERVICE										
CalHFA - 1st Mortgage	338,800	338,800	338,800	338,800	338,800	338,800	338,800	338,800	338,800	338,800
CalHFA - Bridge Loan	0	0	0	0	0					
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
MHP	22,852	22,852	22,852	22,852	22,852	22,852	22,852	22,852	22,852	22,852
None	0	0	0	0	0	0	0	0	0	0
DEBT COVERAGE RATIO	**1.10**	**1.11**	**1.13**	**1.14**	**1.15**	**1.17**	**1.18**	**1.19**	**1.20**	**1.21**

Cash Flow	CalHFA Project Number: 05-005									Villa Montgomery
RENTAL INCOME	**Year 11**	**Year 12**	**Year 13**	**Year 14**	**Year 15**	**Year 16**	**Year 17**	**Year 18**	**Year 19**	**Year 20**
Affordable Rents	**810,168**	**826,371**	**842,899**	**859,757**	**876,952**	**894,491**	**912,381**	**930,628**	**949,241**	**968,226**
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	**14,688**	**14,688**	**14,688**	**14,688**	**14,688**	**14,688**	**14,688**	**14,688**	**14,688**	**14,688**
Unrestricted Unit Increases	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
TOTAL RENTAL INCOME	**824,856**	**841,059**	**857,587**	**874,445**	**891,640**	**909,179**	**927,069**	**945,316**	**963,929**	**982,914**
OTHER INCOME										
Laundry	**11,702**	**11,936**	**12,175**	**12,419**	**12,667**	**12,920**	**13,179**	**13,442**	**13,711**	**13,985**
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	**11,702**	**11,936**	**12,175**	**12,419**	**12,667**	**12,920**	**13,179**	**13,442**	**13,711**	**13,985**
GROSS POTENTIAL INCOME	**836,558**	**852,996**	**869,762**	**886,863**	**904,307**	**922,099**	**940,248**	**958,759**	**977,640**	**996,899**
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	*0.00%*	*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	**41,094**	**41,915**	**42,754**	**43,609**	**44,481**	**45,371**	**46,278**	**47,204**	**48,148**	**49,111**
EFFECTIVE GROSS INCOME	**795,465**	**811,080**	**827,008**	**843,255**	**859,826**	**876,729**	**893,970**	**911,555**	**929,493**	**947,789**
OPERATING EXPENSES										
Expenses	326,372	337,795	349,617	361,854	374,519	387,627	401,194	415,236	429,769	444,811
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	2,828	2,885	2,942	3,001	3,061	3,122	3,185	3,249	3,314	3,380
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	23,940	25,137	25,137	25,137	25,137	25,137	26,394	26,394	26,394	26,394
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	**353,140**	**365,816**	**377,697**	**389,992**	**402,717**	**415,887**	**430,773**	**444,878**	**459,477**	**474,585**
NET OPERATING INCOME	**442,325**	**445,264**	**449,311**	**453,262**	**457,109**	**460,842**	**463,197**	**466,677**	**470,016**	**473,204**
DEBT SERVICE										
CalHFA - 1st Mortgage	338,800	338,800	338,800	338,800	338,800	338,800	338,800	338,800	338,800	338,800
CalHFA - Bridge Loan										
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
MHP	22,852	22,852	22,852	22,852	22,852	22,852	22,852	22,852	22,852	22,852
None	0	0	0	0	0	0	0	0	0	0
DEBT COVERAGE RATIO	**1.22**	**1.23**	**1.24**	**1.25**	**1.26**	**1.27**	**1.28**	**1.29**	**1.30**	**1.31**

Cash Flow	CalHFA Project Number: 05-005									Villa Montgomery
RENTAL INCOME	**Year 21**	**Year 22**	**Year 23**	**Year 24**	**Year 25**	**Year 26**	**Year 27**	**Year 28**	**Year 29**	**Year 30**
Affordable Rents	**987,590**	**1,007,342**	**1,027,489**	**1,048,039**	**1,069,000**	**1,090,380**	**1,112,187**	**1,134,431**	**1,157,120**	**1,180,262**
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	**14,688**	**14,688**	**14,688**	**14,688**	**14,688**	**14,688**	**14,688**	**14,688**	**14,688**	**14,688**
Unrestricted Unit Increases	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
TOTAL RENTAL INCOME	**1,002,278**	**1,022,030**	**1,042,177**	**1,062,727**	**1,083,688**	**1,105,068**	**1,126,875**	**1,149,119**	**1,171,808**	**1,194,950**
OTHER INCOME										
Laundry	**14,265**	**14,550**	**14,841**	**15,138**	**15,441**	**15,750**	**16,065**	**16,386**	**16,714**	**17,048**
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	**14,265**	**14,550**	**14,841**	**15,138**	**15,441**	**15,750**	**16,065**	**16,386**	**16,714**	**17,048**
GROSS POTENTIAL INCOME	**1,016,543**	**1,036,581**	**1,057,018**	**1,077,865**	**1,099,129**	**1,120,817**	**1,142,940**	**1,165,505**	**1,188,521**	**1,211,998**
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	*0.00%*	*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	**50,093**	**51,095**	**52,117**	**53,159**	**54,222**	**55,306**	**56,413**	**57,541**	**58,692**	**59,866**
EFFECTIVE GROSS INCOME	**966,451**	**985,486**	**1,004,902**	**1,024,706**	**1,044,907**	**1,065,511**	**1,086,527**	**1,107,964**	**1,129,830**	**1,152,133**
OPERATING EXPENSES										
Expenses	460,379	476,493	493,170	510,431	528,296	546,786	565,924	585,731	606,232	627,450
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	3,447	3,516	3,587	3,658	3,732	3,806	3,882	3,960	4,039	4,120
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	26,394	27,714	27,714	27,714	27,714	27,714	29,099	29,099	29,099	29,099
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	**490,221**	**507,723**	**524,470**	**541,803**	**559,741**	**578,306**	**598,905**	**618,790**	**639,370**	**660,669**
NET OPERATING INCOME	**476,230**	**477,763**	**480,432**	**482,903**	**485,165**	**487,205**	**487,622**	**489,174**	**490,459**	**491,463**
DEBT SERVICE										
CalHFA - 1st Mortgage	338,800	338,800	338,800	338,800	338,800	338,800	338,800	338,800	338,800	338,800
CalHFA - Bridge Loan										
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
MHP	22,852	22,852	22,852	22,852	22,852	22,852	22,852	22,852	22,852	22,852
None	0	0	0	0	0	0	0	0	0	0
DEBT COVERAGE RATIO	**1.32**	**1.32**	**1.33**	**1.34**	**1.34**	**1.35**	**1.35**	**1.35**	**1.36**	**1.36**

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Sources and Uses of Funds — Villa Montgomery

05-005
Final Commitment

SOURCES OF FUNDS:	Funds in during Construction ($)	Funds in at Permanent ($)	Total Development Sources: Total Sources of Funds ($)	Sources per Unit	%
CalHFA Construction Financing	15,600,000				
Construction Only Source 2	-				
Construction Only Source 3	-				
CalHFA First Mortgage		4,760,000	4,760,000	82,069	20%
CalHFA Second Mortgage		-	-	-	0%
CalHFA	405,000	-	405,000	6,983	2%
MHP	-	5,600,000	5,600,000	96,552	24%
Redwood City RDA Loans	3,160,000	-	3,160,000	54,483	14%
Redwood City RDA-grant	1,350,000	-	1,350,000	23,276	6%
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	-	410,905	410,905	7,085	2%
Deferred Developer Fee	-	-		-	0%
Tax Credit Equity	1,003,870	6,543,440	7,547,310	130,126	32%
Total Sources	21,518,870	17,314,345	23,233,215	400,573	100%
(Gap)/Surplus	-		-		

USES OF FUNDS:	Construction ($)	Permanent ($)	Total Development Costs: Total Uses of Funds ($)	Cost per Unit	%
LOAN PAYOFFS & ROLLOVERS					
Construction Loan payoffs		$15,600,000			
ACQUISITION					
Lesser of Land Cost or Value	1,350,000	-	1,350,000	23,276	6%
Demolition	-	-	-	-	0%
Legal - Acquisition Related Fees	-	-	-	-	0%
Subtotal - Land Cost / Value	1,350,000	-	1,350,000	23,276	
Existing Improvements Value	-	-	-	-	0%
Off-Site Improvements	-	-	-	-	0%
Other	-	-	-	-	0%
Total Acquisition	**1,350,000**	**-**	**1,350,000**	**23,276**	**6%**
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%**

(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	1,061,378	-	1,061,378	18,300	5%
Structures (Hard Costs)	12,070,715	-	12,070,715	208,116	52%
General Requirements	761,170	-	761,170	13,124	3%
Contractors Overhead	570,373	-	570,373	9,834	2%
Contractors Profit	444,891	-	444,891	7,671	2%
Contractor's Perf. & Pymt Bond	86,461	-	86,461	1,491	0%
General Liability Insurance	279,594	-	279,594	4,821	1%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total New Construction	**15,274,582**	**-**	**15,274,582**	**263,355**	**66%**
ARCHITECTURAL & ENGINEERING					
Architectural Design	1,000,000	-	1,000,000	17,241	4%
Architect's Supv during Construction	-	-	-	-	0%
Total Architectural	**1,000,000**	**-**	**1,000,000**	**17,241**	**4%**
Engineering Expense	95,000	-	95,000	1,638	0%
Engineers Supv. during Construction	-	-	-	-	0%
ALTA Survey	-	-	-	-	0%
Total Engineering & Survey	**95,000**	**-**	**95,000**	**1,638**	**0%**
					0%
CONSTRUCTION LOAN COSTS					
Construction Loan Interest	944,410		944,410	16,283	4%
CalHFA Construction Loan Fee	156,000		156,000	2,690	1%
Other Construction Loan Fees	-		-	-	0%
CalHFA Outside Legal Counsel Fees	20,000		20,000	345	0%
Other Lender Req'd Legal Fees	-		-	-	0%
Title and Recording fees	15,000		15,000	259	0%
CalHFA Req'd Inspection Fees	22,500		22,500	388	0%
Other Req'd Inspection Fees	-		-	-	0%
Prevailing Wage Monitoring Expense	-		-	-	0%
Taxes & Insurance during construction	10,000		10,000	172	0%
Predevelopment Interest	-		-	-	0%
Cost for Completion Guarantee	-		-	-	0%
Other	-		-	-	0%
Total Construction Loan Expense	**1,167,910**	**-**	**1,167,910**	**20,136**	**5%**
					0%
PERMANENT LOAN COSTS					
CalHFA Perm Loan Fees	25,825	-	25,825	445	0%
CalHFA Bridge Loan Fees	-	-	-	-	0%
CalHFA Loan Application Fee	500	-	500	9	0%
Other Lender Perm. Loan Fees	-	-	-	-	0%
Title and Recording	-	15,000	15,000	259	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	**26,925**	**15,000**	**41,925**	**723**	**0%**
LEGAL FEES					
Borrower Legal Fee	45,000	-	45,000	776	0%
Other-syndication legal	30,000	-	30,000	517	0%
Total Attorney Expense	**75,000**	**-**	**75,000**	**1,293**	**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	172	0%
Market Study	7,500	-	7,500	129	0%
Physical Needs Assessment	-	-	-	-	0%
HUD Risk Share Environ. Review	-	-	-	-	0%
CalHFA EQ Waiver Seismic Review Fee	10,000	-	10,000	172	0%
Environmental Phase I / II Reports	10,000	-	10,000	172	0%
Soils / Geotech Reports	-	-	-	-	0%
Asbestos / Lead-based Paint Report	-	-	-	-	0%
Noise/Acoustical/Traffic Study Report	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Contract Costs	**37,500**	**-**	**37,500**	**647**	**0%**
CONTINGENCY					
Hard Cost Contingency	1,250,421	-	1,250,421	21,559	5%
Soft Cost Contingency	50,000	-	50,000	862	0%
Total Contingency	**1,300,421**	**-**	**1,300,421**	**22,421**	**6%**
RESERVES					
CalHFA Operating Expense Reserve	-	65,520	65,520	1,130	0%
Construction Defects Reserve	-	-	-	-	0%
Rent-Up Reserve	-	74,656	74,656	1,287	0%
Capitalized Investor Req'd Reserve	-	-	-	-	0%
Other	-	-	-	-	0%
Total Reserves	**-**	**140,176**	**140,176**	**2,417**	**1%**
OTHER					
CTCAC App/Alloc/Monitor Fees	33,532	-	33,532	578	0%
Local Permit Fees	250,000	-	250,000	4,310	1%
Local Development Impact Fees	833,000	-	833,000	14,362	4%
Other Local Fees	-	-	-	-	0%
Advertising & Marketing Expenses	30,000	-	30,000	517	0%
1st Year Taxes & Insurance	-	-	-	-	0%
Furnishings	10,000	-	10,000	172	0%
Final Cost Audit Expense	-	20,000	20,000	345	0%
Miscellaneous Admin Fees	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Other Expenses	**1,156,532**	**20,000**	**1,176,532**	**20,285**	**5%**
SUBTOTAL PROJECT COSTS	**21,483,870**	**15,775,176**	**21,659,046**	**373,432**	**93%**
				373,432	
DEVELOPER COSTS					
Developer Overhead/Profit (5% Acq.)	-	-	1,539,169	26,537	7%
Developer Overhead/Profit (NC/Rehab)	-	-	-	-	0%
Consultant / Processing Agent	35,000	-	35,000	603	0%
Project Administration	-	-	-	-	0%
Broker Fees to a related party	-	-	-	-	0%
Construction Mgmt. Oversight	-	-	-	-	0%
Other	-	-	-	-	0%
Total Developer Fee / Costs	**35,000**	**-**	**1,574,169**	**27,141**	**7%**
Total Costs	**21,518,870**	**15,775,176**	**23,233,215**	**400,573**	**100%**

Annual Operating Budget **Villa Montgomery**

Final Commitment

INCOME:	$ Amount	Per Unit	% of Total
Total Rental Income	$679,308	$11,712	98.61%
Laundry	$9,600	$166	1.39%
Other Income	$0	$0	0.00%
Gross Potential Income (GPI)	**$688,908**	**$11,878**	100.00%
Less:			
Vacancy Loss	$33,711	$581	5.15%
Effective Gross Income	**$655,197**	**$11,297**	

EXPENSES:	Total Cost	Per Unit	% of Total
Payroll	$111,947	$1,930	43.58%
Administrative	$28,435	$490	11.07%
Management fee	$22,840	$394	8.89%
Utilities	$16,310	$281	6.35%
Operating and Maintenance	$31,550	$544	12.28%
Insurance and Business Taxes	$20,289	$350	7.90%
Locality Compliance Monitoring Fee	$0	$0	0.00%
Other	$0	$0	0.00%
Subtotal Expenses	**$231,371**	$3,989	90.07%
Replacement Reserves	$23,200	$400	9.03%
Taxes & Assessments	$2,320	$40	0.90%
Total Expenses	$256,891	$4,429	100.00%
Financial Expenses			
CalHFA First Mortgage	$338,800	$5,841	
CalHFA Second Mortgage	$0	$0	
Other Required Debt Service	$22,852	$394	
NET OPERATING INCOME	**$36,654**	**$632**	

Cash Flow	Final Commitment			CalHFA Project Number:		05-005			Villa Montgomery	
RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Affordable Rents	664,620	677,912	691,471	705,300	719,406	733,794	748,470	763,439	778,708	794,282
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	14,688	14,688	14,688	14,688	14,688	14,688	14,688	14,688	14,688	14,688
Unrestricted Unit Increases	0 00%	0 00%	0 00%	0 00%	0.00%	0 00%	0 00%	0 00%	0.00%	0 00%
TOTAL RENTAL INCOME	679,308	692,600	706,159	719,988	734,094	748,482	763,158	778,127	793,396	808,970
OTHER INCOME										
Laundry	9,600	9,792	9,988	10,188	10,391	10,599	10,811	11,027	11,248	11,473
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	9,600	9,792	9,988	10,188	10,391	10,599	10,811	11,027	11,248	11,473
GROSS POTENTIAL INCOME	688,908	702,392	716,146	730,176	744,485	759,081	773,969	789,155	804,644	820,443
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	0.00%	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	33,711	34,385	35,073	35,774	36,490	37,220	37,964	38,723	39,498	40,288
EFFECTIVE GROSS INCOME	655,197	668,007	681,074	694,401	707,996	721,862	736,005	750,432	765,146	780,156
OPERATING EXPENSES										
Expenses	231,371	239,469	247,850	256,525	265,504	274,796	284,414	294,369	304,671	315,335
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	2,320	2,366	2,414	2,462	2,511	2,561	2,613	2,665	2,718	2,773
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	23,200	23,200	23,200	23,200	23,200	22,800	23,940	23,940	23,940	23,940
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	256,891	265,035	273,464	282,187	291,215	300,158	310,967	320,973	331,330	342,048
NET OPERATING INCOME	398,306	402,972	407,609	412,214	416,781	421,704	425,038	429,458	433,817	438,108
DEBT SERVICE										
CalHFA - 1st Mortgage	338,800	338,800	338,800	338,800	338,800	338,800	338,800	338,800	338,800	338,800
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
MHP	22,852	22,852	22,852	22,852	22,852	22,852	22,852	22,852	22,852	22,852
DEBT COVERAGE RATIO	1.10	1.11	1.13	1.14	1.15	1.17	1.18	1.19	1.20	1.21

