CalHFA
California Housing Finance Agency

BOARD OF DIRECTORS

Thursday, July 7, 2005

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

9:30 a.m.

1. Roll Call.

2. Approval of the minutes of the May 12, 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	
04-012-N	Coliseum Gardens Phase II	Oakland/ Alameda	146	
Resolution 05-25				195
04-010-C/S	New Dana Strand Townhomes	Wilmington/ Los Angeles	116	
Resolution 05-26				219
05-006-C/N	Gish Apartments	San Jose/ Santa Clara	35	
Resolution 05-27				249
04-024-C/S	Woodland Terrace	North Hills/ Los Angeles	31	
Resolution 05-28				273

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

NUMBER	DEVELOPMENT	LOCALITY	UNITS
03-064-C/N	Fairgrounds Family Housing-HACSC	San Jose/ Santa Clara	130

Resolution 05-29.....293

~~03-045-L/S~~	~~Villa Victoria~~ Apartments	~~Oxnard/~~ Ventura	~~54~~ PULLED

Resolution 05-30.....357

6. Report on the Resource Allocation Study. (Bruce Gilbertson; Gene Slater, CSG Advisors)

7. Reports 391

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: Parking is available as follows: 1) overnight self-parking for hotel guests is $14.00 per night or valet parking at $22.00; and 2) rates for guests not staying at the hotel is $7.00 (*w/coupon) based on availability or valet parking at $22.00.

FUTURE MEETING DATE: Next CalHFA Board of Directors Meeting will be September 8, 2005, at the Hilton Burbank Airport & Convention Center, Burbank, California.

*coupon will be available at meeting site.

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

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BOARD OF DIRECTORS

PUBLIC MEETING

--o0o--

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

Thursday, May 12, 2005
8:31 a.m. to 12:49 p.m.

--o0o--

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

ORIGINAL July 7, 2005

Attest:

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

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

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BOARD OF DIRECTORS

PUBLIC MEETING

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

Thursday, May 12, 2005
8:31 a.m. to 12:49 p.m.

--o0o--

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

A P P E A R A N C E S

Directors Present:

JOHN A. COURSON, Chairperson
President/CEO
Central Pacific Mortgage

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

THERESA A. PARKER
Executive Director
CalHFA

JACK SHINE
Chairman
American Beauty Development Co.

LAURIE WEIR
for Philip Angelides
State Treasurer
State of California

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

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CalHFA Staff Present:

NANCY ABREU
Mortgage Insurance

BRUCE D. GILBERTSON
Director of Financing
Fiscal Services

CAROL GOODMAN
Multifamily Loan Officer

THOMAS C. HUGHES
General Counsel

SUSAN MURTISHAW
Architectural Services Division

JOJO OJIMA
Office of the General Counsel

JACKIE RILEY

GERALD SMART
Chief of Homeownership Programs

DEBRA L. STARBUCK
Multifamily Loan Officer

RUTH VAKILI
Multifamily Programs

LINN G. WARREN
Director of Multifamily Programs

KATHY WEREMIUK
Multifamily Loan Officer

LAURA WHITTALL-SCHERFEE
Chief of Multifamily Programs

KEN WILLIAMS
Deputy Director of Homeownership Programs

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Speakers from the Public:

ALFREDO R. IZMAJTOVICH
Director of Acquisitions
Southern California Housing Development Corporation

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BE IT REMEMBERED that on Thursday, May 12, 2005, commencing at the hour of 8:31 a.m., at the Burbank Airport Hilton & Convention Center, 2500 Hollywood Way, Burbank, California, before me, YVONNE K. FENNER, CSR #10909, RPR, the following proceedings were held:

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CHAIRMAN COURSON: We're going to call the meeting to order, and we will call the roll.

MS. OJIMA: Thank you.

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Item 1. Roll Call

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

MS. WEIR: Here.

MS. OJIMA: Mr. Carey.

MR. CAREY: Here.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Here.

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

(No audible response.)

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

MS. WILSON: Here.

MS. OJIMA: Mr. Morris.

(No audible response.)

MS. OJIMA: Mr. Shine.

(No audible response.)

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Here.

MS. OJIMA: Mr. Walsh.

(No audible response.)

MS. OJIMA: Mr. Campbell.

(No audible response.)

MS. OJIMA: Ms. Parker.

MS. PARKER: Here.

MS. OJIMA: And Mr. Friedman is here.

MR. FRIEDMAN: I am here.

MS. OJIMA: We have a quorum.

CHAIRMAN COURSON: Okay. We have our quorum.

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Item 2. Approval of the minutes of the March 22, 2005 Board of Directors Meeting

CHAIRMAN COURSON: Inside your Board book you see the minutes of our meeting of March 22nd in Sacramento. Is there a motion to approve the minutes?

MR. CZUKER: So moved.

CHAIRMAN COURSON: And is there a second?

MR. FRIEDMAN: Second.

CHAIRMAN COURSON: And a second. Call roll.

MS. OJIMA: Thank you.

Ms. Weir.

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Mr. Friedman.

MR. FRIEDMAN: Here. Yes.

MS. OJIMA: Ms. Wilson.

MS. WILSON: Yes.

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Yes.

MS. OJIMA: The minutes have been approved.

CHAIRMAN COURSON: Okay, thank you.

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Item 3. Chairman/Executive Director comments

CHAIRMAN COURSON: I'll make just some brief comments. Obviously we know today we have a meeting that we have seen coming for 60 or 90 days that we've talked about. It's a number of projects that we're going to be looking at, spending the morning on, and then, of course, our annual review, discussion, and approval of the -- of the Agency's business plan, which is one of the really more important functions and activities of the Board. It sets the course for the coming 12 months and sets a planning schedule out four years beyond that. So we will spend some substantive time on that today.

In terms of schedule, I will also mention that on your agenda, the Dana Strand project, which is on the second page of the agenda, has been withdrawn. So we will probably be seeing that project in July, but it's not going to be with us today.

I would like, as a goal, to try to work through the projects this morning and, if we have some time, do perhaps the financial report. We will break for lunch and have lunch here in the hotel at the Daily Grill -- right?

MS. PARKER: Yes.

CHAIRMAN COURSON: And then we will come back and spend the afternoon on the business plan. So that's our goal. That's what we're going to be driving for. If we can do it faster than that, that's even better.