Cash Flow	CalHFA Project Number: 05-005									Villa Montgomery
RENTAL INCOME	**Year 11**	**Year 12**	**Year 13**	**Year 14**	**Year 15**	**Year 16**	**Year 17**	**Year 18**	**Year 19**	**Year 20**
Affordable Rents	**810,168**	**826,371**	**842,899**	**859,757**	**876,952**	**894,491**	**912,381**	**930,628**	**949,241**	**968,226**
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	**14,688**	**14,688**	**14,688**	**14,688**	**14,688**	**14,688**	**14,688**	**14,688**	**14,688**	**14,688**
Unrestricted Unit Increases	*0 00%*	*0 00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0 00%*	*0.00%*
TOTAL RENTAL INCOME	**824,856**	**841,059**	**857,587**	**874,445**	**891,640**	**909,179**	**927,069**	**945,316**	**963,929**	**982,914**
OTHER INCOME										
Laundry	**11,702**	**11,936**	**12,175**	**12,419**	**12,667**	**12,920**	**13,179**	**13,442**	**13,711**	**13,985**
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	**11,702**	**11,936**	**12,175**	**12,419**	**12,667**	**12,920**	**13,179**	**13,442**	**13,711**	**13,985**
GROSS POTENTIAL INCOME	**836,558**	**852,996**	**869,762**	**886,863**	**904,307**	**922,099**	**940,248**	**958,759**	**977,640**	**996,899**
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	*0.00%*	*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	**41,094**	**41,915**	**42,754**	**43,609**	**44,481**	**45,371**	**46,278**	**47,204**	**48,148**	**49,111**
EFFECTIVE GROSS INCOME	**795,465**	**811,080**	**827,008**	**843,255**	**859,826**	**876,729**	**893,970**	**911,555**	**929,493**	**947,789**
OPERATING EXPENSES										
Expenses	326,372	337,795	349,617	361,854	374,519	387,627	401,194	415,236	429,769	444,811
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	2,828	2,885	2,942	3,001	3,061	3,122	3,185	3,249	3,314	3,380
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	23,940	25,137	25,137	25,137	25,137	25,137	26,394	26,394	26,394	26,394
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	**353,140**	**365,816**	**377,697**	**389,992**	**402,717**	**415,887**	**430,773**	**444,878**	**459,477**	**474,585**
NET OPERATING INCOME	**442,325**	**445,264**	**449,311**	**453,262**	**457,109**	**460,842**	**463,197**	**466,677**	**470,016**	**473,204**
DEBT SERVICE										
CalHFA - 1st Mortgage	338,800	338,800	338,800	338,800	338,800	338,800	338,800	338,800	338,800	338,800
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
MHP	22,852	22,852	22,852	22,852	22,852	22,852	22,852	22,852	22,852	22,852
DEBT COVERAGE RATIO	**1.22**	**1.23**	**1.24**	**1.25**	**1.26**	**1.27**	**1.28**	**1.29**	**1.30**	**1.31**

Cash Flow	CalHFA Project Number: 05-005									Villa Montgomery
RENTAL INCOME	**Year 21**	**Year 22**	**Year 23**	**Year 24**	**Year 25**	**Year 26**	**Year 27**	**Year 28**	**Year 29**	**Year 30**
Affordable Rents	987,590	1,007,342	1,027,489	1,048,039	1,069,000	1,090,380	1,112,187	1,134,431	1,157,120	1,180,262
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	14,688	14,688	14,688	14,688	14,688	14,688	14,688	14,688	14,688	14,688
Unrestricted Unit Increases	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL RENTAL INCOME	1,002,278	1,022,030	1,042,177	1,062,727	1,083,688	1,105,068	1,126,875	1,149,119	1,171,808	1,194,950
OTHER INCOME										
Laundry	14,265	14,550	14,841	15,138	15,441	15,750	16,065	16,386	16,714	17,048
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	14,265	14,550	14,841	15,138	15,441	15,750	16,065	16,386	16,714	17,048
GROSS POTENTIAL INCOME	1,016,543	1,036,581	1,057,018	1,077,865	1,099,129	1,120,817	1,142,940	1,165,505	1,188,521	1,211,998
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	0.00%	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	50,093	51,095	52,117	53,159	54,222	55,306	56,413	57,541	58,692	59,866
EFFECTIVE GROSS INCOME	966,451	985,486	1,004,902	1,024,706	1,044,907	1,065,511	1,086,527	1,107,964	1,129,830	1,152,133
OPERATING EXPENSES										
Expenses	460,379	476,493	493,170	510,431	528,296	546,786	565,924	585,731	606,232	627,450
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	3,447	3,516	3,587	3,658	3,732	3,806	3,882	3,960	4,039	4,120
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	26,394	27,714	27,714	27,714	27,714	27,714	29,099	29,099	29,099	29,099
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	490,221	507,723	524,470	541,803	559,741	578,306	598,905	618,790	639,370	660,669
NET OPERATING INCOME	476,230	477,763	480,432	482,903	485,165	487,205	487,622	489,174	490,459	491,463
DEBT SERVICE										
CalHFA - 1st Mortgage	338,800	338,800	338,800	338,800	338,800	338,800	338,800	338,800	338,800	338,800
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
MHP	22,852	22,852	22,852	22,852	22,852	22,852	22,852	22,852	22,852	22,852
DEBT COVERAGE RATIO	1.32	1.32	1.33	1.34	1.34	1.35	1.35	1.35	1.36	1.36

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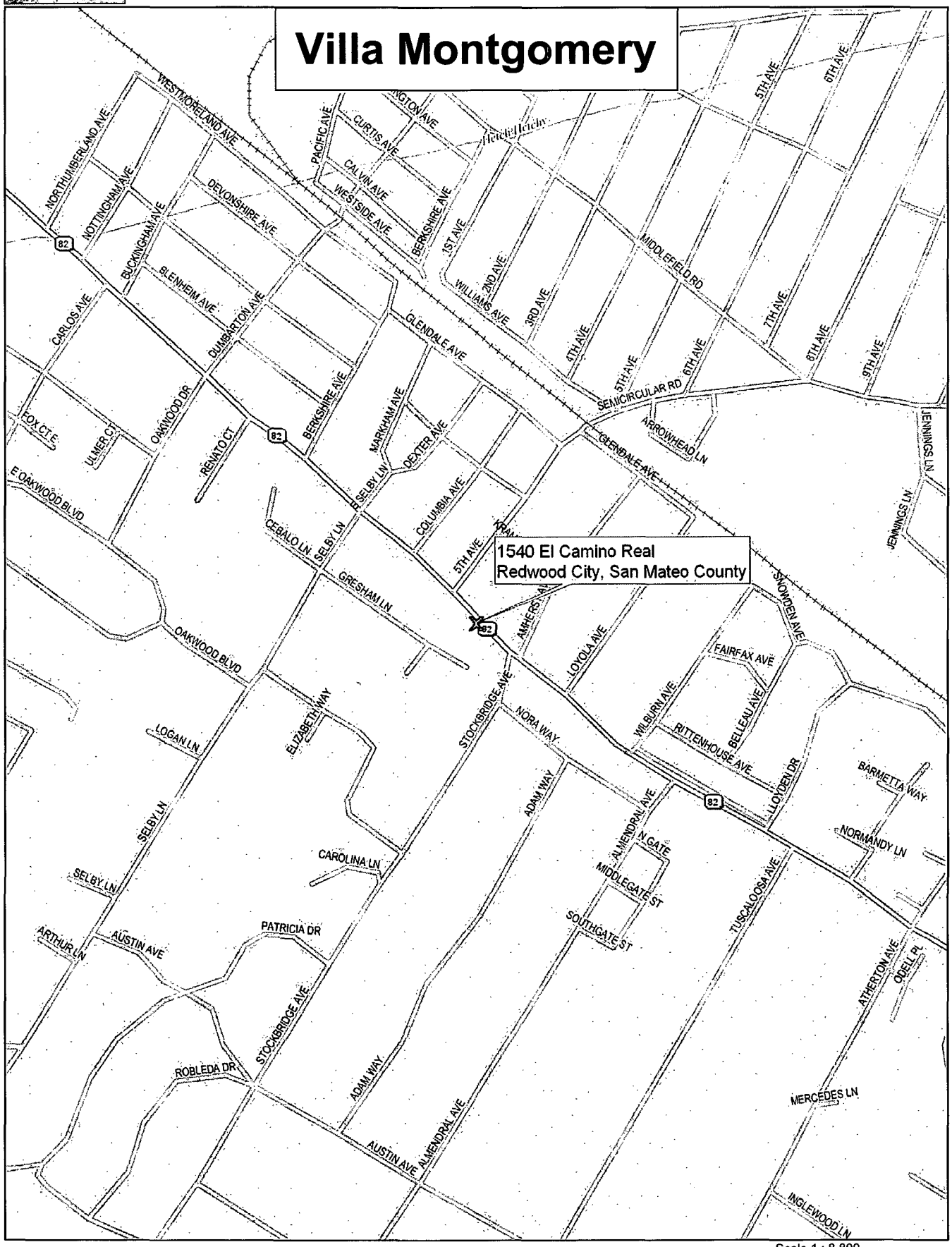

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Scale 1 : 8,800
1" = 733.3 ft
Data Zoom 14-5

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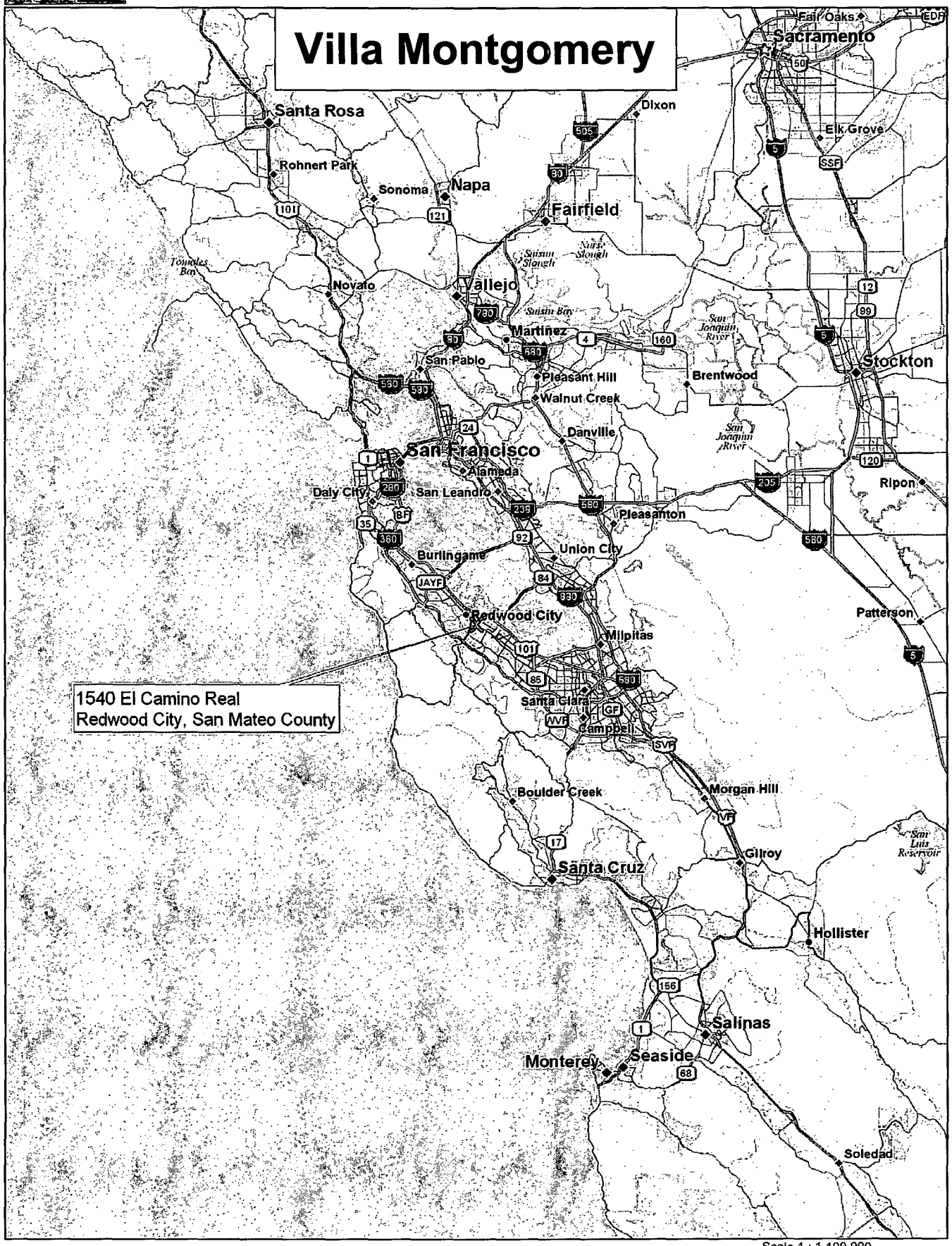
Villa Montgomery



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Scale 1 : 1,100,000

1" = 17.36 mi

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RESOLUTION 05-22

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Villa Montgomery, L.P., a California limited partnership (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program and Permanent Taxable Loan Program in the loan amounts described herein, the proceeds of which are to be used to provide construction and permanent mortgage loans on a 58-unit multifamily housing development located in the City of Redwood City to be known as Villa Montgomery (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated April 20, 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 March 2, 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	LOAN AMOUNT
05-005-C/N	Villa Montgomery Redwood City/San Mateo	58	
		Construction First Mortgage:	$15,600,000
		Permanent First Mortgage:	$ 4,760,000
		Permanent Second Mortgage:	$ 405,000

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 loan 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 loan 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 05-22 adopted at a duly constituted meeting of the Board of the Agency held on May 12, 2005, at Burbank, California.

ATTEST: _____
Secretary

State of California

MEMORANDUM

To: Board of Directors **Date:** April 27, 2005

Theresa A. Parker, Executive Director TAP
From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: CalHFA Five-Year Business Plan
Resolution 05-23

I am very pleased to offer for your consideration the 13th annual CalHFA Five-Year Business Plan (2005/06 to 2009/10) and a resolution for its adoption. The Plan's focus over the next five years is to develop new loan products, and to promote partnerships and other cooperative efforts to increase affordable housing throughout the State.

In addition to a continued focus on rental housing, this business plan includes specific initiatives to increase homeownership and special needs permanent housing.

This proposed update has been based upon discussions and direction consistent with the Board's philosophies as received throughout the past year. It will be utilized as a road map for staff and for the Board to carry out the Agency's mission to "finance below market rate loans to create safe, decent, and affordable rental housing and to assist first-time homebuyers in achieving the dream of home ownership."

The updated Plan proposes $10.9 billion of housing-related economic activity over the next five years. This activity includes over $6.2 billion of new home mortgages, $2.4 billion of mortgage insurance, and $2.3 billion in multifamily lending. The new construction that will be stimulated over this five-year period will aid the State's economic growth and help support the creation of over 62,000 new jobs.

In addition to the activities outlined in the plan, new housing opportunities can be expected to present themselves throughout the five-year plan period. As in previous years, the staff intends to respond dynamically to these market opportunities as they emerge and bring them to the Board at the appropriate time.

Your approval of Resolution 05-23, adopting the 13th CalHFA Business Plan, will enable the Agency to demonstrate its creativity and professionalism in maximizing the affordable housing resources available in California. We will continue to invite partnerships and collaboration and do everything possible to communicate and implement CalHFA's commitment to affordable housing.

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CALIFORNIA HOUSING FINANCE AGENCY

FIVE-YEAR BUSINESS PLAN
FISCAL YEARS
2005/2006 TO 2009/2010

Affordable Housing is our Business

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I. EXECUTIVE SUMMARY

2005/06 Business Plan Overview:

CalHFA's 2005/06 Business Plan proposes total activity of $10.9 billion during the five-year period. Homeownership and multifamily lending programs are estimated to be $8.5 billion, with an additional $2.4 billion in loan insurance activity. The previous five-year plan proposed a total of $10.3 billion.

Estimated levels of first mortgage lending for homeownership is held to $1.2 billion for 2005/06 and remains constant during the remainder of the five-year plan. The new five-year target is $6.2 billion, which includes down payment assistance and self-help builders' assistance. Through the use of recycling, partnerships with other public entities, variable rate bonds and interest rate swaps, the $1.2 billion goal should be attainable in the coming fiscal year. Beyond calendar year 2006, however, additional annual allocation for first mortgages may be required as our opportunities to re-use allocation received from prior years is reduced. (The Business Plan does not assume repeal of the Ten Year Rule.)

Total mortgage insurance activity is proposed at $485 million for the 2005/06 fiscal year and $2.4 billion for the five-year period. This compares to the 2004/05 goal of $260 million and projected activity of $427 million. This increased activity is a result of the Homeownership Division's change in business mix. In calendar year 2003, 84% of the Homeownership lending was FHA insured and 16% was conventionally insured. In 2004, the FHA insured portion dropped to 65%. Currently, FHA only amounts to 48% of new loans purchased with the balance being conventional loans. This shift has created insurance opportunities for the Agency's insurance fund.

The 2005/06 goal for multifamily lending is $437 million, with a total target of $2.3 billion for the five-year period. Projected activity in new construction is expected to remain strong throughout the business plan period because of our tax-exempt lending programs. Meantime, preservation lending programs will focus on the Agency's Section 8 loan portfolio. The Multifamily Division also anticipates development of new programs to address unmet needs in the rental housing area.

New construction activity financed under the plan for the Agency is estimated to be over $1.3 billion in new construction homes and $900 million in new affordable multifamily rental units. This will support the creation of approximately 62,000 jobs.* Additionally, there will be a significant economic impact resulting from CalHFA's financing of resale homes and multifamily acquisition/rehabilitation projects, as well as from the Agency's mortgage insurance activities.

*Source for multiplier: Construction Industry Research Board

II. INTRODUCTION

Plan Purpose:

The purpose of this document is to provide the Board of Directors of the California Housing Finance Agency (CalHFA) with a proposed business plan for the next five fiscal years. This plan is intended to enhance the Board's ability to address some of the important affordable housing needs of California by instituting a comprehensive framework for Board decision-making, by providing guidance to staff, and by setting forth benchmarks against which to measure the success of programs and the effective use of operating resources. As such, the particular housing finance and loan insurance programs recommended in the plan were formulated in an effort to increase homeownership opportunities and the multifamily affordable housing stock, maximize CalHFA's restricted resources and stimulate the housing-related economy of California.

Background:

The Agency was created in 1975 as the State's affordable housing bank. The federal and state tax exemption available on state-issued debt enables housing finance capital to be provided at below-market interest rates. CalHFA is empowered to issue debt obligations for a wide variety of housing-related programs, and it is also authorized through its insurance program to provide mortgage insurance.

CalHFA's primary purpose and its mission, according to State law, is to meet the housing needs of persons and families of low to moderate income.

CalHFA's programs can be divided into three major areas: homeownership loan programs, mortgage insurance, and multifamily loan programs (for rental properties).

Assumptions Underlying Plan Goals:

It must be recognized that the levels of activity projected for each program are based on assumptions regarding key factors over which CalHFA does not, in many cases, exercise control. The following are some of the key assumptions on which the projections are based:

- receipt of sufficient State allocation of private activity bond issuance authority,
- no repeal of the Federal "ten year rule",
- continued investor demand for CalHFA bonds,
- over 50% of loans purchased by Homeownership continue to be conventional loans requiring CalHFA mortgage insurance,
- timely and successful new partnerships and programs,
- ongoing demand from first-time home buyers and rental housing sponsors,
- borrower interest in newly-created or redesigned single family loan products that may reduce the use of CHAP and HICAP subordinate loans,
- continued low and stable rates of interest,
- state and local agency financial participation,
- ability to viably compete in the market place with mortgage insurance products,

- authority to use Proposition 46 mortgage insurance funding for Residential Development Lending Program (AB1512),
- offer Housing Assistance Trust (HAT) funds within available resources, and
- continued commitment of GSE's to first-time homebuyers and affordable housing.

The Agency's programs and its organization are flexible enough to allow CalHFA to respond to changing circumstances in revenue projections, programs, and economic conditions, and to accommodate any unanticipated adjustment of priorities.

2004/05 Business Plan - Progress to Date as of March 2005:

The table below shows an estimate of actual production for CalHFA lending and insurance programs in comparison with fiscal 2004/05 goals.

	2004-2005 GOAL	ESTIMATED ACTUAL	PERCENTAGE OF GOAL
	(millions of dollars)		
Homeownership Programs	$1,351	$1,378	102%
Insurance Programs	$ 260	$ 427	164%
Multifamily Programs	$ 351	$ 421	120%

Homeownership lending volume is projected to meet this fiscal year's goal of $1.25 billion first mortgages.

Insurance activity is projected at $427 million in fiscal 2004/05. This is 145% of the $294 million achieved in 2003/04 and is due to the increase in Agency conventional loan volume.

Multifamily lending commitments are projected to total $421 million for fiscal year 2004/05 exceeding last year's production of $273 million. Two programs in the 2004/05 goal, Student Housing ($100 million) and Prop 46 Preservation Acquisition ($70 million) did not meet expectations due to policy changes at the University of California and a lack of demand for acquisition funds.

2005/06 Business Plan Overview:

CalHFA's 2005/06 Business Plan proposes a total of $8.5 billion for loan programs and $2.4 billion in insurance activity for a total of $10.9 billion for the 2005/06 to 2009/10 five-year period. This is a 6% increase when compared to the $10.3 billion proposed in the previous five-year plan.

The planned level of first mortgage lending for homeownership is proposed at $1.2 billion per year for 2005/06, holding constant for the remainder of the five-year plan period, resulting in a five-year target of $6 billion. Through the use of recycling, taxable bonds, variable rate bonds and interest rate swaps, the $1.2 billion annual goal should be attainable in the coming fiscal year, based on the amount of private activity bond allocation to be received this calendar year, including an unexpected carryforward allocation from 2004.

Total mortgage insurance activity in the Plan is proposed at $485 million for the 2005/06 fiscal year and $2.4 billion for the five-year period. It is projected that 95% of the new insurance written by the insurance fund is on CalHFA's conventional loans.

For multifamily lending the 2005/06 goal is $437 million for permanent and construction lending with a total target of $2.3 billion for the five-year period. Lending activity is expected to focus on new construction and preservation activities primarily through tax exempt financing.

Organization of Plan:

This introduction is followed by the sections described below:

- Table I - Planned and Actual Summary displays the goals and actual results for fiscal 2003/04 and the goals and current projections for fiscal 2004/05.

- Table II - Plan Summary shows goals by program for each of the years in the plan period 2005/06 to 2009/10.

- Divisional Summaries include lists of accomplishments and descriptions of how the plan will be carried out by the CalHFA divisions. These are followed by short descriptions of how each of the support divisions of CalHFA will assist the programs divisions in meeting the objectives of the plan.

- Financial Summary discusses in detail the Agency's equity position as of December 31, 2004, the many restrictions on the Agency's reserves, management of the Agency's financial risks, and the projected fiscal effect of the plan over the five-year plan period.

TABLE I - PLANNED AND ACTUAL SUMMARY
(In millions)

	FY 2003/04			FY 2004/05		
HOMEOWNERSHIP PROGRAMS[a]	**Planned**	**Actual**	**HOMEOWNERSHIP PROGRAMS[a]**	**Planned**	**Actual to 3/31**	**Projected**
Homeownership 1st Loans	$1,175.0	$1,237.9	Homeownership 1st Loans	$1,250.0	$974.0	$1,250.0
Homeownership Downpmt Assist (CHAP)	28.2	33.0	Homeownership Downpmt Assist (CHAP)	27.0	$27.7	$35.8
Self-Help Builder Assistance (SHBAP)	2.5	1.0	Self-Help Builder Assistance (SHBAP)	2.5	0.5	1.0
High Cost Area 2nd Loans (HiCAP)	11.4	26.4	High Cost Area 2nd Loans (HiCAP)	32.5	34.1	47.7
Silent Second Mortgages[b]	5.0	1.8	Silent Second Morgages [b]	5.0	0.3	3.0
Prop 46 Downpayment Assistance			Prop 46 Downpayment Assistance			
Homebuyers Downpmt Assist (CHDAP)	19.4	23.4	Homebuyers Downpmt Assist (CHDAP)	19.5	24.6	31.3
School Facility Fee (SFF)	6.9	4.4	School Facility Fee (SFF)	7.4	3.0	4.3
Extra Credit Teacher Program (ECTP)	3.8	2.1	Extra Credit Teacher Program (ECTP)	6.6	3.5	5.3
Homeownership In Revital Areas (HIRAP)	1.3	0.1	Homeownership In Revital Areas (HIRAP)	0.3	1.9	2.5
Total Homeownership Programs	$1,252.2	$1,330.0	Total Homeownership Programs	$1,350.5	$1,067.7	$1,378.4
INSURANCE SERVICES			**INSURANCE SERVICES**			
CalHFA	$125.0	$189.5	CalHFA	$180.0	$310.2	$400.0
CalPERS	16.0	2.4	CalPERS	5.0	0.1	0.2
CalSTRS	8.0	54.4	CalSTRS	35.0	6.8	9.0
Lease Purchase	105.0	20.0	Lease Purchase	10.0	5.4	7.0
Community Affordable Housing	32.0	27.0	Community Affordable Housing	30.0	7.3	11.0
100 % Loan Freddie Mac	120.0	0.7				
New (Prop 46) Programs	200.0	0.0				
Total Insurance Programs	$606.0	$294.0	Total Insurance Programs	$260.0	$329.8	$427.2
MULTIFAMILY PROGRAMS[c]			**MULTIFAMILY PROGRAMS[c]**			
Permanent Loans	$200.0	$72.5	Permanent Loans	$160.0	$138.1	$167.2
Construction Loans (CalHFA & LTL)	50.0	148.7	Construction Loans (CalHFA & LTL)	100.0	132.6	204.2
Student Housing Loans	100.0	0.0				
Preservation Acquisition	70.0	23.4	Preservation Acquisition	15.0	5.5	15.0
Preservation Opportunity Program(Prop 46	20.0	0.0	Preservation Opportunity Program(Prop 46)	35.0	6.9	7.0
Section 8 Portfolio Rehab Loans	3.0	3.3	Section 8 Portfolio Rehab Loans	3.0	0.0	3.0
Multifamily HAT Funds	5.0	5.2	Multifamily HAT Funds	5.0	0.9	4.9
HELP Program	20.0	20.0	HELP Program	20.0	10.0	20.0
Small Loan Program	3.0	0.0	Small Loan Program	3.0	0.0	0.0
Locality Initiatives pogram	10.0	0.0	Locality Initiatives pogram	10.0	0.0	0.0
Total Multifamily Programs	$481.0	$273.1	Total Multifamily Programs	$351.0	$294.0	$421.3
TOTAL CalHFA PROGRAMS	$1,961.2	$1,624.0		$1,961.5	$1,691.5	$2,226.9

(a) Homeownership loans purchased
(b) In support of Agency Insurance Programs
(c) Multifamily loans committed.

TABLE II - PLAN SUMMARY
(In millions)

	2005/06	2006/07	2007/08	2008/09	2009/10	5 Yr Total
HOMEOWNERSHIP PROGRAMS [a]						
Homeownership First Mortgages	$1,200.0	$1,200.0	$1,200.0	$1,200.0	$1,200.0	$6,000.0
Homeownership Downpmt Assist (CHAP) [d]	13.3	13.3	*	*	*	26.6
Self-Help Builder Assistance (SHBAP) [d]	2.5	2.5	2.5	2.5	2.5	12.5
High Cost Area 2nd Loans (HiCAP) [d]	32.4	30.9	*	*	*	63.3
Prop 46 Downpayment Assistance						
Homebuyers Downpmt Assist (CHDAP) [b]	31.7	31.8	0.0	0.0	0.0	63.5
School Facility Fee (SFF)	4.7	4.9	5.2	5.5	5.7	26.0
Extra Credit Teachers Program (ECTP)	6.6	6.6	3.4	0.0	0.0	16.6
Homeownership In Revital Areas (HIRAP)	2.8	3.2	0.0	0.0	0.0	6.0
Total Homeownership Programs	$1,291.2	$1,290.0	$1,211.1	$1,208.0	$1,208.2	$6,208.5
INSURANCE SERVICES						
CalHFA	$460.0	$460.0	$460.0	$460.0	$460.0	$2,300.0
CalPERS	1.0	1.0	1.0	1.0	1.0	5.0
CalSTRS	14.0	14.0	14.0	14.0	14.0	70.0
Lease Purchase	4.0	1.0	0.0	0.0	0.0	5.0
Community Affordable Housing	6.0	4.0	3.0	3.0	3.0	19.0
Total Insurance Programs	$485.0	$480.0	$478.0	$478.0	$478.0	$2,399.0
MULTIFAMILY PROGRAMS [c]						
Permanent Loans	$110.0	$120.0	$120.0	$120.0	$120.0	$590.0
Construction Loans	170.0	180.0	190.0	200.0	210.0	950.0
Section 8 Portfolio Loans [d] [e]	23.0	3.0	3.0	3.0	3.0	35.0
HAT - Special Needs, Rehab, gap financing [d]	5.0	5.0	5.0	5.0	5.0	25.0
HELP Program [d]	10.0	10.0	10.0	10.0	10.0	50.0
Small Business / Predevelopment Loans	4.0	4.0	4.0	4.0	4.0	20.0
Community Development Initiative						
Financial Institutions (CDFI) [d]	10.0	10.0	10.0	10.0	10.0	50.0
Habatit for Humanity [d]	5.0	5.0	5.0	5.0	5.0	25.0
Tax Increment Financing	10.0	10.0	10.0	10.0	10.0	50.0
Agnews Housing Plan	50.0	50.0	0.0	0.0	0.0	100.0
Residential Development Construction Loans	30.0	60.0	60.0	60.0	60.0	270.0
Residential Development Second Loans (Prop 46)	10.0	20.0	20.0	20.0	20.0	90.0
Total Multifamily Programs	$437.0	$477.0	$437.0	$447.0	$457.0	$2,255.0
TOTAL CalHFA PROGRAMS	$2,213.2	$2,247.0	$2,126.1	$2,133.0	$2,143.2	$10,862.5

(a) Homeownership loans purchased
(b) CHDAP funds will last only one year or less
(c) Multifamily final commitments
(d) HAT funded
(e) Includes $20 M Preservation Acq. & Opportunity in 2005/06
* Development of new single family loan products are planned to reduce borrower reliance on HAT funded down payment assistance programs such as CHAP and HiCAP.

III. ACCOMPLISHMENTS – FY 2004/05

Homeownership Overall:

- Projected to reach 100% of our goal of $1.25 billion goal in first mortgage loans.
- Projected to exceed the production goal for CHAP second mortgage loans by 33% with $35.8 million of production.
- Partnered with the Southern California Home Financing Authority (SCHFA) to allow an initial $100 million of their bond proceeds used to finance CalHFA first mortgages in Los Angeles and Orange counties. As of March 31, 2005 the first $100 million pool has been purchased and 88% of a second $100 million financing has been originated.
- Continuing to develop processes and procedures for streamlining homeownership loan processing.
- With no changes made to program availability, HICAP exceeds year-to-date goal by 140% with 1,363 loans purchased for $34.1 million as of March 31, 2005.
- Maintained the annual production goal for the mutual Self-Help Builder Assistance Program (SHBAP) development loans. The Agency expects to purchase permanent first-time homebuyer loans totaling $0.5 million in the current fiscal year.
- Expanded to over 248 the number of localities and nonprofits that are approved to partner with CalHFA in its Affordable Housing Partnership Program (AHPP).
- Continued to provide a significant amount of the Agency's loan assistance to low income borrowers. Through March 31, 2005, 56% of all CalHFA first-time homebuyer loans were made to borrowers with incomes of 80% or less of the area median income.
- Sustained high levels of minority first-time homebuyers, with over 65% of all loans being made to minority borrowers as of March 31, 2005.

Homeownership Proposition 46 Funds:

- Continued the rollout of the California Homebuyer's Downpayment Assistance Program (CHDAP). Purchased a total of 3,423 loans for $24.6 million as of March 31, 2005.
- Purchased 278 Extra Credit Teacher Program (ECTP) loans for $3.5 million as of March 31, 2005.
- Continue the School Facility Fee Down Payment Assistance Program (SFF). As of March 31, 2005, 828 disbursements had been made for a total of $3.0 million.
- As of March 31, 2005, purchased 118 loans for $1.9 million in the Homeownership In Revitalization Areas Program (HIRAP). Approved for participation in the Program are eleven nonprofit agencies, which also provide homeownership counseling.

Mortgage Insurance And Homeownership Business and Product Development:

- New mortgage insurance written projected to exceed plan by $167 million.
- Reduced depth of coverage from 50% to 35% on Agency products requiring private mortgage insurance.
- Introduced HomeOpeners℠ ,* a mortgage protection program designed to provide unemployment benefits to qualified borrowers.
- Worked with Homeownership to increase LTV from 97% to 100% on 30 year conventional loans.
- Worked with Homeownership to research, develop and introduce the *interest only* PLUS program.

Multifamily:

- Projected to achieve 134% of the current fiscal year's core production goal by processing loan commitments equaling $371 million, exceeding last year's $255 million in loan commitments. An increase of 39%.
- Projects receiving commitments attained a high level of affordability, 64% of the units are at 50% or less of median income and 36% are 51% to 80% of median income.
- Continued the popular and successful Housing Enabled through Local Partnerships (HELP) program. The two allocation rounds for the current year were fully subscribed at the $20 million level, representing 21 commitments to an equal number of localities. The program has achieved notable success with allocations being awarded to 92 localities representing 149 active commitments. These commitments will produce over 17,000 units of affordable housing in both homeownership and multifamily developments.
- Projected to close 34 multifamily loans for approximately $278 million, representing 2,778 units of housing. This dollar volume represents the highest ever total for Multifamily, exceeding last year's volume by 18%.
- Established and grew the construction lending program to complement our successful permanent loan program. This competitively priced and efficient process has led to lower costs for affordable housing projects financed by the Agency. There are eleven construction loans totaling $119 million currently under consideration for loan commitments.
- Projected to fund by the end of the fiscal year are four Special Needs loans totaling $11.4 million representing 91 units of supportive housing.
- Maintained and expanded the number of multifamily projects and loans in process. As of March 31, 2005, 105 projects were in various process stages containing 140 loans totaling $688.4 million.

* HomeOpeners℠ is a service mark of GE Mortgage Holdings, LLC.

IV. DIVISIONAL SUMMARIES

A. HOMEOWNERSHIP PROGRAMS:

The role of Homeownership Programs is to increase homeownership opportunities to Californians by making financing available to low and moderate-income first-time homebuyers.

Objectives:

In FY 2005/06, CalHFA will continue to pursue activities designed to further the following mission objectives:

> Providing first-time homebuyers with below-market-rate mortgage financing; focusing on low-income homebuyers; assisting teachers, administrators, other eligible credentialed staff, and classified employees working in high priority schools to buy their first home; distributing loans equitably throughout the State; targeting loans to extremely high housing cost areas of the State; promoting loan products to expand the supply of affordable new construction housing; continuing a loan product to assist low income disabled homebuyers, promote efforts to identify affordable housing needs, exploring opportunities, developing solutions, assembling resources, and partnering to implement solutions.

Strategies:

The planned strategies to accomplish the objectives, and in particular to maximize the public benefit to low-income borrowers, are listed below.

- Providing long-term, fixed-rate first mortgages below conventional market interest rates.
- Providing the lowest rates for low-income borrowers.
- Supporting very-low and low-income homeownership through the provision of downpayment assistance and reduced interest rates in the Affordable Housing Partnership Program (AHPP), the CalHFA Housing Assistance Program (CHAP), the California Homebuyer's Downpayment Assistance Program (CHDAP), the Homeownership In Revitalization Areas Program (HIRAP), the School Facility Fee Down Payment Assistance Program (SFF), and the Self-Help Builder Assistance Program (SHBAP.
- Providing down payment assistance for teachers, administrators, other eligible credentialed staff and classified employees through the Extra Credit Teacher Home Purchase Assistance Program.
- Continuing the new 100% 35 year term loan with an initial 5 year interest only payment feature (*Interest Only* PLUS).
- Continuing the High Cost Area Home Purchase Assistance Program (HiCAP) that assists homebuyers in extreme high cost areas of the State.
- Continuing to utilize a statewide network of lending institutions to provide consumer access to CalHFA loan products.
- Providing outreach, technical assistance, and training support to lenders and other

industry organizations.
- Partnering with localities and nonprofit housing organizations to assist low-income borrowers.
- Updating sales price limits biannually consistent with federal law in order to assist the maximum number of first-time homebuyers.
- Utilizing marketing and media resources to generate awareness for these programs and participating in special events.

Specific Program Goals and Performance:

Following is a list of the major Homeownership programs, with the applicable fiscal year and five-year goals. A brief performance history against the current fiscal year goals for the listed programs is provided.