I'll make -- so therefore, in the spirit of keeping things brief, I'll make two brief comments. One, at the last board meeting we talked about and I think Nancy Abreu discussed with us a new single-family loan product that we have come out with for first-time homebuyers to assist in some of the affordability issues called the Interest Only Plus, a 35-year mortgage, five years interest only, 30 years principle and interest, which has -- if any of you have read the papers, it has been in the media, both radio and television, newspapers,

all over the state and frankly nationally, and has had a very good reception from the lenders and from borrowers and mortgage brokers in the industry as a way to really provide a product that does not have the full payment shock of an -- interest-only loans that are out there, but also has the affordability.

And to show you the breadth and depth of it, I was in Birmingham, Alabama, yesterday at a meeting. And the people from -- the executive vice president in charge of Freddie Mac's production was there and was most interested in the product and alluded as how that was -- those are the kinds of products that they too should probably be considering for affordability. So it's really playing all over the country. And that's a tribute to our staff and their creativity and ability really to roll it out over a short period of time and then our marketing department's ability to market it.

The last thing I'll talk about is we talked I think at the last Board meeting and we've talked about before about our initiative of trying to take our CalHFA resources into the cities and work with mayors and housing officials in various cities to solve specific needs, housing needs, in the affordable first-time homebuyers market, and we've started that. Nancy Abreu, Terri Parker, and I went down and we met with Mayor Bev

O'Neill, who's the mayor of Long Beach. She's the incoming chairman of the U.S. Conference of Mayors. Had a very productive meeting. We're doing some things now in Long Beach. Nancy is following up with them. And our next meeting will be with Mayor Newsom and his staff in San Francisco. And we are going to be setting that up and followed also -- I think we've made contact with Mayor Curt Pringle in Anaheim.

And so we're taking the mayors and sort of targeting and seeing what their needs are, then trying to come back and see how we can assemble the resources, both inside CalHFA and outside CalHFA, to meet those needs. So we have -- we are off and running on that initiative, and I will continue to report.

With that, I will turn it over to Terri Parker.

MS. PARKER: Thank you, Mr. Chairman.

Actually, I'm going to make my comments really pretty short and succinct because I think they're really all in the material that we're going to go through today in the business plan. There are a couple of things to highlight, legislation that we're working on, an initiative that the Agency has been a part of that will be announced by the Governor tomorrow, but I think that they will all fit in the discussion as we go through the business plan this afternoon.

But I can tell you that this Agency, with a small number of staff, has really been working with our partners, both inside state government, HCD, various other state agencies, to bring you what I believe is the most aggressive and impressive business plan that we have put forth to date for affordable housing in California.

CHAIRMAN COURSON: Okay. And let the record show that Mr. Shine is now in attendance.

Hi, Jack.

MR. SHINE: You moved the room.

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

CHAIRMAN COURSON: With that, we'll just move on to the projects. So our first project is the Eleanor Roosevelt Circle in Davis in Yolo.

MR. WARREN: Thank you, Mr. Chairman. I'd like to introduce somebody before we start. Carr Kunze has joined us as a mortgage officer. Carr. Carr has a wealth of experience, both as an administrator of redevelopment agencies, as a developer, and the lending industry, and he has joined us to work on projects in Sacramento. And you will see Carr in July with his first series of projects.

So with that, we have eight -- or seven projects now for your review, Dana Strand being reviewed. We'll do Dana Strand, if you'd like, but we can wait until next month. We're going to move these along at a pretty good clip so I have plenty of time for questions and for other agenda items. So with that, we'll start with Eleanor Roosevelt and Laura and Kathy.

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Item 4. Resolution 05-15 (Eleanor Roosevelt Circle)

MS. WHITTALL-SCHERFEE: This is a request for a final commitment for Eleanor Roosevelt Circle. It's a 60-unit senior project that's located in Davis. The request is for a construction and permanent loan. The total of the construction loan is $7,200,000, of which 155,000 of that will be taxable. This is a deal that is currently at CDLAC, awaiting CDLAC allocation.

During the construction period, in addition to our money, the City of Davis will be putting in a portion of their money, $1,150,000.00

We're also requesting approval of a permanent mortgage in the amount of $550,000 with a bridge loan for three years at 2.4 million. Other sources of permanent financing that will come in at the permanent loan are two MHP loans, one the NSSS money, and the supportive housing portion, and then the balance of money from the City of

Davis.

And with that, Kathy is going to take you through the project and the slides.

MS. WEREMIUK: Eleanor Roosevelt Circle is in East Davis. It is at the corner of Cantrell and Fifth Street. This is Fifth. It's fairly close to I-80. And the neighborhood is primarily residential with a strip right -- it's in a strip that's commercial and apartment buildings.

Okay. This is a close-up. The property itself is adjacent to a large apartment building which is a student complex. There is a garden strip that will be in-between this -- the apartment building and the senior project. On this side of the building, there will be a landscaped strip, and it's directly across from the new Davis police station.

This is -- this is a view of the site. The site is 2.13 acres. The proposed construction will be -- this is another view of the site, to take you through it. The proposed construction is two three-story buildings with elevators, all accessible and adaptable for the seniors. There will be a large -- and you can't quite see it -- a large community center in the middle and a large courtyard, an arbor on this side. Parking is on this side. And parking is all off of Cantrell. There will be

a kitchen. And it -- the project is restricted by HCD for supportive services. 35 percent of the units will be seriously disabled seniors.

It is a mixed project. It's got 35 percent at 25 percent of median, and those will all be the -- sorry. Those will all be the disabled seniors. And then it has some 50 and 60 percent of median units. The 50 percent are at 53 percent of market. And the 60 percent are at about 65 percent of market. Thirteen of the units will be market rate. We've underwritten them at 90 percent of market. And there is a mistake, just to call to your attention, on page 130. That doesn't list the 14 units that are unrestricted.

The -- I think that's -- the borrowers on this are -- there's a volunteer group, Davis Senior Housing Cooperative, that is -- will be the managing general partner. They were the recipient of the land from the City, and they're bringing the land into the deal. Two other entities in the partnership, Neighborhood Partners is a for-profit. They're generally a consultant. This is the first deal that they're doing where they're in an ownership capacity. And Yolo County Housing Authority will also be a -- one of the partners in the partnership.

I think that's it.

MS. WHITTALL-SCHERFEE: And with that, we are

very interested in finding out if you have any questions. And otherwise, we're requesting approval of this project.

CHAIRMAN COURSON: Are there questions from the Board?

Jack.