- First Mortgage Lending

2004/05 Plan Goal: Projected:	$1.250 billion $1.250 billion
2005/06 Plan Goal:	$1.200 billion
Five-Year Goal	$6.000 billion

The current fiscal year's Business Plan includes a first mortgage purchase goal of $1.25 billion which is projected to be met by year-end. As of March 31, 2005, the Agency has purchased loans totaling $974 million in the current fiscal year, of which 78% were for resale homes and 22% for newly constructed homes.

The five-year goal was amended to continue at $1.2 billion for the next five years starting with the 2005/06 fiscal year. The $1.2 billion annual goal should be attainable in the coming fiscal year subject to market interest rates remaining stable, and based on the amount of private activity bond allocation received this calendar year.

First mortgage loan products currently offered include a standard 97% LTV 30-year fixed rate loan, a new 100% LTV 30 year fixed rate loan, and a new 100% LTV loan with a 5-year interest only period followed by a 30 year amortizing period, both at the same fixed interest rate.

- CalHFA Housing Assistance Program (CHAP)

2004/05 Plan Goal: Projected:	$27.0 million $35.8 million
2005/06 Plan Goal:	$13.3 million
Five-Year Goal	$26.6 million

A $27 million 2004/05 goal was included in the current Five-Year Business Plan for the highly successful CHAP. With CHAP, the financing for home purchases is comprised of an FHA insured 30-year fixed-rate first mortgage, and a 3% CHAP deferred payment second mortgage. The deferred second mortgage reduces borrower down payment requirements without increasing monthly loan payments. This product is used statewide and has been instrumental in assisting with the Agency's equitable distribution of loan funds objectives.

Given the limited availability of HAT funds, the Agency restricted the CHAP program to FHA insured first mortgages and reduced the FY 2005/06 budget to $13.3 million in order to preserve resources. Funding beyond FY 2006/07 will be addressed in future business

plans. The introduction of 100% loan products is anticipated to offset the impact the reduction in funding will have on the program and Homeownership loan volume.

As of March 31, 2005, there had been 3,773 CHAP second mortgages purchased for a total of $27.7 million.

- Self-Help Builder Assistance Program (SHBAP)

2004/05 Plan Goal: Projected:	$ 2.5 million $ 1.0 million
2005/06 Plan Goal:	$ 2.5 million
Five-Year Goal	$12.5 million

The Agency continues to commit $2.5 million of HAT funds annually to the SHBAP program which provides development loans to nonprofit self-help developers. This program provides loans for site acquisition, development and/or construction financing to nonprofit self-help housing sponsors, and permanent loans to borrowers. The SHBAP Development Loan has been set at a maximum limit of $500,000 per development with a deferred payment fixed-rate of 3%. Due to the continuing increase in development costs and the need of the nonprofits for affordable financing, the maximum loan amount has been increased to $750,000.

Families contribute their labor ("sweat equity") in lieu of a cash down payment under the mutual self-help approach.

- High Cost Area Home Purchase Assistance Program (HiCAP)

2004/05 Plan Goal: Projected:	$ 32.5 million $ 47.7 million
2005/06 Plan Goal:	$ 32.4 million
Five-Year Goal	$ 63.3 million

This program provides financing in the form of a deferred payment second mortgage for downpayment assistance to create new opportunities for low-to-moderate income homebuyers to purchase housing in counties with extreme housing costs, very high job demand, where the Agency's Homeownership Program has underserved the county and where there is an affordability problem.

As reported at the January 19, 2005 Board meeting, with the increased program awareness by the lenders, HiCAP far exceeded the 2004-05 plan goals by 147% -- $32.5 million in the Plan versus $47.7 million projected.

As of March 31, 2005, the Agency has purchased 1,363 second mortgages for a total of $34.1 million, with an accompanying $14 million in the pipeline. CalHFA had also purchased 1,359 related first mortgage loans totaling $357.2 million.

As with the CHAP program, HiCAP will be restructured within the available funding resource and to keep the program viable into the future. Funding beyond FY 2006/07 will be addressed in future business plans. The introduction of 100% loan products should offset the reduction in expenditures.

- California Homebuyer's Downpayment Assistance Program (CHDAP)

2004/05 Plan Goal: -With CalHFA firsts -With Non-CalHFA Firsts -Projected	$ 19.5 million $ 16.5 million $ 3.0 million $ 31.3 million
Projected: 2005/06 Plan Goal:	$ 31.7 million
-With CalHFA Firsts	$ 26.3 million
-With Non-CalHFA Firsts	$ 5.4 million
Five-Year Goal:	$ 63.5 million
-With CalHFA Firsts	$ 52.7 million
-With Non-CalHFA Firsts	$ 10.8 million

The CHDAP program, funded by Proposition 46, provides a deferred payment, 3% simple interest, junior mortgage of up to 3% of the purchase price or appraised value, whichever is less. Used for downpayment and closing cost assistance, it may be used in conjunction with a CalHFA or non-CalHFA first mortgage. Legislative changes effective January 1, 2005 increased the loan amount to 5% of the sales price for new construction homes within specific transit areas or zones. It is unknown what affect this may have on the projected goals for this program.

As of March 31, 2005, the Agency has purchased 3,423 CHDAP junior mortgages for a total of $24.6 million, with an additional $8.8 million in the pipeline. CalHFA had also purchased 2,786 related first mortgage loans totaling $608.7 million.

A total of $111.6 million was made available for loans from Prop. 46 for CHDAP. A remaining total of $61.1 million is included in this year's Plan for loans and a $32 million allocation is included in the Plan for FY 2005/06.

- School Facility Fee Down Payment Assistance Program (SFF)

2004/05 Plan Goal: Projected:	$ 7.4 million $ 4.3 million
2005/06 Plan Goal:	$ 4.7 million
Five-Year Goal	$26.0 million

The School Facility Fee Down Payment Assistance Program, funded by Proposition 46, offers conditional grants that can be used for down payment assistance or closing costs by eligible homebuyers. The grants are based on the amount of School Facility Fees paid by the developer for each particular new construction unit. A total of $47.5 million was made available for grants for downpayment and closing cost assistance from Prop. 46. A remaining total of $26 million is included in the Five-Year Business Plan for grants, to be divided equally between the two SFF programs: 1) "Economically Distressed Area" and 2) "First-Time Homebuyer, Moderate Income Limits". As of March 31, 2005, 828 grants had been disbursed for a total of $3 million with an additional $544,000 in the pipeline for FY 2004/05.

- Extra Credit Teacher Home Purchase Program (ECTP)

2004/05 Plan Goal: Projected:	$ 6.6 million $ 5.3 million
2005/06 Plan Goal:	$ 6.6 million
Five-Year Goal:	$16.6 million

The ECTP, funded by Proposition 46, is intended to help high priority schools recruit and retain credentialed teachers, administrators, staff and classified employees. This program offers a combination of a CalHFA first mortgage at a reduced interest rate, along with a junior loan for down payment assistance. The junior loan amount is limited to the greater of $7,500 or 3% of the sales price in CalHFA-defined statewide, non-high cost counties, or the greater of $15,000 or 3% of the sales price in CalHFA-defined high cost counties.

As of March 31, 2005, the Agency has purchased 278 ECTP junior mortgages for a total of $3.5 million, with an additional $1.2 million (103 loans) in the pipeline for FY 2004/05.

- Homeownership In Revitalization Areas (HIRAP)

2004/05 Plan Goal: Projected:	$ 0.3 million $ 2.5 million
2005/06 Plan Goal:	$ 2.8 million
Five-Year Goal:	$ 6.0 million

As a set-aside of CHDAP within Prop. 46, $11.6 million was made available for HIRAP. This program is for down payment and closing cost assistance to lower-income first-time homebuyers. CalHFA-approved nonprofit organizations must document that the low-income homebuyers are purchasing a residence in a community revitalization area targeted by the nonprofit organization, and have received counseling from the nonprofit organization.

On January 1, 2005, pursuant to 2003 Legislation, CalHFA's Executive Director declared all funds remaining in HIRAP be made available at an amount not to exceed 6% of the sales price until the reversion date of May 5, 2005, to CHDAP.

On May 6, 2005, 2004 legislation set aside $6 million from CHDAP (or less, if less than $6 million reverted back to CHDAP from HIRAP) to continue to offer HIRAP at an amount not to exceed 6% of the sales price. This will allow program activity to be monitored and the amount of assistance adjusted to reflect market condition, as needed. Although not specifically written in 2004 Legislation, it was the intent of AB 2838 that if less than $6 million of the original HIRAP balance reverted to CHDAP on May 5, 2005, only that amount could then be allocated to HIRAP.

As of March 31, 2005, eleven nonprofit organizations throughout California had been approved by the Agency to participate in HIRAP and the Agency has purchased 118 loans for $1.9 million, with a pipeline of 35 loans for $601,000. CalHFA also purchased 74 related first mortgage loans totaling $15.1 million.

B. MORTGAGE INSURANCE AND HOMEOWNERSHIP BUSINESS AND PRODUCT DEVELOPMENT

MORTGAGE INSURANCE SERVICES

Objective:

The objective of Mortgage Insurance Services (MIS) is to provide low-cost mortgage insurance for hard-to-qualify homebuyers.

Strategies:

Continue to insure all CalHFA conventional loans, targeted in this year's Plan at $460 million of new insurance written.

- Work to inform lending and real estate industry stakeholders on exciting new CalHFA loans and insurance programs, e.g. interest only PLUS, 100% LTV 30 Year Fixed loans and HomeOpeners℠ * mortgage protection program.
- Promote CalHFA insurance and business development efforts at industry related conferences and events.
- Participate with the Agency's Homeownership training and outreach efforts on expanding insurance and business partnerships.

Working with Homeownership and Information Technologies (IT) Divisions, create an integrated technology vision and platform.

- Receive and send loan data to and from lenders electronically, including all application data and decisions.
- Portfolio data will be accurate, easy to access and utilize, and allow users to create standard, ad hoc and customizable reports.
- Improve customer access to the CalHFA portal via the website and computer technology.

HOMEOWNERSHIP BUSINESS AND PRODUCT DEVELOPMENT

Objective:

The newly created Homeownership Business and Product Development is charged with increasing CalHFA's Homeownership suite of products based on needs of our target market while minimizing risk to the borrower and the Agency. Additionally, it is charged with leveraging private resources for the benefit of the Agency's target customer and, most importantly, creating new business partnerships with the private sector companies, cities, localities, lenders, developers and GSEs to create a working model to build affordable housing in the areas of most need in California.

* HomeOpeners℠ is a service mark of GE Mortgage Holdings, LLC.

Strategies:

Work in partnership with private sector companies, cities, localities, lenders, developers, and GSEs, to create a working model to build affordable housing in the areas of most need in the state.

Work with lending partners to expand private sector down payment assistance.

- Contact likely sources of funding from lenders who have specific community reinvestment goals.
- Work with CitiMortgage to expand their down payment assistance program through training and outreach.
- Work with CalHFA Marketing to develop program material that promotes the use of privately funded down payment assistance.

Partner with Homeownership in developing a hybrid ARM with either a 5 or 7 year fixed period.

- Conduct research on products that will meet affordable housing finance objectives.
- Assist in the development of Marketing and program materials for introduction of viable products.

Work with Homeownership to improve brokers' access to CalHFA products.

- Conduct research to determine lender capacity for broker business.
- Assist in developing support and training to involve brokers in originating CalHFA loan programs.

MORTGAGE INSURANCE SERVICES

Program Performance and Strategy Implementation:

California Housing Finance Agency (CalHFA) Conventional Loans		
	2004/05 Plan Goal:	$180 million
	Projected:	$400 million
	2005/06 Goal:	$460 million
	Five-Year Goal:	$2.30 billion

In early 2004, conventional loans emerged as a very viable product for first time homebuyers. This was a result of a proliferation of new conventional products such as the hybrid ARMs and interest only products along with low FHA loan limits. Additionally, conventional products are less complicated for mortgage lenders who streamline their operations to meet demand for loans and require less documentation than FHA. This trend was also experienced by CalHFA where conventional loans accounted for 35% of the loans in calendar year 2004 and increased to 50% for the first three months of 2005. The 2004/05 CalHFA insurance goal has more than doubled because of this trend. Going forward, CalHFA's two new loan programs, the *interest only* PLUS and the 30 year fixed rate 100% LTV loan, are expected to make housing finance more affordable and continue the production trend into the next five years.

California Public Employees Retirement System (CalPERS) Loan Program

2004/05 Plan Goal: Projected:	$5.0 million $0.2 million
2005/06 Goal:	$1.0 million
Five-Year Goal:	$5.0 million

The majority of CalPERS loans are originated for sale to institutional investors who do not require income limits. CalHFA's intention is to support those public employees who meet the moderate income definition and who need down payment assistance. Competition from private mortgage insurers, and loan originators who package their loans under a standardization loan product, has diminished CalHFA's market share. CalPERS program administrator, CitiMortgage, recently became approved to originate and service CalHFA loans and they intend to offer all CalHFA loans to CalPERS members. At this time, it is unknown what effect this will have on CalHFA Mortgage Insurance and, as a result, the goal is an expected $1 million per year.

California State Teachers Retirement System (CalSTRS) Loan Program

2004/05 Plan Goal: Projected:	$35 million $ 9 million
2005/06 Goal:	$14 million
Five-Year Goal:	$70 million

These loans are made to CalSTRS members and insured by CalHFA. In 2004, the CalSTRS program was restructured into two new programs, 80/20 and 95/5 first and second loan combinations, and Countrywide was chosen as the new program master servicer and administrator. CalHFA agreed to insure first and second loans. Countrywide reports that origination and servicing issues are yet to be resolved. This delay in implementing the new programs negatively affected the 2004/05 goal. Additionally, during CalSTRS absence from the market place, other loan options for teachers have ensued and are likely to have a further negative affect on production going forward.

Lease Purchase

2004/05 Plan Goal: Projected:	$10 million $ 7 million
2005/06 Goal:	$ 4 million
Five-Year Goal:	$ 5 million

The Association of Bay Area Governments (ABAG) Lease Purchase Program remains the only active program and it will cease originations by 2007.

Community Affordable Housing

2004/05 Plan Goal: Projected:	$30 million $11 million
2005/06 Goal:	$ 6 million
Five-Year Goal:	$19 million

Community Affordable Housing includes programs developed to meet the growing demand for emerging and underserved markets. CalHFA Mortgage Insurance supports Fannie Mae's My Community Mortgage products as well as Freddie Mac's Affordable Gold and HomePossible products. The program works to develop partnerships that will

lower the cost of home financing and focus on underserved markets. The increased willingness for private mortgage insurance companies to also support these programs has drawn this business away from CalHFA and it is projected that CalHFA mortgage insurance will diminish in the future. Goals reflect this expectation.

C. MULTIFAMILY PROGRAMS

The role of Multifamily Programs is to finance rental housing for very low, low and moderate income persons and families.

Objectives:

The objective of Multifamily Programs is to increase the affordable housing stock in the State through the preservation and creation of affordable rental housing, while addressing unmet affordable housing needs through the development of innovative lending programs.

Strategies:

As part of the Agency's strategy to maximize its public purpose, Multifamily Programs intends to focus on its rental financing activity as a direct lender to affordable housing sponsors. The main components of this strategy involve New Construction, Preservation and Special Needs financing with individual programs in each of these areas.

The Multifamily Programs strategies are listed below.

- Provide the lowest practical long-term, fixed rate interest loan to facilitate the greatest affordability while maintaining project viability. Introduce and establish floating loan products to maximize the benefit of Agency financial resources.
- Facilitate the preservation and rehabilitation of at-risk housing through the use of tax-exempt and taxable permanent financing including 501(c)(3) bonds for qualified sponsors. Also, utilize interim financing to assist in the timely acquisition of qualified assisted projects at risk of losing their long term affordability.
- Provide lending programs in partnership with state and local agencies, construction lenders, and locality lending programs.
- Continue to provide a highly competitive, low cost construction lending program to reduce development costs.
- Continue the efficient issuance of tax-exempt bonds through the Agency's pooled bond issues, taking advantage of the Agency's strong credit ratings and efficient swap structures.
- Provide financing for the development of infill homeownership projects in collaboration with Agency homeownership programs and the Residential Development Loan Program (RDLP).
- Actively pursue taxable construction and permanent lending opportunities for 9% tax credit developments.
- Maintain the Special Needs Housing program with its deep interest rate subsidy, with an increased emphasis on shorter term loans. Facilitate interagency cooperation and the utilization of supportive housing resources.
- Promote partnerships with lenders, consultants and other affordable housing professionals to leverage Agency resources.

The successful introduction of the Multifamily Programs' construction loan program and the prospect for increased preservation financing is reflected in the loan commitment activity of

$437 million in the first year of the business plan with the total five-year Multifamily goal is $2.255 billion.

Program Performance and Strategy Implementation:

Following is a list of the major Multifamily programs, with the applicable fiscal year and five-year goals. Also provided is a brief performance history against the current fiscal year goals for the listed programs.

- Construction and Permanent Loans

2004/05 Plan Goal: Projected:	$ 260 million $ 371 million
2005/06 Plan Goal:	$ 280 million
Five-Year Goal	$1.540 billion

The previous Five-Year Business Plan anticipated a total of $260 million in final commitments for bond funded loans in FY 2004/2005, to include new construction, preservation acquisition/rehabilitation, and special needs programs. As of March 31, 2005 the Board approved final commitments totaling $235 million for 19 projects, involving 1,691 units. These projects provide a high degree of affordability with 64% of the total units restricting rents at 50% or less of area median income; 36% with rents at 51% to 80% of area median income.

We estimate year end final commitment activity of $371 million to finance a total of 25 projects, representing 2,146 units.

Multifamily anticipates $110 million in permanent loan commitments for FY 2005/06.

This fiscal year marked the first full year of our construction loan program for tax-exempt bond projects. This program provides low cost, variable rate funds to reduce construction period interest and is linked to a CalHFA permanent loan. Most of the loans in this program also contain financing from the Department of Housing and Community Development's Multifamily Housing Program (MHP). To date, eight projects have closed their construction loans representing 548 units for total loans of $95 million.

Multifamily anticipates $170 million in construction loan commitments for FY 2005/06.

The Special Needs Housing Program is designed to provide bridge and short-term permanent financing for projects with populations that are "at-risk" and requiring supportive services. The program utilizes HAT funds to subsidize the interest rate to a level as low as 1%. Generally, the tenants have incomes of less than 50% of median income, necessitating the subsidized interest rate to make the projects economically viable. Because of the need for supportive services financing and the complexity of structuring the transactions, special needs housing projects have lengthy development time frames.

To date, CalHFA funded three loans under the Special Needs Programs for a total of $11.1 million, representing 76 units of supportive housing.

- Preservation Acquisition and Preservation Opportunity Program

Preservation Acquisition Program 2004/05 Plan Goal: Projected:	 $35 million $ 7 million
Preservation Opportunity Program 2004/05 Plan Goal: Projected:	 $15 million $15 million

Proposition 46 authorized the Preservation Opportunity Program, a revolving fund of monies for the acquisition and preservation of at-risk affordable housing projects. These bond funds are intended to finance approximately 30% of the project's acquisition costs, with CalHFA lending the balance of the monies. Loans made from both of these sources are intended to be repaid with permanent financing and be recycled for new acquisitions. Fiscal year 2004/05 saw limited activity in this program due to the low level of preservation financing in general and the availability of attractively priced financing alternatives.

Projected activity for the coming fiscal year is $10 million for the Acquisition Program and $3 million for the Opportunity Program. Proposition 46 funds are expected to revert back to HCD's MHP program in August 2005.

- Section 8 Portfolio Rehab and Restructuring Program

2004/05 Plan Goal: Projected:	$ 3 million $ 3 million
2005/06 Plan Goal:	$ 3 million
Five-Year Goal:	$15 million

The Section 8 Rehab and Restructuring Loan Program, managed by CalHFA's Asset Management Division, will be used to facilitate capital improvements and the rehabilitation of Section 8 properties where a Physical Needs Assessment (PNA) indicates existing Reserve For Replacement (RFR) funds are not sufficient. These funds will also be used for cost and loans associated with the restructuring of the portfolio.

- Housing Assistance Trust Loans

2004/05 Plan Goal: Projected:	$ 5 million $ 5 million
2005/06 Plan Goal	$ 5 million
Five-Year Goal:	$25 million

HAT loans will be made to Multifamily and Special Needs projects where subsidy, gap financing for other low interest loans may be required. Sources of funds for the Rehab and HAT loans may come from FAF, Earned Surplus or regular HAT reserves.

SPECIAL LENDING PROGRAMS:

The Special Lending Unit of the Multifamily Division has achieved considerable success assisting localities with their housing initiatives through its HELP program. An expansion of this program envisions further partnering with localities in the areas of neighborhood infill, tax increment lending and small project development. Under these initiatives, localities could share financial risk with the Agency and take the lead in the selection of sponsors.

- Housing Enabled through Local Partnerships (HELP)

2004/05 Plan Goal:	$20 million
Projected:	$20 million
2005/06 Plan Goal:	$10 million
Five-Year Goal:	$50 million

The HELP Program was introduced in FY 1998/99 with the objective of providing affordable housing opportunities through program partnerships with local government entities consistent with their affordable housing priorities. Funds in the form of 3% interest, 10 year loans are made available to localities for their specific affordable housing activities. It represents both an investment in additional homeownership and rental housing throughout California as well as an investment in new and different working relationships with localities.

The first six years of the originally planned five year program have proven highly successful. As of March 31, 2005 we have committed $130 million. Of the total 149 commitments issued to date, representing 17,000 housing units, 119 are active loans serving 92 separate local government entities. Approximately $91 million has been disbursed to date.

As we enter the seventh year of the HELP program, we propose the program continuation at an annual level of $10 million.

- Small Loan and Predevelopment Loan Program

2004/05 Plan Goal:	$ 3 million
Projected:	$ 0 million
2005/06 Plan Goal:	$ 4 million
Five-Year Goal:	$20 million

The objective of the Small Loan Program (formerly Small Business) is to create productive partnerships with small builders and developers by providing small development loans, and to encourage conventional construction lenders to partner with CalHFA. The Agency is seeking to expand this type of lending through increased resources and enhanced incentive efforts.

The Predevelopment Loan Program serves the needs of non-profit sponsors in need of funds to initiate project development.

- Community Development Funding Initiative

2005/06 Plan Goal	$ 25 million
Five-Year Goal	$125 million

The Community Development Funding Initiative (CDFI) is a program designed to financially assist intermediary lenders through loan purchases. These intermediary lenders (Habitat for Humanity, Low Income Investment Fund, etc.) target specific needs in the affordable housing continuum and CalHFA can assist their goals by purchasing loans, thereby improving the intermediaries' financial strength. ($15 million annually is HAT funded.)

This initiative also contains funds for the Tax Increment Program. ($10 million financed annually.) This program is designed to capitalize redevelopment area tax increment stream to be used for a broad range of uses for affordable housing projects including site acquisition and project financing.

- Agnews Housing Plan

2005/06 Plan Goal	$ 50 million
Five-Year Goal	$100 million

The Agnews Housing Plan is designed to provide funding for approximately 100 group homes in the San Francisco Bay Area as replacement housing for the residents of the Agnews Facility. The Agency will supply bond financing for the acquisition and construction of these based on the guaranteed lease payments from the State of California to regional service providers.

- Residential Development Lending Program

2005/06 Plan Goal	$ 40 million
Five-Year Goal	$360 million

The Residential Development Lending Program (RDLP) will provide funds to finance the acquisition, development and construction of affordable residential structures located within infill, redevelopment and other urban areas where additional homeownership is a goal and a need. The Agency will leverage underutilized monies from Prop 46 and couple the development financing with CalHFA's wide range of first-time homebuyer permanent loan products and down payment assistance.

Current legislation (AB 1512) is proposing to allow statutory authority to use Proposition 46 mortgage insurance funds for this program.

D. SUPPORT DIVISIONS

Introduction

There are eight Support Divisions: Administration, Information Technology, Financing, Fiscal Services, Legislation, Marketing, Multifamily Asset Management, and the Office of General Counsel. These divisions' roles are to assist the operating divisions in achieving the goals outlined in CalHFA's Five-Year Business Plan. These divisions also provide the day-to-day support services for our operating divisions to conceive, facilitate and execute the strategies needed for meeting customer, stakeholder and employee objectives.

The following are the individual support divisions' objectives, strategies and implementation considerations for the 2005/06 Five-Year Business Plan:

1. ADMINISTRATION

Objectives:

- Continue to recruit new staff to fill open positions.
- Update internal procedural manuals and handbooks.
- Begin planning for consolidation of two Sacramento locations into one location.

Strategies:

- Work within State government to update and upgrade positions.
- Continue to advertise, interview, and select quality hires.
- Organize a multi-disciplined working group to begin the planning process for the Agency's eventual move.

Implementation Considerations:

The Administrative Division supports the operational needs of the Agency through both human resources and business services and has spent a considerable amount of time working toward the completion of several long term projects. With the successful culmination of these projects, the Agency will be well positioned for the next five years and can turn its attention to updating internal manuals and handbooks.

2. INFORMATION TECHNOLOGY (IT)

Objectives:

- Develop and implement appropriate enabling technologies to improve the efficiency and effectiveness of the Homeownership Program's loan delivery processes and procedures.
- Define user requirements and identify technological solutions to support the operations of the Financing Division.

- Implement technologies to facilitate the processing, underwriting and management of complex multifamily residential loan transactions.
- Initiate and/or complete the implementation of various support systems, including iManage, General Ledger and Remedy/Magic, to improve operations.
- Extend the use, enhance the capabilities and expand the information offerings of the Agency's Internet and intranet web sites to improve communications and operations.
- Continue to provide professional, responsive IT support and services to daily Agency operations and activities.

Strategies:

- Manage the Agency's IT Governance structure to ensure IT and business strategic alignment and effective IT priority setting and resource allocation.
- Maintain an IT hardware and software infrastructure that is responsive to current business operations and future IT initiatives.
- Research technologies available in the marketplace and those being used most effectively by the housing finance industry and make recommendations on their potential for the Agency.
- Ensure the IT Division has the necessary organizational infrastructure, including staff skill sets, support tools, policies and practices, and measurement and management tools, to effectively support current operations and respond to planned IT initiatives.
- Aggressively pursue the use of enabling technologies, such as web based applications, that provide opportunities to enhance the support of the Agency's strategic business initiatives.

Implementation Considerations:

The Information Technology Division is committed to supporting the Agency's Business Plan. The Division's organizational and technical infrastructures are under continuous review to identify opportunities for change to improve current support and services and to best prepare the Division to be responsive to future initiatives. The IT Division is positioning itself to be a proactive leader in IT services and innovation for the Agency.

3. Financing Division

Objectives:

Over the next five years the Financing Division will need to arrange the issuance of bonds and identify other sources of capital to support up to $7.5 billion of homeownership and multifamily loan production.

Strategies:

For both Homeownership and Multifamily Divisions, the Financing Division plans to continue to lower the cost of the Agency's debt through the issuance of variable rate bonds and to utilize the swap market to synthetically fix or cap the rates to hedge our interest rate risk.

In order to meet the goal of up to $6 billion of new home loans, the Division will maximize the recycling of previous years' tax-exempt authority, recycle prepayments directly in certain cases, and finance new loans with a mix of tax-exempt and taxable bonds and may partner with local agencies to use their tax-exempt bond authority.

In the multifamily area, CalHFA expects to commit over $1.5 billion of bond-funded multifamily loans over the next five years. To achieve economies of scale and keep the cost of funds low, the Division intends to continue the following strategies: pooling loans into large financings, pledging the Agency's general obligation, and incorporating economic refundings of older CalHFA bonds into future transactions.

We will also continue to partner with other public agencies (including local agencies who issue housing bonds), pension funds, and Government Sponsored Enterprises (GSEs) such as Fannie Mae, Freddie Mac, and the Federal Home Loan Banks, who support our financings by acting as investors or by providing services such as standby bond purchase agreements.

Implementation Considerations:

During fiscal year 2004/05 to date, CalHFA has already contracted to issue $1.49 billion of bonds and plans to contract for another $300 to $350 million before the end of the fiscal year. All of the $1.49 billion of bonds were issued as variable rate, of which $505 million was swapped to fixed rates. As of March 31st, total variable rate debt is approximately $6.5 billion, some 86% of the Agency's total indebtedness of $7.6 billion. Bonds swapped to fixed rates total $4.4 billion.

At the end of the five-year planning period, it is possible that the Agency will have more than $12 billion of bonds outstanding, and as much as 90% may be variable rate, most of which will be swapped to a fixed rate.

4. Fiscal Services

Objectives:

- Provide superior financial management and reporting services to Agency management.
- Support the affordable housing mission of the Agency by servicing a wide variety of Agency loan products including homeownership first trust deed loans, homeownership down payment assistance loans, HELP loans, loans secured by multifamily rental developments and many other specialty loan products.
- Continually improve and integrate automated accounting activities with financial and management reporting systems.

Strategies:

- Ensure that adequate internal Accounting management and operating controls are in place and successfully coordinate the annual financial audits of the Housing Finance Fund and the Housing Loan Insurance Fund.

- Provide the highest level of customer service possible to borrowers whose loans are being serviced by the Agency.
- Provide timely and accurate financial information.
- Search for process improvements and automated solutions that will minimize effort and provide for greater reporting capabilities.

Implementation Considerations:

The Fiscal Services Division will continue to support CalHFA activities through the receipt and disbursement of financial resources, the safeguarding of assets, the servicing of loans and by recording and reporting on financial matters of the Agency in accordance with professional standards in meeting all federal, state and indenture requirements. Additionally, the Division will continue to provide financial management services and other assistance and support to the Agency's lending, insurance and financing activities. The Division is also prepared to assume additional loan servicing responsibilities as needed.

5. LEGISLATION

Objectives:

- Participate in efforts to update the Agency's statutory framework.
- Advocate Agency programs and positions to Administration, Legislature, Congress and appropriate stakeholder groups.

Strategies:

- Work with Agency Legal and Program staffs to identify needed statutory changes.
- Work with Agency staff and interested stakeholder groups to develop appropriate strategies to successfully implement those changes.
- Develop and advocate the Agency's policy position on state and federal legislation.
- Promote the Agency before Congress, the State Legislature and the Governor's Office.

Implementation Considerations:

The focus of the Legislative Division is to ensure that legislation which fosters CalHFA's primary purpose of providing financing to meet the housing needs of low and moderate income families in California is monitored, tracked, analyzed and enacted into law. Additionally, the Agency has embarked on a review of its current statutes to determine what changes will be required to meet the Agency's long-term business plan objectives. The Legislation Division will not only need to understand the Agency's current statutory framework, but the proposed statute changes so that it can develop the recommendation and rationale for presentation to our Administration, Legislative and Stakeholder audiences. This year, the Legislative Division will work to secure legislation to assist in the Agency's efforts to develop programs to increase the stock of housing available to

low and moderate income households and to generally promote affordable housing strategies before the State Legislature and Congress.

6. MARKETING DIVISION

Objectives:

- Increase awareness of CalHFA as a primary source of below market interest rate funding for California's affordable housing market needs.
- Promote CalHFA programs to expand affordable housing opportunities throughout California.

Strategies:

- Develop marketing initiatives to assist in maximizing the mortgage loan and insurance volume for Homeownership.
- Increase awareness for CalHFA programs among user and stakeholder groups.
- Continue media driven outreach efforts to increase awareness for our Homeownership and Mortgage Insurance programs.
- Utilize the most efficient and effective means available to reach target and stakeholder audiences.
- Use new product programs as the platform for major marketing and outreach initiatives.
- Focus Homeownership marketing efforts in areas that have the greatest affordable housing inventory (e.g., housing at or below our sales price limits).
- Provide outreach support for Proposition 46 programs and projects.

Implementation Considerations:

The marketing team will focus its efforts on increasing the awareness and understanding of the CalHFA brand and programs with its customers, partners, stakeholders and employees concerned with the need for affordable housing in California. We will increase our outreach activities, particularly in media driven channels, to promote key CalHFA Homeownership and Mortgage Insurance programs with emphasis on new programs. The 2005/06 Marketing Plan will provide support to the Divisional program goals outlined in the Business Plan. Additionally, Marketing support will be provided for key Proposition 46 programs to help ensure the timely use of the funds.

7. MULTIFAMILY ASSET MANAGEMENT

Objectives:

- Protect the Agency's loans through financial monitoring and physical inspections.
- Use asset management technology to forecast financial performance of assets to manage risk.
- Oversee use of subsidy funds through occupancy and other financial compliance monitoring on behalf of HUD.

- Protect CalHFA's rights, the owner/agent's rights and tenants' rights through the interpretation of the Regulatory Agreement, the HUD Manual 4350.3, other HUD directives and State laws.

Strategies:

- Negotiate for increased affordability in existing projects when opportunities arise to lower their loan rates.
- Assign staff to work closely with lower performing assets to develop financial and physical strategies to maintain long-term viability of asset.
- Complete sale of six REO (real estate owned) properties with long-term affordability requirements. Agency will be lender and regulator of new loans.
- Consider financial viability of recapitalizing existing Section 8 agency portfolio.

Implementation Considerations:

The Asset Management Division is committed to supporting the Agency's Business Plan and ensuring the viability of the Agency loans throughout their term. The Division works closely with Multifamily Programs during the underwriting process to help ensure an economically viable product at loan close. During the next several years, staff will be working with HUD and Section 8 owners whose housing assistance contracts and agency loans are expiring. Although many owners wish to exercise their option to terminate the Section 8 program at the end of their loan term, and have the right to do so, the agency will work to create new loan products and programs to encourage owners to recapitalize their properties for a new 30 year term.

The original 15-year compliance period is ending for many of our tax credit owners and Agency staff will be working with them as they seek exit strategies through sales of their projects. New asset management software will be fully integrated over the coming year that will result in improved forecasting and trending techniques to better manage risk and will also allow for improve communication and monitoring between the staff and outside management agents and sponsors.

8. Office of General Counsel (OGC)

Objectives:

- To provide legal services to the Board, the Executive Director and the Agency equal in scope and quality to those available to private businesses.
- To fully utilize legal technology to provide state of the art support capability.
- To fully develop both in-house and outside legal resources to meet the complex business demands of the Agency.
- To perform a comprehensive review of the Agency's statutory framework.

Strategies:

- Assign attorneys to work closely with client divisions within the Agency, both to develop and maintain client relationships, and to obtain the specialized business knowledge needed to proactively deal with each division's unique legal needs.

- Utilize I-Manage document management software, PDF document conversion software, and document imaging technology. OGC is exploring web based document acquisition and editing to allow interested parties to work collaboratively in complex transactions. OGC is also developing, with the IT Division, software to manage file location and related database applications.
- Provide up-to-date legal resources by developing in-house legal talent and maintaining relationships with specialized outside counsel.

Implementation Considerations:

OGC recognizes the need to continuously examine and improve the delivery of legal services, to keep pace with the real estate finance industry and the State's delivery of affordable housing to Californians. The General Counsel and legal staff will continue that development to ensure that the legal needs of the Agency are always met.

V. FINANCIAL SUMMARY

The purpose of the Financial Summary is threefold: to present the Agency's equity position as of December 31, 2004, to describe the projected effect on the Agency's equity of the assumptions made in the Agency's Five-Year Business Plan, and to provide a detailed description of the factors influencing restriction of the Agency's equity.

DISCUSSION OF EQUITY:

"Equity" is synonymous with "net assets". It is arrived at by applying the Agency's assets against its liabilities at any given point in time. As of December 31, 2004, the Agency had total assets of $9.8 billion (comprised primarily of mortgage loans receivable) and total liabilities against those assets of $8.6 billion (comprised primarily of bond indebtedness). The residual restricted assets of $1.1 billion (Housing Finance Fund) and $56 million (Housing Loan Insurance Fund) represent the Agency's equity position at December 31, 2004.

Although the amount of the Agency's total equity is readily identifiable, its liquidity is not. The majority of the assets underlying the equity are in the form of mortgage loans receivable, and as the following discussion will illustrate, most of the Agency's equity is allocated, or restricted in the form of reserves, for various purposes.

Since the term "reserve" has different meanings in different financial settings, the term may be a misnomer as it relates to the Agency's funds if there is an assumption that the reserves are in excess of the Agency's needs. The Agency's restricted reserves are not surplus moneys as used in the context of State agency fund designations. The Agency's reserves are, instead, designations of restricted funds as required of any private financial institution. As described in the Agency's 2004/05 Annual Report, in the notes to the audited Financial Statements, all of the Agency's equity is restricted either by indenture or by statute, or invested in capital assets.