MR. SHINE: Yes. Do I take it that the -- that the tax credit equity is what's going to be used to pay off the bridge loan? Is that how you're --

MS. WHITTALL-SCHERFEE: Yes.

MR. SHINE: -- setting it up?

MS. WEREMIUK: That's correct.

MR. SHINE: Okay. The second question. In the townhome units, are all the bathrooms upstairs?

MS. WEREMIUK: There aren't townhome units. It's -- it is -- they're all flats.

MR. SHINE: They're all flats?

MS. WEREMIUK: They're all flats.

MR. SHINE: You know, I read it wrong. You're right.

MS. WEREMIUK: There are 50 --

MR. SHINE: I'll save that for the next one.

MS. WEREMIUK: Fifty-nine of them are one-bedroom flats and then there's some one -- two-bedroom.

MR. SHINE: I retract my comment and question.

MS. WHITTALL-SCHERFEE: And actually, you don't

need to save it for the next one, because the next one is all flats too. It's not townhomes. That's a mistake.

MR. SHINE: Eventually.

MS. WHITTALL-SCHERFEE: You will get one, I'm sure.

MR. WARREN: Your observation was just more timely than we anticipated.

CHAIRMAN COURSON: Are there any other questions?

Ed.

MR. CZUKER: Well, based on the support from the third parties, from the City and from HCD and the tax credits, the loan here is a very, very safe loan. Based on your cash flows, year one, you're starting off at a 2.11 debt coverage --

MS. WEREMIUK: The reason --

MR. CZUKER: -- is that correct, that that --

MS. WEREMIUK: -- for that is that we have a 30-year loan that was -- we were trying to maximize their debt. And to be able to maximize it and carry it out for 30 years with the low, the 25 percent of median, rents in the mix, to be able to have a debt service coverage that carries over 30, we have a high -- a lot of cash flow in the beginning. Because this is an HCD deal --

MR. CZUKER: Yes.

MS. WEREMIUK: -- HCD does capture and they will

reserve cash flow in excess of a 1.2 in the early years. So where you see cash in the early years, there will probably -- there will most likely be some kind of operating reserve set up by HCD.

MR. CZUKER: What -- I mean, I'm actually very supportive of the fact that you are starting off with such a large cushion of 2.11 debt coverage. Obviously by year 30, it goes down to 1.06.

MS. WEREMIUK: Right.

MR. CZUKER: So, obviously, 30 years out is when perhaps there may be an issue of cash flow. Based on the subsidies, really the risk is the construction risk, because following the funding from the tax credits and from HCD and the City of Davis loans, the CalHFA position is extremely secure. And based on that, I recommend approval.

CHAIRMAN COURSON: Okay. There's a motion to approve. Is there a second?

MR. CAREY: Second.

CHAIRMAN COURSON: Mr. Carey seconds. Any further discussion?

(No audible response.)

CHAIRMAN COURSON: Any comments from the public?

(No audible response.)

CHAIRMAN COURSON: Seeing none, we'll call the

roll.

MS. OJIMA: Thank you.

Ms. Weir.

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Mr. Friedman.

MR. FRIEDMAN: Yes.

MS. OJIMA: Ms. Wilson.

MS. WILSON: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Yes.

MS. OJIMA: Resolution 05-15 has been approved.

CHAIRMAN COURSON: Mr. Czuker.

MR. CZUKER: Just one more point to add, which is the total cost per unit here is $174,000 per unit, which is in a high-cost area of Northern California, a very attractive cost basis. I want to commend sponsors and staff for being able to deliver a project at that cost per unit structure, which again is -- adds to our favorable opinion of the project. Thank you.

MR. WARREN: Staff takes full credit.

MR. CAREY: Mr. Chair? I would point out that that --

CHAIRMAN COURSON: Yeah.

MR. CAREY: Part of that is driven by the free land. The fact that the land is free has a great impact.

CHAIRMAN COURSON: Right.

Any other comments?

(No audible response.)

CHAIRMAN COURSON: Okay. Seeing none, let's move to Vista Sunrise in Palm Springs.

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Item 4. Resolution 05-16 (Vista Sunrise Apartments)

MS. WHITTALL-SCHERFEE: We're requesting approval for Vista Sunrise Apartments. This is a request for a final commitment for construction and permanent financing. The project is 85 flats, no townhomes, located in Palm Springs. It's for families in which at least one person has HIV/AIDS. 30 of the units are reserved for HIV/AIDS patients that are homeless or at a risk of being homeless. Site control is currently pending on this project, and part of the financing that we will be requesting includes financing for a parcel of the land.

The construction loan is in the amount of

$5,650,000. This is also a project that's currently at CDLAC requesting allocation. Of that $5,650,000, $450,000 is going to be taxable agency money. This $450,000 is the money needed to purchase the parcel of land I referred to earlier.

Construction sources that are not CalHFA sources will include the City of Palm Springs. The permanent financing is going to be the same $450,000 agency money for a term of 15 years. And other permanent sources of funds will be the County of Riverside and MHP money from Housing and Community Development, as well as the NSSS money and an AHP loan from CitiBank.

MS. WEREMIUK: This project is located in Palm Springs, about a mile from downtown Palm Springs. It's at the corner of East Vista Chino and Sunrise. That's about a half a mile from one -- from Highway 111, which is the highway which goes through the Coachella Valley. It's three miles from Highway 10. As you can see, it's close to the Palm Springs airport.

The surrounding area is primarily residential, although there is commercial right along this strip. We have a senior development here, condominiums in this area.

The site itself -- this is the site. This portion of the site is being donated to one of the

general partners, the Desert AIDS Project, by the City of Palm Springs. This portion is being purchased in -- as part of a larger parcel that's being purchased by the County of Riverside from the County's health district, and the health district is interested in the fact that half DAP is going to be -- and the County are going to be putting an emergency health clinic here. The County of Riverside is going to be paying for this portion, and our borrower is going to be purchasing this portion.

The acquisition loan was -- came into play because at the last minute, a structure that was a ground lease and sub ground lease structure didn't work for the security for our construction loan.

The Desert AIDS Project, which is a very large social service provider for AIDS patients, is located immediately adjacent to the project.

I apologize for the picture of the site, but it does show some of the beauty of the area. It -- the land is currently vacant, and this is the senior facility that's behind the site.

This is a picture of the Desert AIDS Project. This facility includes a full free medical clinic for people with AIDS. It specializes in the AIDS disease. It has a pharmacy. It has a food pantry and a staff of 72 that provides the fullest range of social services I

have seen in the nine years that I've been doing special needs loans with the Agency.

This is -- the architecture is going to be Palm Springs modern. It will be pretty highly stylized, concrete sides, two stories walk-ups on some of the units. The units themselves are very small. And that was at the request of focus groups. People who have AIDS have very limited incomes, and electricity for air conditioning is exceedingly expensive in the desert. And they wanted small spaces, both because they can't care for larger spaces and also because of the cost issues.

This is just another picture. There will be four different building types. And this is a view of the site. This is currently the DAP parking lot. This -- and this will be -- there will be a reciprocal easement. DAP will continue to own this. And then there will be a drive into the site, an exit through here, buildings around a central courtyard with walk areas. And there will be a pool, and there will be a full gym. And then the residents will have just a walk-through to all of the social services.

The Agency will restrict the project to people with -- with -- a hundred percent of people with AIDS for ten years, and we will require that there be an agreement to provide services. DAP is going to be the general

partner, along with McCormack Baron Salazar, who's acting as the developer, and they'll stay in the project, and they will also be the service provider. They're going to be providing two full-time case managers for the residents as well as a housing coordinator. And HCD will also have restrictions on the property for 55 years for supportive services.

The rents in the property, the 30 and 40 percent rents are the rents for people who have -- who are homeless and formerly homeless. We're anticipating the borrower will also get a HOPWA subsidy for those residents so that they will be paying 30 percent of their actual income as opposed to paying rent. They are -- they will probably be -- and so that they will not be rent burdened.

The 50- and 60-percent rents are below market, and the project itself is 85 -- at 85 units, is a fairly large project for the desert and a large project for Palm Springs, but we anticipate an ease with lease-up because of the number of people who have AIDS who are going into DAP. They're seeing about 30 new people per month moving to the desert with AIDS because -- moving from the coastal cities because they can't afford housing in the coastal cities, so that there is a very strong demand for this housing in the desert and a very strong commitment

by both the County and the City to support the Desert AIDS Project in this endeavor.

MS. WHITTALL-SCHERFEE: And with that, we'd be happy to answer any questions and we recommend approval of this project.

CHAIRMAN COURSON: Questions?

Mr. Czuker.

MR. CZUKER: Thank you.

This project, I'm sure, is extremely needed by the community and is a very important special needs project. The City of Palm Springs has a very large gay population and growing, and this facility would certainly aid -- no pun intended -- the needs and services that they may require based on HIV.

I think if we look at the hard construction costs, this -- here you're roughly $66,000, $67,000 compared to hard construction costs on the prior project, which was approximately a hundred thousand. It's still a reasonable cost structure. Obviously they're small-sized units. You have a total project cost of $120,000, $121,000, which would be --

MS. WEREMIUK: It's comparable on a square-foot basis.

MR. CZUKER: The construction loan seems very secure. My concern comes up in review of the permanent

loan, $450,000 at 1 percent for 15 years. If we look at the $450,000, 1-percent interest for 15 years, which is an unusual loan for us to make to support special needs, the last four years gives us some risk of debt service or repayment. How are we going to deal with what appears to be an upside-down loan in the remaining third, four, five years of the loan?

MS. WEREMIUK: The -- when we're projecting out the very low rents, that is often the case, and we often don't anticipate that we know what will happen in the last three or four years. What we have done in this is allowed an earlier prepay by the developer. If they get the HOPWA, we've talked with them about restructuring the loan so that they make some earlier payments in the early years.

MR. CZUKER: Is there any kind of sinking fund, perhaps, or reserve perhaps --

MS. WEREMIUK: There is going to be a --

MR. CZUKER: -- that could be provided at the --

MS. WEREMIUK: -- sinking fund.

MR. CZUKER: -- front end that would help secure the fact that we have negative debt coverage in the outer years?

MS. WEREMIUK: HCD, the reason we don't have it in ours is that because -- because HCD does do some

capturing. It may be with us or it may be with HCD, but some capture of the early cash flow. And it's not shown at this point because we haven't -- the HOPWA money hasn't been confirmed, and so the structure of the pay-ins, the early pay-ins, hasn't been confirmed yet. So there would be either a sinking fund or some early pays.

MR. WARREN: Generally speaking, when we have loans that have tight ratios between income and expenses, the out years do run negative. And I think part of the risk that we take is because it's an important risk that we assume. So for example, in this case it's a relatively small dollar amount. You'll have three quarters of the term amortizing so the unpaid principal balance is three or at the end of the term, year 12, for example, is relatively small. And in the past we have taken this risk if necessary. Clearly if we get to year 12 or whatever the number is and it's upside-down, then the obvious solution is reamortization over the period of time that we can pay it back and lower the debt service is the most standard task to try to fix these.

A sinking fund for a loan this small, you know, probably isn't necessary. I think we'd rather let our successors deal with the restructuring, given the size of the loan.

CHAIRMAN COURSON: Other questions?

Rich -- Mr. Friedman.

MR. FRIEDMAN: I was a little confused about the HOPWA subsidies. I thought when you made the presentation, you indicated that that would simply reduce the rent to the tenant.

MS. WEREMIUK: It will --

MR. FRIEDMAN: Does it change your cap? Do you get the same rent for the unit?

MS. WEREMIUK: No, you get a higher rent for the unit. The HOPWA subsidy comes in, it will bring the 240 rents up to about 540.

MR. FRIEDMAN: Okay.

MS. WEREMIUK: So the tenant will get a lower rent, and the project will get more -- more cash.

MR. FRIEDMAN: And so the idea is if the project has a little better cash in the early years, then there's money to put into the sinking fund. I think that's the way --

MS. WEREMIUK: Or there -- there would be money for early pays.

MR. WARREN: Or early -- early retirement of debt.

MR. CZUKER: But that money would go to HCD, not to CalHFA; correct?

MS. WHITTALL-SCHERFEE: Well, we've -- we've also asked that this loan be allowed to have prepayment provisions, and that's not something that's typically standard as part of our deal. So the understanding is that some of that surplus would go towards paying down our loan, if it were to -- if we do have the HOPWA.

MR. CZUKER: I guess I'm still a little bit confused. Because if HCD is basically sweeping the surplus cash flow, then having the right to prepay our loan is meaningless, because there will be no cash flow available to pay down our loan.

MS. WEREMIUK: The -- we would structure that before we closed on the loan. And that -- that issue between ourselves and HCD hasn't been resolved yet.