The categories "Restricted by Indenture" and "Restricted by Statute" reflect the Agency's restricted equity. Pursuant to State statutes, resolutions and indentures, specified amounts of cash, investments and equity must be restricted and reserved. The equity categorized as Restricted by Indenture represents the indenture restrictions of specific bonds, whereas the Restricted by Statute category represents equity that is further restricted to fund deficiencies in other bonds, programs or accounts. The Housing Finance Fund maintained all required balances in the loan and bond reserve accounts as of December 31, 2004.

Generally, there are indenture covenants requiring that equity be retained under the lien of each indenture until certain asset coverage tests, as well as cashflow tests, have been met. Other restricted reserves are pledged to meet the Agency's bond and insurance general obligations, continuing program maintenance and ongoing administrative costs.

ALLOCATION OF CALHFA EQUITY:

The Agency's equity balance is contained within a series of funds and accounts, including bond funds and other types of restricted funds and accounts. Within these funds and accounts, equity has been classified according to the purpose it is intended to serve.

These purposes include providing security for current and future bond issues, providing for emergency needs, leveraging restricted reserves for non-bond housing assistance programs, and providing for future operating expenses and financing costs.

The Agency's equity is allocated into three main restricted reserve categories: Restricted by Indenture, and Restricted by Statute, and Invested in Capital Assets. They are described as follows:

Restricted by Indenture:

The amount classified as Restricted by Indenture ($738 million) includes amounts required to be retained in the various bond indenture funds. This total provides security for the specific bonds to which they are assigned.

Restricted by Statute:

To comply with State law, rating agency requirements, credit enhancement agreements, and investor guarantees, the Agency is also required to maintain restricted reserves in addition to the above-described Indenture Restricted Reserves.

The amount classified as Restricted by Statute ($429 million), consisting of amounts from the Emergency Reserve Account, the Supplementary Bond Security Account, the Housing Assistance Trust, the Contract Administration Programs, and the Operating Account provides general support for all obligations of the Agency, including general obligation bonds, interest rate swaps, and mortgage insurance.

The Agency has no taxing power, and bonds issued by the Agency are not obligations of the State of California. Some Agency bonds are issued as general obligations of the Agency, however, and are payable out of any assets, revenues, or moneys of the Agency, subject only to agreements with the holders of any other obligations of the Agency. This pledge is in addition to that of the specific revenues and assets pledged under the indenture. The Agency has received a Standard & Poor's rating of AA- on its general obligation pledge and a Moody's Investor Service rating of Aa3 (with a "positive outlook").

The Agency has $1.5 billion of bonds outstanding that are backed by CalHFA's general obligation. The Agency has also extended its general obligation pledge to $352.3 million of multifamily loans insured by FHA under its Risk Share Program. Our risk is 50% of this amount, or $176 million. In addition, the Agency pledges its general obligation for another $3.5 billion to its swap counterparties for the interest rate swaps that are currently outstanding.

While most of the Agency's reserves are contractually restricted as security behind the $8.6 billion in Agency liabilities and the $840 million in single family mortgages insured by the Agency, other reserves serve a "dual purpose." These reserves provide the Agency with the resources to meet its capital adequacy requirements, general obligation pledge risk reserves, and operating funds. At the same time, prudent management of these accounts has allowed the CalHFA Board to carefully apply them to necessary uses under the Operating Account, Emergency Reserve Account, and the Housing Assistance Trust.

To maintain the necessary security reserves, it is important that these accounts be invested in uses that will preserve principal and generate revenues to the Agency. This is necessary

because fee revenues will decline as the bond issues mature, but our administrative and monitoring responsibilities will continue for the up-to-40-year life of the bonds and loans. It is planned that during these later years scheduled draws from the Emergency Reserve Account, Housing Assistance Trust, Operating Reserves and other accounts will be used to support the ongoing bond and loan administrative costs. Accordingly, when these funds are deposited or "invested" in various Agency programs, they are carefully managed to maintain low levels of risk and ultimate liquidity for long-term bond and loan management purposes.

The Contract Administration Programs ($95.4 million) category includes amounts related to programs originally funded with appropriations from the State and is restricted by State statutes. The equity is therefore not available for allocation to other Agency purposes.

Within the Operating Account the Agency maintains a $30 million operating reserve, equivalent to one year's operating budget, including a $5 million revolving fund for bond financing expenses. The revolving fund serves to provide short-term advances to pay the initial costs of bond issuance, pay for interest rate hedges, pay debt service on the Housing Program Bonds, and pay other costs of developing bond programs. Such allocations of equity ensure the continued administration of the Agency's programs and also serve to meet rating agency liquidity and capital adequacy requirements.

LOSS PROTECTION:

Rating Agency Requirements:

The credit rating services (Moody's Investors Service and Standard & Poor's) provide certain quantitative guidance regarding the need for reserves to protect against certain quantifiable risks of loss. We have always judged the soundness of our Business Plan by projecting financial results for the five year period and determining that these projections were consistent with rating agency criteria.

Both rating agencies require the Agency to establish reserves for each bond issue, intended to protect the bondholders and the Agency in the event that the actual cashflows associated with a bond issue differ from the cashflows projected at the time of issuance of the bonds. In order to determine the size of the reserves to be established for each issue, the rating agencies analyze the performance of the projected cashflows and assets at the time of bond issuance under a "worst case scenario". The Agency is required to set aside and maintain reserves in an amount necessary to cover any projected cashflow shortfalls under these worst case scenarios. Such reserves represent a direct allocation and restriction of the Agency's equity.

In addition, Standard & Poor's provides certain formulas for determining capital adequacy for its "Top Tier" designation and its issuer, or general obligation, credit rating.

The guidelines Standard & Poor's uses to evaluate housing finance agencies include: number of years issuing bonds, administrative capabilities, investment policy, internal controls, loan portfolio quality, and maintenance of residual fund balances (as defined by S&P) equal to 4% of non-AAA bonds outstanding. One-half of these required residual balances (2% of non-AAA bonds) must be liquid assets.

In order to assess the adequacy of the Agency's equity at any point in time, S&P analyzes the Agency's finances to determine the amount of residual equity remaining after providing for any potential risks which have not already been addressed to S&P's satisfaction. In addition, S&P evaluates various financial ratios, which are indicators of leverage, liquidity, and general obligation debt exposure.

The Agency's general obligation pledge currently stands behind $8.6 billion of single family and multifamily debt, $176 million of multifamily loans subject to FHA Risk Share, and $3.5 billion to our swap counterparties for our outstanding interest rate swaps. It is anticipated that, during the term of the Plan, direct utilization of the Agency's general obligation will be greatly expanded, as shown in the table below. In order to continue to meet the capital adequacy requirements of Moody's and S&P, the Agency must reserve equity against these pledges.

Pledges of CalHFA General Obligation
(in millions)

	Current Pledges	Estimated as of June 30, 2010
CalHFA G.O. Bonds	$1,500	$3,000
FHA Risk Share Program	176	350
Interest Rate Swaps	3,500	7,500
	$5,176	$10,350

The rating agency assessment of CalHFA equity is very similar to the determination of capital adequacy of financial institutions and is necessary for the financial well-being of CalHFA as the State's affordable housing bank. In addition, other benefits of meeting the rating agencies' capital adequacy requirements include:

- higher bond ratings, resulting in a lower cost of funds,
- reduced interest expense to the home buyer or multifamily project sponsor,
- continuation of a mortgage insurance program,
- elimination of special hazard insurance requirements, and
- reduction or suspension of other credit enhancements on Agency bond issues.

The costs of not meeting these requirements include:

- the possibility of a technical default under one of the covenants contained in our swap, bond, liquidity, or bond insurance agreement,
- jeopardizing the Agency's Aa3/A+ ratings of its insurance claims paying ability,
- jeopardizing ratings on the Agency's currently outstanding bonds,
- an increase in the Agency's cost of funds,
- increased cost of credit enhancement and liquidity for variable rate bonds,
- less favorable terms for new financial agreements including interest rate swaps, and
- reduction in the number of willing financial partners such as investors, bond insurers, liquidity providers, and swap counterparties.

CalHFA first earned its Top Tier designation in 1986 and has achieved the performance levels necessary to retain this honor continuously since that date. We fully intend to

continue the strong management practices, sound program planning, and internal control systems that have allowed us to maintain this designation. We also expect to achieve financial results in the future consistent with our current issuer credit ratings from both Moody's and Standard & Poor's.

Other Prudent Reserves:

A portion of the Agency's equity is restricted to protect the Agency's assets from potential losses due to interest rate risk, natural catastrophes such as earthquakes and floods, risk associated with the multifamily loan portfolio, negative arbitrage, uncollateralizable investment agreements, and unanticipated interest rate swap terminations.

- Interest Rate Risk

CalHFA's variable rate bond strategy is the key to its ability to offer attractively-priced loan products in today's highly-competitive, low-interest-rate marketplace. Utilizing variable rate bonds, while hedging long-term exposure with interest rate swaps, enables borrowers to take advantage of CalHFA's significantly reduced cost of funds. In addition, the lower cost of funds provides CalHFA with an opportunity to modestly increase its capital base in spite of lending at the lowest rates in its history. As of March 31, 2005 the Agency had $6.55 billion of variable rate bonds outstanding, and another $300 million may be added before the end of the 2004/05 fiscal year. It is possible that another $1.6 billion may be issued each year going forward for the life of the Plan.

Given the Agency's variable rate bond strategy, it should set aside reserves to cover the risk of rising rates, the costs of acquiring interest rate hedges, and certain risks related to such hedges. For example, hedges we might enter into to reduce our tax-exempt interest rate risk are likely to leave us exposed to the risk of tax law changes that would reduce or eliminate personal and corporate income taxes. Another risk would be counterparty failure in connection with an interest rate swap or cap. In this regard, it should be noted that as of March 1, 2005, the market value of the Agency's 100+ interest rate swaps was a negative $199 million. What this means is that, if all our counterparties were to fail, the Agency would owe termination payments in this amount. In addition, continued very high incidences of single family loan prepayments could upset the balance between the notional amount of the swaps and the outstanding amount of related variable rate bonds.

Because interest rates could rise, either because the Federal Reserve raises short-term rates or because changes in tax law could reduce the value of the tax exemption, the Agency needs to set aside a substantial reserve against this risk.

- Natural Catastrophes

In order to provide more financing for affordable housing in high-cost areas of the state, the Agency petitioned the rating agencies to allow a higher percentage of home loans to be made to purchasers of condominiums. The rating agencies agreed, but only if the Agency would establish a reserve in an amount equal to 1% of the unpaid principal balance of such loans to effectively insure the loan portfolio against losses in the event of an earthquake. The Agency currently has in its portfolio a total of $914.1 million of loans for condominiums. A portion of the Agency's multifamily loan portfolio is insured under a $50 million multifamily earthquake and flood insurance policy which has a 5% deductible and does not provide for

loss of income. The Agency has restricted equity to supplement the coverage not provided by the policy.

- Project Maintenance

Equity is restricted to protect the Agency from possible losses on multifamily project loans. It should be recognized that the Agency could be called upon at any time to meet certain deficits as a result of debt service shortfalls on project loans. Given the size of the Agency's $1.4 billion multifamily loan portfolio and the substantial pipeline of new loans to be originated or acquired, reserves must be available as a reasonable protection from late payments, emergency maintenance needs or various cashflow shortfalls. One type of potential cashflow shortfall could result if HUD is unable to extend Section 8 Housing Assistance Payments contracts to the final maturity of our loans.

- Negative Arbitrage

The Agency expects to continue to be unable to invest a portion of the proceeds of its bonds and certain loan prepayments at rates equal to the cost of funds of each transaction. Equity has been reserved to protect the Agency against such negative arbitrage and to ensure the Agency's ability to pay debt service on these bonds.

- Investment Risks

A portion of the Agency's earlier investment agreements do not contain collateralization requirements. During the term of these agreements, the Agency's principal and interest are potentially at risk. The Agency has allocated equity to provide liquidity to meet debt service obligations in the event one or more of these investment agreement providers experiences financial difficulty.

Equity Analysis by Fund and Account:

The Agency's total equity at December 31, 2004 was $1.1 billion (Housing Finance Fund) and $56 million (Housing Loan Insurance Fund). All of this equity is restricted per the requirements described previously and as detailed below. As approved by the Board and within rating agency standards, the Agency reinvests and leverages a portion of its restricted equity to support Housing Assistance Trust programs not funded through the use of bond proceeds.

Bond Indenture Equity:

As of December 31, $738 million of the Agency's total equity is restricted within the bond indentures. All of the bond indenture equity is subject to the indenture and rating agency requirements described above, and a portion of the bond indenture equity supports the Agency's operating budget.

Contract Administration Programs:

The Agency administers loan and grant programs for the Rental Housing Construction Program, the School Facilities Fee Assistance Program, the California Homebuyers Downpayment Assistance Program. Funding of these programs was appropriated by the legislature to other departments and agencies within the State that have contracted with the

Agency for this purpose. The equity of $95.4 million at December 31 is unavailable for Agency reallocation. This portion of the Agency's equity will grow as Proposition 46 programs are funded.

Housing Assistance Trust (HAT):

As of December 31, HAT accounts for $189.2 million of the Agency's total equity. All of the equity in HAT is required to meet general obligation pledges and capital adequacy requirements. While meeting these financial means requirements, the Agency may also invest these funds in support of Agency programs which are not otherwise funded by bond proceeds.

CalHFA invests, through HAT, in a number of special lending programs which are targeted to special affordable housing needs in support of the primary Homeownership and Multifamily lending programs and in support of the mortgage insurance programs. Prudent management consistent with rating agency standards allow CalHFA to invest some of its restricted reserves in Agency programs through the Trust and still meet its capital adequacy and reserve requirements. These special HAT programs are discussed elsewhere herein.

The concept of using HAT as a means for making program-related investments of restricted reserves makes HAT ideal as a revolving loan fund for a variety of purposes and programs. Moneys in HAT will continue to be utilized for short-and intermediate-term loan warehousing purposes in support of the Agency's main line lending programs. Examples of these kinds of investments include warehousing of loans that await assignment to bond issues, warehousing of permanent multifamily loans, and warehousing of multifamily loan participations that cannot be financed with federally tax-exempt bonds.

If the Agency is successful in carrying out its plan to issue bonds for deferred-payment loan programs normally funded directly through HAT, a portion of HAT equity will need to be reserved to pay the debt service on such bonds.

Supplementary Bond Security Account:

The statutorily established Supplementary Bond Security Account (SBSA) accounts for $57.4 million of the Agency's equity at December 31. This equity is subject to many influencing factors such as rating agency requirements, loss protection against loan default risks interest rate risks, natural catastrophes, and negative arbitrage. The SBSA is being used to indemnify the Housing Loan Insurance Fund against losses on certain CalHFA loans the Agency must insure under the terms of its bond indentures and may be used in the future to insure deferred-payment loans.

Based on the bonds outstanding to date and estimates of the bonds to be issued and loans to be originated, the Supplementary Bond Security Account will be fully pledged for the duration of the five-year Business Plan.

Emergency Reserve Account:

The Emergency Reserve Account (ERA) accounted for $60.1 million of the Agency's equity at December 31. The equity within the ERA enables the Agency to meet its rating agency requirements for its general obligation pledges and the maintenance of its capital adequacy

requirements. It provides the primary source of loss protection for the Agency's assets and has been reinvested in support of the Agency's insurance programs.

All of the ERA equity and the equity of other accounts backs the Agency's general obligation bonds of $1.5 billion. The Agency's general obligation will continue to be pledged to provide security for bonds to interest rate swap counterparties.

All of the equity in the ERA supports the maintenance of the Agency's issuer credit ratings, top tier designation and capital adequacy position. The maintenance of these reserve requirements at the levels prescribed by the rating agencies is as critical to the Agency's ability to achieve its mission as are the regulatory capital requirements of any other conventional marketplace lending institution.

Because the Emergency Reserve Account does not need to be held entirely in liquid form, it currently serves as a major source of funding for warehousing home loans awaiting monthly assignment to bond issues. During the period of this plan, use of Emergency Reserve Account liquidity may also be used to warehouse multifamily loans. Although in general the ERA is potentially available for legal claims and risk management purposes, the following describes how the amounts on deposit in the ERA are provisionally allocated to particular contingencies. These allocations are indicated for administrative purposes only and do not represent limitations on the use of the ERA for each contingency category. The account has multiple obligations which potentially could greatly exceed its $60.1 million balance.

- *Mortgage Insurance*

The Agency's Housing Loan Insurance Fund has restricted reserves of $56 million. The Agency's Five-Year Business Plan has a goal of insuring $2.4 billion in new mortgages. Housing Finance Fund reserves would be available to be loaned to the Insurance Fund to increase the amount of its loan loss reserves, should the need arise.

On March 20, 2003, the Board of Directors authorized the Agency to provide financial support to the Housing Loan Insurance Fund from moneys in the much larger Housing Finance Fund by means of a line of credit of up to $100 million. The purpose of the line of credit is to satisfy credit rating agency concerns about the Insurance Fund's claims-paying ability during times of severe economic stress when the insurance Fund's reserves may conceivably become depleted as more and more claims are paid. Draws on the line of credit from the Housing Finance Fund will constitute interfund loans.

- *General Obligations*

CalHFA has $1.5 billion in outstanding bonds that are backed, in whole or in part, by the Agency's general obligation (not the State's) in addition to any external credit enhancement (bond insurance or letters of credit). The rating agencies use the shortfall resulting from the worst case cashflows on our general obligation bonds as a charge against equity. CalHFA maintains a liquidity reserve for part of this requirement in the ERA. The balance of the reserves is applied from other sources such as HAT loans and various bond issues. The reserve is available in the event that the Agency is called upon to make advances to general obligation bond programs to pay debt service or to reimburse the bond insurer for losses or liquidity banks for purchasing variable rate bonds that could not be remarketed. The reserve is also available for protection against potential losses from interest rate

fluctuations and from counterparty failure related to interest rate swaps or other hedge instruments. One use of the Emergency Reserve in this regard is the provision of interest rate caps to $35 million of floating-rate single family bonds. Under these internal agreements, the Emergency Reserve Account will be drawn on to pay any interest costs in excess of the cap rates. In addition, to cover worst case deficiencies in this FY's new bond issues we have made temporary pledges of $48.7 million that will be released upon delivery of new cash flow runs. This use of the Agency G.O. will be duplicated in future issues.

- *Investment Reserves*

CalHFA's bond issues create capital in the form of proceeds for the purchase of mortgages. As described in the CalHFA Investment Policy, usually these proceeds are invested with financial institutions with whom we enter into investment agreements. During the term of these agreements, principal and interest are at risk, especially from certain early investment agreements which do not contain collateralization requirements. A portion of the ERA is allocated to provide liquidity to meet debt service obligations in the event of financial difficulties with an investment agreement until such time as the funds can be withdrawn from the investment accounts.

- *Self-Insured Earthquake Coverage*

To provide affordable single family housing in high-cost regions of the state, CalHFA petitioned the rating agencies to allow a higher percentage of loans to be made for purchasers of condos. The rating agencies agreed, but only if the Agency established a non-bond reserve of 1% of the loan amount for all condo loans made in earthquake zone areas. The Agency has a total of $914 million of loans on condos in its portfolio. The Agency maintains a 1% reserve for new and resale condos in a Supplementary Reserve Account for $9.1 million.

The Agency has also obtained earthquake and flood insurance for its multifamily portfolio with a 5% deductible. If called upon, the deductible of $2.5 million (calculated on the probable maximum loss of $50 million) is available in this account.

- *Asset Management*

Various multifamily properties may have maintenance and debt service shortfalls due to a variety of factors. The Agency may be called upon at any time to meet certain funding needs (i.e., property taxes, utilities, workouts, etc.). A reserve of $3 million is a reasonable liquidity amount given the size of the Agency's growing multifamily loan portfolio, now totaling $1.4 billion of unpaid principal balance.

Operating Account:

The Operating Account accounts for $21 million of the Agency's equity at December 31. This equity is restricted for meeting the Agency's capital adequacy and general obligation requirements, as well as funding the Agency's operating budget and financing reserves.

BUSINESS PLAN ASSUMPTIONS:

Cashflow analyses of the Agency's bond programs are again this year being prepared by a consultant for the purpose of determining the financial strength of these programs. While these cashflow analyses are being prepared primarily for review by the credit rating agencies, they will also be used by the Agency to analyze the current equity position of any program and to forecast future net revenues under different interest rate scenarios. Applying the factors influencing restrictions of the Agency's equity, the resulting analysis quantifies the amount of restricted equity which could be reinvested in support of new or expanded programs as described in the Business Plan and projects the timing of such reinvestment opportunities.

Implementation of the five-year Business Plan as presented in this summary is dependent upon realization of the underlying assumptions. The plan is intended, however, to remain flexible in the event that actual events differ from these assumptions.

Major Assumptions:

- Origination of $6.0 billion of new home loans to be financed with a combination of tax-exempt and taxable bonds.
- Commitments of $2.1 billion of multifamily loans to be financed with tax-exempt or taxable bonds.
- Insurance of approximately $2.4 billion of mortgages.
- Sufficient Private Activity Bond (PAB) allocation. In the out years of the Plan, increasing amounts of PAB may be required if our opportunity declines to partner with local issuers or to recycle prior single family allocation by means of replacement refundings. Recycling opportunities may decline because of the delayed effect of certain prior changes to federal tax law.
- Continued ability to rely on variable rate financing structures (both swapped and unswapped) to achieve interest rate savings. If bank liquidity for put bonds becomes unavailable, other variable rate structures (auction or indexed bonds) would need to be cost-effective.

Other Assumptions:

Several other programmatic and financial assumptions were made to arrive at the projections comprising the Agency's Five-Year Business Plan. The following is a summary of such assumptions:

- Home loan portfolio maintains its current delinquency ratio and REO experience.
- Capital reserve requirements for multifamily loans can be reduced through risk-sharing agreements and as a result of continued low delinquency and default rates.
- Homeownership prepayments to be received according to the following table:

MORTGAGE RATES	% OF PSA RATE
Below 4.00%	100%
4.00% - 4.99%	157%
5.00% - 5.99%	323%
6.00% - 6.99%	541%
7.00% - 7.99%	503%

- Average investment rate in the absence of investment agreements to equal 1 month LIBOR.
- Financial strength of the entire multifamily portfolio to remain at the current level.
- Interest rates remain sufficiently low during the life of the Plan so that significant economic savings can continue to be generated by means of variable-rate bond strategies, especially when applied to the refunding of prior bonds.
- Operating budget is assumed to increase an average of 5% per year.
- No unexpected insurance losses.
- No principal losses from investments.
- No failures of swap counterparties.
- Only minor changes in the value of the federal tax exemption.

RESOLUTION 05-23

WHEREAS, pursuant to the Zenovich-Moscone-Chacon Housing and Home Finance Act ("Act"), the California Housing Finance Agency ("Agency") has the authority to engage in activities to reduce the cost of mortgage financing for home purchase and rental housing development, including the issuance of bonds and the insuring of mortgage loans;

WHEREAS, the Agency's statutory objectives include, among others, increasing the range of housing choices for California residents, meeting the housing needs of persons and families of low or moderate income, maximizing the impact of financing activities on employment and local economic activity, and implementing the objectives of the California Statewide Housing Plan;

WHEREAS, the Agency desires to amend Resolution 04-13 adopted on May 12, 2004, which committed the Agency to a Business Plan for the years 2004/2005 through 2008/2009; and

WHEREAS, the Agency has presented to the Board of Directors a fiscal year 2005/2006 through 2009/2010 annual update of the Business Plan, in order to adjust to the ever changing economic, fiscal and legal environment, which updated Business Plan is designed to assist the Agency to meet its statutory objectives, to address the housing needs of the people of California and to provide the Agency with the necessary road map to continue its bond, mortgage financing, and mortgage insurance activities well into the future.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Agency as follows:

1. The updated 2005/06-2009/10 Five-Year Business Plan, a copy of which is attached hereto and made a part hereof, is hereby fully endorsed and adopted.

2. In implementing the updated Business Plan, the Agency shall strive to satisfy all the capital adequacy, reserve, and any other requirements necessary to maintain the Agency's top-tier designation by Standard & Poor's Corporation, to maintain its general obligation credit ratings and the current credit ratings on its debt obligations, to comply with the requirements of the Agency's providers of credit enhancement, liquidity, and interest rate swaps and caps, and to satisfy any other requirements of the Agency's bond and insurance programs.

3. Because the updated Business Plan is necessarily based on various economic, fiscal and legal assumptions, in order for the Agency to respond to changing circumstances, the Executive Director shall have the authority to adjust the Agency's day-to-day activities to reflect actual economic, fiscal and legal circumstances in order to attain goals and objectives consistent with the intent of the updated Business Plan.

I hereby certify that this is a true and correct copy of Resolution 05-23 adopted at a duly constituted meeting of the Board of Directors of the Agency held on May 12, 2005, at Burbank, California.

ATTEST: _____
Secretary

State of California

MEMORANDUM

To: Board of Directors **Date:** April 27, 2005

Theresa A. Parker, Executive Director
From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: BOARD RESOLUTION 05-24: OPERATING BUDGET 2005/2006

Attached is the 2005/2006 operating budget for Board review and approval.

Housing prices and costs are accelerating at a rapid pace in a marketplace which is undergoing dramatic changes in technology, loan products and processes. In order to remain competitive, we have performed a full review of our resources. In order to accomplish the initiatives in the business plan, adjustments have been made in the following areas:

Last year we were able to redirect positions so that no new positions were requested. However, we have reached our workload limit and find that we must add positions. Therefore, we are requesting an additional 10 permanent full time positions. These positions will be added in Administration, Asset Management, Fiscal Services, Homeownership, and Multifamily.

We have also continued to analyze and adjust our operating expense line items as necessary. The significant increases are in facilities operations and information technology.

All three of our leased spaces have rent increases in the upcoming fiscal year. In addition, we plan on holding many more marketing and outreach events and Homeownership training sessions throughout the year. We rent various facilities for these functions and those costs are charged to facilities operations.

Lastly, the largest increase is in the information technology (I.T.) area. With the successful recruitment of a new Chief Information Officer, the Agency will now be able to rapidly gain ground in the technology arena. This will enable the Agency to remain competitive in the marketplace. Toward that end, this budget includes funds for I.T. initiatives to significantly improve the technology tools that are available to support several of the Agency's program operations. Funds have been included in the budget to purchase and implement a loan origination system to support Multifamily. New initiatives will also be undertaken to replace very old hardware and software technology currently supporting Homeownership and to significantly upgrade inadequate software technology supporting Financing. In addition to these initiatives, the budget also includes funds for a significant purchase to replace software currently supporting the Agency's general ledger system that is no longer upgradeable and difficult to maintain.

Once again, it is important to note that the Agency's operations are completely self-supporting. As such, they do not adversely affect State expenditures, and, in fact, the Agency's accomplishments directly aid the State economy.

April 26, 2005

CALIFORNIA HOUSING FINANCE AGENCY
2005/06
HOUSING AND INSURANCE OPERATING FUNDS
DETAILS OF EXPENDITURES

(DOLLARS IN THOUSANDS)

EXPENDITURE ITEM	Actual 03/04	Budgeted 04/05	Proposed 05/06
PERSONAL SERVICES			
Authorized Salaries	$13,709	$17,357	$18,405
Estimated Salary Savings		(868)	(920)
Staff Benefits	4,273	4,247 **	5,245
TOTALS, Personal Services	$17,982	$20,736	$22,731
OPERATING EXPENSES AND EQUIPMENT			
General Expense	817	750	800
Communications	661	600	600
Travel	424	400	437
Training	173	140	155
Facilities Operation	2,176	2,602	2,800
Consulting & Professional Services	4,556	7,672 **	5,210
*Central Admin. Serv.	817	1,427	1,182
Information Technology	805	750	1,250
Equipment	592	500	500
TOTALS, Operating Expenses and Equipment	$11,022	$14,841	$12,934
TOTALS, EXPENDITURES	$29,003	$35,577	$35,665

* Central Administrative Services: These are service costs (e.g., Finance, Controller, Personnel Board, Treasurer, Legislature, etc.) incurred by the Agency. These charges are calculated by the Department of Finance using a formula that takes three budget years into consideration.

** Changes due to $3 million dollar augmentation at Jan 05 board meeting.

April 26, 2005

CALIFORNIA HOUSING FINANCE AGENCY
2005/06
CalHFA FUND OPERATING BUDGET
DETAILS OF EXPENDITURES

(DOLLARS IN THOUSANDS)

EXPENDITURE ITEM	Actual 03/04	Budgeted 04/05	Proposed 05/06
PERSONAL SERVICES			
Authorized Salaries	$12,940	$16,582	$17,575
Estimated Salary Savings		(829)	(879)
Staff Benefits	4,041	4,063 **	5,009
TOTALS, Personal Services	$16,981	$19,816	$21,706
OPERATING EXPENSES AND EQUIPMENT			
General Expense	796	715	765
Communications	647	580	580
Travel	396	375	412
Training	154	120	135
Facilities Operation	2,104	2,452	2,700
Consulting & Professional Services	4,196	7,317 **	4,945
*Central Admin. Serv.	748	1,292	1,093
Information Technology	745	680	1,200
Equipment	581	450	450
TOTALS, Operating Expenses and Equipment	$10,369	$13,981	$12,280
TOTALS, EXPENDITURES	$27,350	$33,797	$33,986

* Central Administrative Services: These are service costs (e.g., Finance, Controller, Personnel Board, Treasurer, Legislature, etc.) incurred by the Agency. These charges are calculated by the Department of Finance using a formula that takes three budget years into consideration.

** Changes due to $3 million dollar augmentation at Jan 05 board meeting.

April 26, 2005

CALIFORNIA HOUSING FINANCE AGENCY
2005/06
MIS FUND OPERATING BUDGET
DETAILS OF EXPENDITURES

(DOLLARS IN THOUSANDS)

EXPENDITURE ITEM	Actual 03/04	Budgeted 04/05	Proposed 05/06
PERSONAL SERVICES			
Authorized Salaries	$768	$775	$830
Estimated Salary Savings		(39)	(42)
Staff Benefits	232	184	236
TOTALS, Personal Services	$1,000	$920	$1,025
OPERATING EXPENSES AND EQUIPMENT			
General Expense	21	35	35
Communications	14	20	20
Travel	27	25	25
Training	19	20	20
Facilities Operation	72	150	100
Consulting & Professional Services	360	355 **	265
*Central Admin. Serv.	69	135	89
Information Technology	61	70	50
Equipment	11	50	50
TOTALS, Operating Expenses and Equipment	$653	$860	$654
TOTALS, EXPENDITURES	$1,654	$1,780	$1,679

* Central Administrative Services: These are service costs (e.g., Finance, Controller, Personnel Board, Treasurer, Legislature, etc.) incurred by the Agency. These charges are calculated by the Department of Finance using a formula that takes three budget years into consideration.

** Changes due to $3 million dollar augmentation at Jan 05 board meeting.

April 26, 2005

CALIFORNIA HOUSING FINANCE AGENCY
2005/06

SUMMARY
PERSONNEL YEARS AND SALARIES

	PERSONNEL YEARS			AMOUNT		
DIVISION	Actual 03/04	Budgeted 04/05	Proposed 05/06	Actual 03/04	Budgeted 04/05	Proposed 05/06
EXECUTIVE OFFICE	4.9	6.0	6.0	$438,782	$505,916	$486,998
ADMINISTRATION	13.6	16.0	19.0	$660,114	$829,104	$1,009,944
FINANCING	9.1	12.0	12.0	$797,560	$971,447	$974,508
FISCAL SERVICES	54.6	63.0	65.0	$2,553,867	$3,412,116	$3,644,772
LEGAL	15.6	19.0	19.0	$1,210,830	$1,458,132	$1,506,084
MARKETING	4.5	6.0	7.0	$271,509	$401,168	$461,280
I.T.	17.2	18.0	17.0	$1,065,015	$1,229,928	$1,201,548
HOMEOWNERSHIP	45.0	52.0	53.0	$2,355,305	$2,955,264	$3,144,528
MIS	11.4	12.0	12.0	$768,430	$819,998	$830,102
MULTIFAMILY	26.5	38.0	39.0	$1,756,529	$2,673,408	$2,747,556
ASSET MANAGEMENT	23.3	29.0	32.0	$1,256,826	$1,832,112	$1,998,624
Temporary Help	12.6	7.0	8.2	$521,914	$290,500	$340,500
Overtime				$51,948	$57,000	$59,000
TOTAL SALARIES	238.3	278.0	289.2	$13,708,629	$17,436,093	$18,405,444
Less Salary Savings*		(13.9)	(14.5)		($871,805)	($920,272)
NET SALARIES	238.3	264.1	274.7	$13,708,629	$16,564,288	$17,485,172

*This figure represents a normal rate of vacancies and lag time in refilling positions in accordance with State budget practices.

April 26, 2005

ORGANIZATIONAL UNIT	NUMBER OF POSITIONS			EXPENDITURES		
Classification	Actual 03/04	Budgeted 04/05	Proposed 05/06	Actual 03/04	Budgeted 04/05	Proposed 05/06
OPERATIONS						
Executive Office						
Executive Director	1.0	1.0	1.0	9,824 - 10,625	127,496	127,496
Chief Deputy Director	1.0	1.0	1.0	9,237 - 9,992	118,284	119,904
Director of Legislation	0.7	1.0	1.0	6,785 - 7,337	88,044	88,044
Staff Services Mgr II - Mgrl	0.3	0.0	0.0	5,768 - 6,361	0	0
Assoc Govtl Prog Analyst	0.1	1.0	1.0	4,111 - 4,997	59,964	59,964
Adm Asst II	1.0	1.0	1.0	4,111 - 4,997	59,964	59,964
Adm Asst I	0.8	1.0	0.0	3,575 - 4,347	52,164	0
Office Technician	0.0	0.0	1.0	2,510 - 3,050	0	31,626
Totals, Executive Office	4.9	6.0	6.0	$438,782	$505,916	$486,998
Administrative Division						
Director's Office:						
Director of Adm	0.0	0.0	1.0	7,647 - 8,433	0	101,196
CEA	1.0	1.0	1.0	6,785 -7,337	96,816	81,420
Adm Asst I	1.0	1.0	1.0	3,575 - 4,347	49,860	49,860
Totals, Director's Office	2.0	2.0	3.0	$131,084	$146,676	$232,476
Administrative Services:						
Staff Services Mgr I	2.0	2.0	2.0	4,520 - 5,453	130,872	130,872
Assoc Personnel Analyst	1.0	1.0	1.0	4,111 - 4,997	59,964	59,964
Assoc Budget Analyst	0.0	0.0	1.0	4,111 - 4,997	0	59,964
Training Officer I	1.0	1.0	1.0	4,111 - 4,997	59,964	59,964
Staff Services Analyst-Gen	2.0	3.0	3.0	3,418 - 4,155	149,580	149,580
Business Service Officer II-Spec	0.6	1.0	1.0	3,746 - 4,555	54,660	54,660
Business Service Officer I-Spec	0.4	0.0	0.0	3,418 - 4,155	0	0
Business Service Asst-Spec	0.0	1.0	0.0	2,850 - 3,465	41,580	0
Sr Pers Services Spec	0.3	1.0	1.0	3,418 - 4,155	49,860	49,860
Pers Services Spec I	0.7	0.0	1.0	3,127 - 3,800	0	45,600
Office Techn-Typing	1.9	2.0	2.0	2,510 - 3,050	73,200	73,200
Office Asst-Typing	1.1	1.0	1.0	2,172 - 2,641	31,692	31,692
Office Asst-Gen	0.6	1.0	2.0	2,130 - 2,588	31,056	62,112
Totals, Administrative Services	11.6	14.0	16.0	$529,030	$682,428	$777,468
Totals, Administrative Division	13.6	16.0	19.0	$660,114	$829,104	$1,009,944
Financing Services:						
Director	1.0	1.0	1.0	9,115 - 9,857	116,991	118,284
Risk Manager	0.0	1.0	1.0	8,611 - 9,314	117,356	111,768
Financing Chief	0.0	1.0	1.0	6,964 - 7,678	92,136	92,136
Financing Ofcr	4.0	5.0	5.0	5,713 - 6,906	414,360	414,360
Financing Spec	2.0	1.0	1.0	4,516 - 5,489	65,868	65,868
Financing Assoc	1.6	2.0	2.0	4,111 - 4,997	119,928	119,928
Adm Asst I	0.0	0.0	1.0	3,575 - 4,347	0	52,164
Exec Asst	0.5	1.0	0.0	3,072 - 3,734	44,808	0
Totals, Financing Services	9.1	12.0	12.0	$797,560	$971,447	$974,508