MR. WARREN: If there are increased rents, Mr. Czuker, what we can do as a condition of approval is that if increased monies are there, then we will look toward bringing down the loan with early curtailment of the debt to eliminate the shortfall in later years, and we'll make that a condition of approval, if -- if rents so justify. We'll have to work that out with HCD, but that's something we can take to our commitment.

CHAIRMAN COURSON: Mr. Friedman.

MR. FRIEDMAN: I was just going to try to provide a little clarification. What HCD's concern is on these

supportive services projects is that if there's difficulty in getting the money to pay for the supportive services in the future years. So if there's excess cash flow in the earlier years, we'd look to create a sinking fund to help carry those services over. It's not that we take the money. There is no repayment on HCD's loan. It's a deferred loan. But it's an underwriting issue in terms of the continued operation of the project.

In this case, as you can see, it's -- you know, the cash flow gets trickier after you get to year 10, and that would be part of the reason we would be trying to sweep or capture the early year excess cash flow, would be to help that transition in the later years.

MR. CZUKER: So some -- you foresee that HCD would allow for some of the cash flow to be applied to the CalHFA loan to support it in the outer years?

MR. FRIEDMAN: I don't think I can answer that. I think that will be between our underwriters and our policy makers and the CalHFA underwriters and policy makers.

MR. CZUKER: But we can't put you on the spot right now?

MR. FRIEDMAN: No, I think that's -- you can try, but --

MS. WEREMIUK: In this instance with this

particular project, DAP has -- is incredibly strong in its fundraising, and they're not anticipating using cash flow to pay for the services. They're anticipating raising the money through other sources.

MS. PARKER: Kathy, you're going to need to speak up.

MS. WEREMIUK: Oh. Okay. In this case, DAP is -- the Desert AIDS Project is a strong service provider, and they have a strong fundraising department. The service component of it will not be paid for out of cash flow. That will be paid for out of their fundraising.

CHAIRMAN COURSON: Other questions?

MS. WEIR: Are these issues --

CHAIRMAN COURSON: Ms. Weir.

MS. WEIR: -- going to be documented in the loan as the --

MR. WARREN: Well, we'll take the transcript of this, Ms. Weir, and we'll incorporate it into the loan commitment.

CHAIRMAN COURSON: Other questions?

Is there a motion?

MR. SHINE: I'll move it.

CHAIRMAN COURSON: Mr. Shine moves approval.

MR. CZUKER: Second.

CHAIRMAN COURSON: Mr. Czuker seconds.

Any other comments?

(No audible response.)

CHAIRMAN COURSON: Any comments from the public?

(No audible response.)

CHAIRMAN COURSON: Let's call the roll.

MS. OJIMA: Thank you.

Ms. Weir.

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Mr. Friedman.

MR. FRIEDMAN: Yes.

MS. OJIMA: Ms. Wilson.

MS. WILSON: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Yes.

MS. OJIMA: Resolution 05-16 has been approved.

CHAIRMAN COURSON: Okay. Thank you.

Our next project is the Martin Luther King, Jr. Village in Sacramento.

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Item 4. Resolution 05-17 (Martin Luther King, Jr. Village)

MR. WARREN: Thank you, Mr. Chairman. Carol Goodman joining us for this. Martin Luther King, Jr. Village is an 80-unit apartment complex in Sacramento that is designed to meet the needs of those suffering from disability and mental illness and those at risk of homelessness. This is a special needs project. And it's a bit of a unique design, but we think a concept which will serve this population very well.

The financing request in front of the Board today is for a construction loan in the amount of $9,335,000, a variable rate for 15 months tax exempt, followed by a bridge loan of -- over a three-year period of $4 million at 1 percent, which should be repaid by tax credit equity.

There's a fair amount of subsidy on this project. There is a subordinate loan from HCD in the amount of $5,952,000. And there is also a nonresidential supportive service -- I always get this wrong -- nonresidential supportive commercial space loan, or something like that, in the amount of $500,000. There is also an AHP loan from Farmers and Merchants Bank for $400,000.

Carol's going to -- we're going to go through the

project here, but I've asked Carol to spend a little bit of time on the services because it's a little bit unique, and I think it's, like I said, a very nice model.

So, Carol, if you would go ahead.

MS. GOODMAN: Okay. I'll go briefly through the photos. This is a far-away aerial. This is Sacramento, so the property here is in South Sacramento, just west of Highway 99. And it is a fairly irregular shape because although the address here is on 47th, the actual ingress and egress is going to be right here onto Martin Luther King Boulevard. This showing back here is simply for construction period only, after which the only way in and out of this property will be right through here.

This is just a closer shot. You can see here the Arco station and an industrial building, and, the most interesting feature here, a large SMUD substation. In fact, it's from SMUD that this property was purchased. Originally it was going to be an easement, and now it's owned by the project.

And this is a photo of the site. And on the site, which is now pretty much grass and trees, is going to be 80 single-story, one-bedroom cottage-style units, 61 buildings, and 42 will be single, almost like little family -- single-family homes. 19 of them will be duplex cottages. The style was chosen because the focus groups

that were conducted with the potential target population indicated that they wanted their own little private space, and so that's the basis for the design. These are -- the project is primarily homeless people who have mental illness and other problems -- problems such as substance abuse. And they really -- this is their opportunity for personal space.

These are the elevations so you can see the cottage-style units. These are the duplexes. This is the community building. And there will be a community building in the center of the property. And then this is how the property will be -- will be laid out, with the parking in the front of the building behind the Arco station and the warehouse. And then the residences and the building will be set -- the community building will be set back from the street. And this is the ingress that I showed you on the first photo.

The rents for this property basically range from 17 percent to 65 percent of market. And as Linn mentioned, they will receive subsidies, including a five-year shelter plus care rent subsidy contract and a supportive housing program grant. Together those subsidize 60 of the 80 units, but since we're not making a permanent loan, we're only making the construction loan and a bridge loan to the tax credits, we did not need to

underwrite to the rents.

A little bit on the target population and the services. This is an enormous need in Sacramento and probably everywhere else in California. It will provide adults who have mental illness and a history of chronic homelessness with permanent supportive housing. And for most of these individuals, without this kind of housing, they will end up at much greater risk of hospitalization, incarceration. They face a myriad of other issues, including substance abuse/dependence, chronic physical health problems, limited skills and education, and lack of support. Many other disability groups have lots of support from family and friends, but when you have serious mental illness, that's much less likely.

So the philosophy of the project is going to be to accept and tolerate some of these problems and to look for creative ways to provide the services, regardless of how the problems manifest themselves. Tenants will come primarily from referrals through county mental health providers, local hospitals, shelters, community providers, and law enforcement.

There are no comparable projects in Sacramento that serve the homeless mentally ill with substance abuse at this size and this level of support. The property management and the services staff will be on-site

24/seven. Someone will be at the window at the -- in the office at that single ingress and egress so they can see anyone entering or existing for safety purposes and control.

The staff, services staff, will offer a full range of supportive services, including help with the service plan, help in assessing past barriers, and identifying current needs. They will work with each resident to design their own individualized supportive services plan. They will conduct a variety of classes and support services on-site, for example, life skills instruction, which includes things like budgeting, cooking, nutrition. They'll also offer supportive group -- support groups for helping to recover from mental illness and to recover from substance abuse. And the provider will also provide assistance in finding services off-site.

The primary service provider is an organization called Turning Point Community Programs. It's a nonprofit mental health services provider that's been operating in Sacramento for nearly 30 years and is a major county mental health provider. All of the funds for this project for the services will come through the County through a special program that funds the homeless mentally ill in the county. And this is a long-term

contract provider with them. They contract with them on an annual basis, so they are stable and the long -- and are likely to receive long-term commitment of funds.

The developer is Mercy Housing. They have experience in development and in providing this type of special needs housing. And they have done some extra special things for this project, including establishing a collaborative that has been advising them and will continue to advise them on how this program should be designed. The collaborative includes advocates, it includes county mental health homeless coordinator, where the money is coming from for services, and other service providers, as well as people from the community who have a stake and care about this population.

MR. WARREN: That's it?

MS. GOODMAN: That's it.

MR. WARREN: Thank you, Carol.

The environmental report, Phase I, was from 2001. It was updated in 2005. There was some minor environmental issues that were noted. The most important component is, because of the location to 47th Avenue, there will be some noise attenuation measures that will be incorporated into the design, as well as vents and air conditioning so the residents would not be impacted by any street noise.

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

CHAIRMAN COURSON: Questions from the Board?

Mr. Czuker.

MR. CZUKER: Thank you, Mr. Chairman.

Again, a very special project and we're very happy to see these special needs projects come before us.

The cost structure here seems to be very much in line with costs, and so far we haven't seen these outrageous numbers that we saw at our prior meeting, so thank you for that.

I have two minor questions. One, it's my understanding that the tax credits are going to pay off the bridge loan; is that correct?

MR. WARREN: Yes.

MR. CZUKER: And as a policy matter, when tax credits are your source of repayment, why is the bridge loan at 1 percent? Of course, we want to support the project, but is there something that requires us or it's a policy decision?

MR. WARREN: It's a policy decision because it's a special needs project.

MR. CZUKER: So all special needs projects are going to be priced at 1 percent?

MR. WARREN: Or 3 percent, depending upon the

number of the population. In this case it's a hundred-percent special needs. Lesser populations should receive a 3-percent loan.

MR. CZUKER: So you mean if they're a small percentage of the total project, it's 3 percent, and if it's the total project, it's 1 percent?

MR. WARREN: Policy guidelines are that if you have -- the floor is 35-percent special needs population, you can receive a 3-percent loan. If you have a hundred percent, you can receive a 1 percent. And occasionally we will put a 2-percent loan, depending on where the population is between that 35 and a hundred percent.

MR. CZUKER: And lastly, even though I think I know what you're going to answer, I'll ask anyway, and that is in your debt coverage ratio analysis on the three-year pay-in, you go negative in the third year at .8. Why is that?

MR. WARREN: The debt coverage ratios from a project standpoint isn't relevant because the repayment comes from the equity. We're not looking to project cash for repayment.

MR. CZUKER: So because the source of repayment is tax credits and not cash flow, therefore the cash flow analysis here is -- is irrelevant?

MR. WARREN: Correct.

MR. CZUKER: Okay. I thought you might say that.

MR. WARREN: It's true.

MR. CZUKER: Thank you.

CHAIRMAN COURSON: Mr. Hughes.

MR. HUGHES: Mr. Chairman, I just wanted to say although I don't think this is a conflict of interest, I wanted to state on the record that I am on the board of directors of one of the nonprofit service providers on this project, El Hogar Community Mental Health Services, Inc.

CHAIRMAN COURSON: Okay, thank you.

Other questions or comments?

Mr. Carey.

MR. CAREY: I'll just make the comment that I'm impressed that these organizations are willing to take on a project with some long-term, very serious commitments for the community, and they're to be commended for taking this on.

MS. PARKER: Mr. Chairman, if I could make one comment.

CHAIRMAN COURSON: Ms. Parker.

MS. PARKER: I -- obviously we have done some great projects and partnered with Mercy, and, again, I think they deserve recognition for these kind of projects because they are the toughest of the tough. And as we

look at the policy issue of trying to deal with chronic homelessness and what some of the resources may be out there in the future, including what we're going to talk about in our business plan and what's happening with the passage of Prop 63, I think that there is a number of opportunities for us to look in this particular area.

We're very excited because we almost see this as kind of a model of what could be demonstrated throughout California as some opportunities to develop permanent housing for the chronic homeless.

We're very fortunate in all of the staff that we have, but Carol Goodman, this is her first project to submit to the Board. We actually stole her from the Health and Human Services area, where she was an expert on mental health programs and programs for use of Medicaid and title 19 funds. Linn and staff have been training Carol to be an underwriter, at the same time being able to take care -- take advantage of those expertises that she has in the social services world.

So we hope very much by doing this that, one, we can use this as a model with some of the resources we hope that will be out and be presented because of Prop 63 and other dollars that the Agency and HCD are doing, that there be will opportunity for more projects like this.

MR. CZUKER: With that, I move approval.

CHAIRMAN COURSON: Okay. Mr. Czuker moves approval. Is there a second?

MR. CAREY: Second.

CHAIRMAN COURSON: Mr. Carey seconds.

Any other discussion, comments?

(No audible response.)

CHAIRMAN COURSON: Any comments from the public?

(No audible response.)

CHAIRMAN COURSON: Then let's call the roll.

MS. OJIMA: Thank you.

Ms. Weir.

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Mr. Friedman.

MR. FRIEDMAN: Yes.

MS. OJIMA: Ms. Wilson.