Fiscal Services:						
Comptroller, CEA	1.0	1.0	1.0	7,302 - 8,051	96,612	96,612
Acctg Administrator III	1.0	1.0	1.0	6,334 - 6,984	83,808	83,808
Acctg Administrator II	1.9	2.0	2.0	5,211 - 6,286	150,864	150,864
Acctg Administrator I-Supvr	2.0	2.0	3.0	4,746 - 5,726	137,424	206,136
Acctg Administrator I-Spec	4.8	7.0	7.0	4,516 - 5,489	461,076	461,076
Assoc Acctg Analyst	1.0	1.0	1.0	4,316 - 5,247	62,964	62,964
Assoc Adm Analyst Acctg Sys	0.0	1.0	1.0	4,316 - 5,247	62,964	62,964
Sr Acctg Officer-Supvr	1.0	2.0	2.0	4,319 - 5,211	125,064	125,064
Sr Acctg Officer-Spec	7.0	7.0	11.0	4,111 - 4,997	419,748	659,604
Mortgage Loan Acctng Ofcr	11.4	9.0	12.0	3,589 - 4,363	471,204	628,272
Accountant Trainee	4.6	7.0	0.0	3,027 - 3,505	294,420	0
Mortgage Loan Accountant	0.3	0.0	0.0	2,682 - 3,259	0	0
Mgt Services Techn	2.6	3.0	3.0	2,632 - 3,201	115,236	115,236
Office Techn-Typing	0.8	1.0	1.0	2,510 - 3,050	36,600	36,600
Acctg Techn	0.0	0.0	1.0	2,465 - 2,998	0	35,976
Office Asst-Typing	0.2	0.0	0.0	2,172 - 2,641	0	0
Loan Servicing:						
Housing Finance Ofcr	1.0	1.0	1.0	5,713 - 6,906	82,872	82,872
Housing Finance Spec	1.0	1.0	1.0	4,516 - 5,489	65,868	65,868
Housing Finance Assoc	3.3	4.0	4.0	4,111 - 4,997	239,856	239,856
Housing Finance Asst	1.0	2.0	5.0	3,418 - 4,155	99,720	249,300
Housing Finance Trainee	2.9	3.0	0.0	2,850 - 3,465	124,740	0
Mgt Services Techn	2.0	2.0	2.0	2,632 - 3,201	76,824	76,824
Acctg Techn	0.0	1.0	0.0	2,465 - 2,998	35,976	0
Office Techn-Typing	1.8	2.0	3.0	2,510 - 3,050	73,200	109,800
Office Asst-Typing	2.0	3.0	3.0	2,172 - 2,641	95,076	95,076
Totals, Fiscal Services	54.6	63.0	65.0	$2,553,867	$3,412,116	$3,644,772
Legal Services:						
General Counsel	1.0	1.0	1.0	9,115 - 9,857	111,768	118,284
Staff Counsel IV	0.3	1.0	1.0	7,625 - 9,415	107,316	107,316
Staff Counsel III	4.7	3.0	7.0	6,902 - 8,517	306,612	715,428
Staff Counsel	3.6	6.0	2.0	5,988 - 7,386	531,792	177,264
Housing Finance Spec	0.0	0.0	1.0	4,516 - 5,489	0	65,868
Assoc Govtl Prog Analyst	2.0	2.0	1.0	4,111 - 4,997	119,928	59,964
Legal Analyst	2.0	3.0	3.0	3,589 - 4,363	157,068	157,068
Exec Asst	0.0	1.0	0.0	3,072 - 3,734	44,808	0
Sr Typist-Legal	2.0	2.0	0.0	2,704 - 3,285	78,840	0
Office Techn-Typing	0.0	0.0	2.0	2,510 - 3,050	0	73,200
Office Asst-Typing	0.0	0.0	1.0	2,172 - 2,641	0	31,692
Totals, Legal Services	15.6	19.0	19.0	$1,210,830	$1,458,132	$1,506,084
Marketing Services:						
Staff Services Mgr III	0.0	0.0	1.0	6,334 - 6,984	0	83,808
Staff Services Mgr II-Supvr	1.0	1.0	0.0	5,211 - 6,286	75,436	0
Deputy Director Marketing Spec Proj	0.4	1.0	0.0	7,820 - 8,459	86,020	0
Sr Marketing Spec	0.1	1.0	1.0	4,979 - 6,052	72,624	72,624
Staff Services Mgr I-Spec	0.9	1.0	2.0	4,746 - 5,726	68,712	137,424
Staff Info Systems Analyst-Spec	0.0	0.0	1.0	4,732 - 5,754	0	69,048
Information Officer I-Spec	0.1	0.0	0.0	4,111 - 4,997	0	0
Assoc Govtl Prog Analyst	1.0	1.0	1.0	4,111 - 4,997	59,964	59,964
Mgt Services Techn	0.9	1.0	1.0	2,632 - 3,201	38,412	38,412
Office Techn-Typing	0.1	0.0	0.0	2,510 - 3,050	0	0
Totals, Marketing Services	4.5	6.0	7.0	$271,509	$401,168	$461,280

Information Services Division						
Information Services:						
CIO	0 0	0.0	1.0	8,064 - 8,720	0	104,640
DP Manager III	1.0	1.0	0.0	6,334 - 6,984	83,808	0
DP Manager II	0 0	0.0	2.0	5,206 - 6,327	0	151,848
Totals, Information Services	1.0	1.0	3.0	$79,618	$83,808	$256,488
Informations Systems:						
Sr Programmer Analyst-Supvr	1.0	1.0	1.0	5,206 - 6,327	75,924	75,924
Staff Programmer Analyst-Spec	7.6	8.0	7.0	4,732 - 5,754	552,384	483,336
Assoc Programmer Analyst-Spec	1.0	1 0	0.0	4,316 - 5,247	62,964	0
Totals, Informations Systems	9.6	10.0	8.0	$625,180	$691,272	$559,260
Technical Services:						
Systems Software Spec II-Tech	1.0	1.0	1.0	5,196 - 6,316	75,792	75,792
Systems Software Spec I-Tech	1.0	1.0	1.0	4,731 - 5,753	69,036	69,036
Staff Info Systems Analyst-Spec	1.0	3.0	2 0	4,732 - 5,754	207,144	138,096
Assoc Info Systems Analyst-Spec	2.7	1.0	1.0	4,316 - 5,247	62,964	62,964
Info Systems Techn	0.7	1.0	1.0	2,736 - 3,326	39,912	39,912
Office Assistant-Gen	0.2	0.0	0.0	2,130 - 2,588	0	0
Totals, Technical Services	6.6	7 0	6.0	$360,217	$454,848	$385,800
Totals, Information Services Division	17.2	18 0	17.0	$1,065,015	$1,229,928	$1,201,548
Temporary Help	6.5	3.7	3.4	269,203	155,500	141,500
Overtime				39,848	45,000	45,500
Totals, Operations	126.0	143.7	148.4	$7,306,728	$9,008,311	$9,472,134
LENDING PROGRAMS						
Homeownership Programs						
Homeownership Lending:						
Director	0.6	1.0	1 0	9,115 - 9,857	118,284	118,284
Deputy Director	0.0	0.0	1.0	7,647 - 8,432	0	101,184
Exec Asst	0.6	1.0	1 0	3,072 - 3,734	44,808	44,808
Production:						
Housing Finance Chief	1.0	1.0	1.0	6,964 - 7,678	92,136	92,136
Housing Finance Ofcr	3.4	4.0	4.0	5,713 - 6,906	331,488	331,488
Housing Finance Spec	4.4	5.0	6.0	4,516 - 5,489	329,340	395,208
Housing Finance Assoc	4.5	3.0	9.0	4,111 - 4,997	179,892	539,676
Housing Finance Asst	15.5	18 0	12.0	3,418 - 4,155	897,480	598,320
Housing Finance Trainee	1.0	1.0	1.0	2,850 - 3,465	41,580	41,580
Mgt Services Techn	1.0	1.0	0.0	2,632 - 3,201	38,412	0
Support Staff-Sacramento:						
Office Techn-Typing	0.0	1.0	1.0	2,510 - 3,050	36,600	36,600
Office Asst-Typing	1.8	3.0	3.0	2,172 - 2,641	95,076	95,076
Special Lending:						
Housing Finance Chief	1.0	1.0	1.0	6,964 - 7,678	92,136	92,136
Housing Finance Ofcr	1.0	1.0	1.0	5,713 - 6,906	82,872	82,872
Housing Finance Spec	2.9	3.0	3.0	4,516 - 5,489	197,604	197,604
Housing Finance Assoc	0.5	1.0	1.0	4,111 - 4,997	59,964	59,964
Housing Finance Asst	4.8	5.0	5.0	3,418 - 4,155	249,300	249,300
Office Techn-Typing	1.0	1.0	1.0	2,510 - 3,050	36,600	36,600
Office Asst-Typing	0 0	1.0	1.0	2,172 - 2,641	31,692	31,692
Totals, Homeownership Lending	45 0	52.0	53.0	$2,355,305	$2,955,264	$3,144,528

Insurance Program						
CA Housing Loan Insurance Fund:						
Director's Office:						
Director	1.0	1.0	1.0	8,798 - 9,515	114,180	114,180
Chief	1.0	1.0	1.0	6,696 - 7,678	87,758	87,758
Exec Asst	0.8	1.0	1.0	3,072 - 3,734	44,808	44,808
Delinquency and Claims:						
Housing Finance Ofcr	1.0	1.0	1.0	5,713 - 6,906	71,988	71,988
Product Development/Outreach:						
Housing Finance Ofcr	0.0	1.0	1.0	5,713 - 6,906	71,988	71,988
Staff Services Mgr I	0.9	0.0	0.0	4,520 - 5,453	0	0
Housing Finance Spec	1.0	1.0	1.0	4,516 - 5,489	65,868	65,868
Housing Finance Assoc	0.6	1.0	1.0	4,111 - 4,997	59,964	59,964
Risk Management:						
Housing Finance Ofcr	1.0	1.0	1.0	5,713 - 6,906	71,988	71,988
Housing Finance Spec	1.0	1.0	1.0	4,516 - 5,489	65,868	65,868
Operations:						
Housing Finance Spec	1.0	1.0	1.0	4,516 - 5,489	65,868	65,868
Housing Finance Assoc	0.0	0.0	1.0	4,111 - 4,997	0	59,964
Housing Finance Asst	1.4	2.0	1.0	3,418 - 4,155	99,720	49,860
Housing Finance Trainee	0.6	0.0	0.0	2,850 - 3,465	0	0
Office Asst-Typing	0.1	0.0	0.0	2,172 - 2,641	0	0
Totals, Insurance Program	11.4	12.0	12.0	$768,430	$819,998	$830,102
Multifamily Programs						
Lending:						
Director	1.0	1.0	1.0	8,611 - 9,314	111,768	111,768
Deputy Director	0.2	0.0	0.0	7,647 - 8,432	0	0
Spec Asst to Director	1.0	1.0	1.0	7,021 - 8,051	96,612	96,612
Housing Finance Chief	1.0	2.0	2.0	6,964 - 7,678	184,272	184,272
Housing Finance Ofcr	6.8	7.0	7.0	5,713 - 6,906	580,104	580,104
Housing Finance Spec	1.2	4.0	5.0	4,516 - 5,489	263,472	329,340
Housing Finance Assoc	0.8	2.0	2.0	4,111 - 4,997	119,928	119,928
Housing Finance Asst	2.8	3.0	4.0	3,418 - 4,155	149,580	199,440
Housing Finance Trainee	1.3	2.0	1.0	2,850 - 3,465	83,160	41,580
Support Staff:						
Exec Asst	1.0	1.0	1.0	3,072 - 3,734	44,808	44,808
Office Techn-Typing	0.0	1.0	1.0	2,510 - 3,050	36,600	36,600
Office Asst-Typing	0.7	0.0	0.0	2,172 - 2,641	0	0
Special Lending:						
Housing Finance Chief	1.0	1.0	1.0	6,964 - 7,678	92,136	92,136
Housing Finance Ofcr	0.4	1.0	1.0	5,713 - 6,906	82,872	82,872
Housing Finance Spec	1.1	2.0	2.0	4,516 - 5,489	131,736	131,736
Mgt Services Techn	0.5	1.0	1.0	2,632 - 3,201	38,412	38,412
Technical Support:						
Supvng Design Ofcr	1.0	1.0	1.0	5,854 - 7,117	85,404	85,404
Sr Housing Constrn Insp	1.0	2.0	2.0	5,336 - 6,483	155,592	155,592
Housing Constrn Insp	1.0	1.0	1.0	5,089 - 6,186	74,232	74,232
Sr Estimator	0.0	1.0	1.0	5,854 - 7,117	85,404	85,404
Sr Design Ofcr	1.0	2.0	2.0	5,082 - 6,173	148,152	148,152
Assoc Design Ofcr	0.7	1.0	1.0	4,635 - 5,632	67,584	67,584
Housing Finance Trainee	1.0	1.0	1.0	2,850 - 3,465	41,580	41,580
Totals, Multifamily Lending	26.5	38.0	39.0	$1,756,529	$2,673,408	$2,747,556

Asset Management:						
CEA	0.0	0.0	1.0	8,209 - 8,879	0	106,548
Housing Finance Chief	1.0	1.0	1.0	6,964 - 7,678	92,136	92,136
Adm Asst I	1.0	1.0	1.0	3,575 - 4,347	52,164	52,164
Asset Management-North:						
Housing Finance Ofcr	1.0	2.0	2.0	5,713 - 6,906	165,744	165,744
Housing Maint Insp	2.0	2.0	3.0	4,868 - 5,913	141,912	212,868
Housing Finance Spec	4.4	5.0	5.0	4,516 - 5,489	329,340	329,340
Housing Finance Assoc	2.0	2.0	3.0	4,111 - 4,997	119,928	179,892
Housing Finance Asst	0.0	1.0	1.0	3,418 - 4,155	49,860	49,860
Housing Finance Trainee	1.0	1.0	1.0	2,850 - 3,465	41,580	41,580
Support Staff-North:						
Office Techn-Typing	1.7	1.0	1.0	2,510 - 3,050	36,600	36,600
Office Asst-Typing	0.3	1.0	1.0	2,172 - 2,641	31,692	31,692
Asset Management-South:						
Housing Finance Ofcr	1.0	2.0	2.0	5,713 - 6,906	165,744	165,744
Housing Maint Insp	1.9	3.0	2.0	4,868 - 5,913	212,868	141,912
Housing Finance Spec	2.0	3.0	3.0	4,516 - 5,489	197,604	197,604
Housing Finance Assoc	2.0	2.0	2.0	4,111 - 4,997	119,928	119,928
Mgt Services Techn	1.0	1.0	1.0	2,632 - 3,201	38,412	38,412
Support Staff-South:						
Office Techn-Typing	1.0	1.0	1.0	2,510 - 3,050	36,600	36,600
Office Asst-Typing	0.0	0.0	1.0	2,172 -2,641	0	31,692
Totals, Asset Management	23.3	29.0	32.0	$1,256,826	$1,832,112	$1,998,624
Temporary Help	6.1	3.3	4.8	252,711	135,000	199,000
Overtime				12,100	12,000	13,500
Totals, Lending Programs	112.3	134.3	140.8	$6,401,901	$8,427,782	$8,933,310
TOTALS, AUTHORIZED POSITIONS						
CalHFA Totals	238.3	278.0	289.2	$13,708,629	$17,436,093	$18,405,444
Regular/Ongoing Positions	225.7	271.0	281.0	$13,134,767	$17,088,593	$18,005,944
Temporary Help	12.6	7.0	8.2	$521,914	$290,500	$340,500
Overtime				$51,948	$57,000	$59,000

CALIFORNIA HOUSING FINANCE AGENCY
ACTUAL AND PROJECTED REVENUES AND EXPENSES
OPERATING ACCOUNT
(In millions)

	2003/04 (Actual)	2004/05 (Budgeted)	2005/2006 (Projected)
Beginning Balance	$27.2	$30.3	$34.0
HOUSING REVENUES			
Administrative Fees:			
Single Family/Second Programs	4.3	3.1	3.0
HUD/Multifamily	1.8	1.8	2.0
Commitment Fees/Misc. Inc.	0.9	1.2	1.0
SMIF Interest on Balance	0.5	0.6	0.7
Operating Transfer	21.8	30.5	28.0
Total Housing Revenues	$29.3	$37.2	$34.7
INSURANCE REVENUES			
Investments and Premiums	2.4	2.3	1.7
HOUSING AND INSURANCE TOTAL OPERATING REVENUES	$31.7	$39.5	$36.4
EXPENSES			
Housing - Operating Budget	26.0	33.3	34.0
Insurance - Operating Budget	2.4	2.3	1.7
HOUSING AND INSURANCE FUNDS TOTAL OPERATING EXPENSES	$28.4	$35.6	$35.7
Non-Operating Expenses	0.2	0.2	0.2
Ending Balance	$30.3	$34.0	$34.5

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RESOLUTION 05-24

CALHFA OPERATING BUDGET

FISCAL YEAR 2005/2006

WHEREAS, the Board of Directors of the California Housing Finance Agency has reviewed its proposed operating budget for the 2005/2006 fiscal year;

NOW, THEREFORE, BE IT RESOLVED as follows:

1. The operating budget attached hereto is hereby approved for operations of the California Housing Finance Agency Fund for fiscal year 2005/2006.

I hereby certify that this is a true and correct copy of Resolution 05-24 adopted at a duly constituted meeting of the Board of the Agency held on May 12, 2005, at Burbank, California.

ATTEST: _____
Secretary

Attachment

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