MS. WILSON: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Yes.

MS. OJIMA: Resolution 35-17 has been approved.

CHAIRMAN COURSON: Okay. Thank you. The next project is the Woodhaven Manor Apartments in Rancho Cucamonga.

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Item 4. Resolution 05-18 (Woodhaven Manor)

MR. WARREN: Thank you, Mr. Chairman. Jim Liska is the mortgage officer on these. Jim is home recovering from foot surgery, so I will endeavor to struggle through the next two projects for the Board.

This is a final commitment request for Woodhaven Manor Apartments. This is a 117-unit family project located in Rancho Cucamonga. This is -- the loan is held by the Agency, and it is a Section 8 loan. The project was built in 1983. The financing request for the Board today is for an acquisition first loan of $7,605,000, variable rate for 12 months, tax exempt.

After the rehabilitation is completed, there will be two loans in place. The first is a first mortgage loan in the amount of $1,500,000, 5.9 percent for 30 years, followed by -- or accompanying by a second mortgage loan of $3 million, same interest rate for 17 years, also tax exempt. The 17-year loan represents our typical AB structure, in which the B piece is weighted against the rent increment between the restricted rents and the Section 8 contract rents. The 17-year period

refers to the remaining term for the Section 8 contract.

There is a fair amount of locality involvement involved in this. The City of Rancho Cucamonga is very aggressive in financing affordable housing projects in their city, and this is no exception. As your materials indicate, the City will be lending $8,996,000 in the subordinate lien residual receipt position, 3-percent interest over a 55-year term.

There is an HAP contract, as I indicated, on the project, which was put on when the project was originally built in 1983. The project is through its initial term, is now facing basically 17 years left to go. These contracts are prefunded. They're very typical Housing Finance Agency Section 8 contracts, so there is no renewal risk on this type. There are five-year extension renewals, but the Agency has been successful in obtaining these, and we don't expect to have any particular problem with those extensions.

With that, let's take a look at a couple. There's the project there. It's primarily -- next slide, please. The project is surrounded almost exclusively by residential. The project consists of 80 two-bedroom units and 37 three-bedroom units of fairly good size. The units themselves have good amenities including full kitchens and dishwashers and so on.

Given the age of the project, there's -- the landscaping has matured up around, and this is a typical street scene.

The rehabilitation for the project is actually going to be fairly extensive. Our P and A estimated approximately $1.9 million in immediate needs for rehabilitation. What the borrowers are going to be doing is expending $3.1 million in immediate rehabilitation needs, which includes the immediate needs that we identified in the $1.1 million. The rehabilitation really breaks out into three areas. There will be fairly extensive site work. The old leasing building will be demolished and be replaced by a new leasing building. Fairly extensive landscaping, which also includes the rebuilding of the new building. Approximately six roofs will be replaced and an upgrade and replacement of mechanical systems. And the units, although they are in pretty good shape, given the size of this and the age of the project $400,000 has been set aside for renovation of the units as needed.

The rent demand for projects in the Inland Empire, I think, continues very strongly, as does most of Southern California, but Rancho Cucamonga has a very strong market right now as far as demand and very high occupancy. As you can see from the rents here, what is

good about this is the light cream colored bar, which represents the Section 8 rents, is below market and above the 50 and 35, 45, and 60 percent rents. This is significant just in the event that HUD, when the renewals occur, may look at the Section 8 rents in comparison to the market rents. If you're below the market rents, then you certainly will have an easier time of it with HUD.

The development team is very experienced. It's comprised of two partners. Southern California Housing Development Corporation or SoCal, which was founded in 1992, has been very active in rehabilitation and new construction throughout all of Southern California, and they've taken on some very tough rehab projects in the past. We have actually three other projects with SoCal located in Rancho Cucamonga that we financed several years ago.

The other partner will be NHDS, National Housing Development Corporation. NHDC has been very active in preservation around the country, and its head, Jeff Burham (phonetic), was actually a member of the Moyo (phonetic) Commission.

The property management will be done -- will also be taken care of by SoCal, and, again, they have several thousand units under their management portfolio.

So with that, we think this is a very good

repositioning of one of the Agency's loans and assets, as well as having strong financial contribution from the locality. So with that, I'd like to recommend approval, be happy to answer any questions.

CHAIRMAN COURSON: Questions or comments from the Board?

Mr. Friedman.

MR. FRIEDMAN: You're satisfied that the rehab work they're doing can be done around the existing tenants?

MR. WARREN: We are.

MR. FRIEDMAN: Demolition and reroofing?

MR. WARREN: We are. It's been our experience in this, Mr. Friedman, that if -- given proper notice, I think you can do reroofing. The main, which would be the units, are going to minimal, so they may be out for a day or two or something like that. But I think the sense is that there is no structural rehabilitation for the roof. I think it's going to be the sheeting. Hopefully that holds true. I think that's the guess. But as with all situations, if there has to be relocation, then we'll put a plan in place and see that it gets paid for. But for right now I think we're okay.

CHAIRMAN COURSON: Other questions?

Mr. Czuker.

MR. CZUKER: A couple of questions. In the cash flow that's attached to this project, is the debt coverage ratio associated with just the first mortgage, not the second mortgage?

MR. WARREN: I believe it's just the first, let me check. No, it would be both.

MR. CZUKER: So it's the combined debt coverage?

MR. WARREN: It should be combined, yes.

MR. CZUKER: And again, in the last four or five years of the loan, there seems to be a debt coverage ratio shortfall. Is that again something that you'll try to have some reserves or how are we addressing that?

MR. WARREN: Section 8 refi's within the Agency, one of the requirements is that there be a reserve put in place that's held throughout the life of the loan, and that's for a lot of reasons. There's a transition reserve that could be used. But when the loan is paid off in year 30, it's anticipated that there will be a reserve in place. Because the regulatory period for these Section 8 refinances actually runs for 50 years. I'm not sure that reflects in the materials, but that's our intent.

So it will be the policy guideline of the Agency to have a reserve of some amount in place throughout the life of the loan. And if we find at the end of the last

three years we have a shortfall, it could be used for that. And the commitment and loan docs would reflect that.

MR. CZUKER: With the changing interest rate environment that we live in, both short-term and long-rate interest rate changes, is there any policy review internally to take a look at appraiser's cap rate analysis? Because while every sub market may be different and warrant a different cap rate, it's also very interest-rate sensitive, and, for example, here you have a 6 cap rate. And in some areas they are higher or lower, and it's really a function of value or where we could be fooling ourselves on value, depending on cap rate analysis.

MR. WARREN: Well, the value for this particular project is the restricted value with the rents in place, so as we primarily make our loans based on cash flow and with the project support, a cap rate which would be more appropriate for a loan that could prepay in year 15, for example a termination cap, isn't part of this analysis.

We are looking at two things in the appraisals, number one, cap rates, which have been fluctuating somewhat strangely and I think are artificially low, but secondly, looking at the restricted value, that if we ever did have to foreclose and take the property back,

our first goal would be clearly to keep the tenants in place. Therefore, the debt load needs to reflect what rent can be paid by the existing tenants and not more than that unless we actually had to move them.

So it's a balancing act. Since we're primarily a cash flow lender, we try to look at the cap rates, but it's not our primary decision-making tool.

CHAIRMAN COURSON: Other questions or comments?

(No audible response.)

CHAIRMAN COURSON: Is there a motion from the Board?

MR. SHINE: Move approval.

MR. FRIEDMAN: Second.

CHAIRMAN COURSON: Mr. Shine moves, Mr. Friedman seconds. Any other discussion?

(No audible response.)

CHAIRMAN COURSON: Any comments or discussion from the public?

Yes, sir.

MR. IZMAJTOVICH: Thank you very much. My name is --

CHAIRMAN COURSON: Could you please identify yourself?

MR. IZMAJTOVICH: Yes. My name is Alfredo Izmajtovich, and I'm the Director of Acquisitions for

Southern California Housing. I'm here for two reasons, one is to first compliment CalHFA for their great response on this project. We were -- made -- this project was made available at the beginning of the year, and staff has been really responsive in working with us in a very aggressive timeline, so I first want to thank everyone for that. It's been a wonderful experience.

Secondarily, I want to come and ask for consideration of possible reduction or waiving of the prepayment penalty for this project. There is a yield maintenance fee, I think is the term they use, of approximately $330,000, and our city partner has requested that we would come and request some consideration of that fee, given the great amount of funds they're expending to help us acquire this property. And so I'm just bringing that to the Board's attention.

MR. WARREN: Mr. Chairman.

CHAIRMAN COURSON: Okay, Mr. Warren, you have a comment.

MR. WARREN: Staff does not recommend waiving the yield maintenance guarantee.

CHAIRMAN COURSON: Is there discussion from the Board? Comment?

MR. CZUKER: I have a question. Is this a project that is currently owned by SoCal Housing?

MR. WARREN: No.

MR. IZMAJTOVICH: No, it's not.

MR. CZUKER: This is a third-party acquisition?

MR. WARREN: Yes, it is.

MR. IZMAJTOVICH: That's correct.

MR. WARREN: The policy guidelines as approved by the Board in September of 2002 clearly specify that for non-high-cost area, the yield maintenance charges will be made, and we have on all prior projects. We have not waived that policy.

MR. CZUKER: And we're paying off an existing fixed rate that has some cost to the Agency to retire existing debt?

MR. WARREN: The spread that we receive on a Section 8 project funds our HAP program, which is why we have not recommended waiving that. The monies are used for other purposes.

CHAIRMAN COURSON: Other comments or questions? Any other comments?

MR. IZMAJTOVICH: No, again, just simply asking for that consideration. And again, it could be a reduction or a waiver. Obviously the cost burden of that fee falls on the City directly, and so as a partner in trying to create affordable, they simply ask some consideration of that.

CHAIRMAN COURSON: Thank you.

Any other comments?

(No audible response.)

CHAIRMAN COURSON: The motion is to approve the project -- move and second to approve the project as submitted. Seeing no other discussion, we'll call the roll.

MS. OJIMA: Thank you.

Ms. Weir.

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Mr. Friedman.

MR. FRIEDMAN: Yes.

MS. OJIMA: Ms. Wilson.

MS. WILSON: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Yes.

MS. OJIMA: Resolution 05-18 has been approved.

CHAIRMAN COURSON: We do appreciate your comments. Thank you for coming.

MR. IZMAJTOVICH: Thank you.

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Item 4. Resolution 05-19 (Hillview Glen)

MR. WARREN: The next project for the Board's consideration is Hillview Glen. It's a 138-unit apartment complex located in San Jose. The owners of this project are Related Capital Partners, and as the materials indicate, there is somewhat of a history here.

The project was built in 1993. It's one of the first tax credit projects San Jose contributed to in their area. After several years, the units began to experience moisture and water intrusion, initially in the exterior walls and later into the units. After that occurred, Related Capital, which was one of the partners, instituted defects litigation against the contractor and other parties to rectify the problem. The litigation has been settled, and proceeds have been put aside to rehabilitate the property.

The request by the borrowers, the borrowing entity, today is to recapitalize and refinance the project and position it for the next 30 years. Included within the request is an acquisition to pay off the existing debt, incorporate in the settlement proceeds to repair the property, and also make disbursements in loan proceeds to the partnership for the expenses they

incurred in pursuing the litigation. And I'll get more into the rehabilitation as we proceed.

The mortgage request in front of the Board today is for a loan up to $12 million, and that would be disbursed in -- over several disbursement scenarios. The first would be an initial disbursement in the amount of $5,375,000 to retire the existing debt. At the time that the occupancy reaches 60 percent, after all the rehabilitation has been completed, another phase of disbursement in the amount of $3,925,000 would also be advanced. When the project is fully rehabilitated and 95-percent occupied, a final advance would be made of $2.7 million.

Current budgets indicate that the settlement proceeds are adequate for the scope of work as proposed for the remediation. But in discussions with the borrower where we felt that in the event that cost overruns are encountered, it might be worthwhile to incorporate a floating-rate interest-rate period for up to two years to be able to leverage and unify project cash to supplement the settlement proceeds. And we've come up with this kind of advanced structure and floating rate structure for this two-year period. Once that's all been completed, then the loan would convert to a permanent loan of 6.75% taxable for 30 years.

There is locality financing on the project. At the time the loan project was originally built, the City of San Jose contributed $6 million. That loan will be rolled over and made subordinate to our new financing, and the San Jose City Council approved that subordination and the financing plan at their council meeting yesterday.

So with that, let's go through the project. As I indicated, the project is 138 units in six three-story buildings. Next slide. In the -- right there is the Montessori child center with a capacity for approximately 40 units. The center not only serves residents of the project, but also the surrounding neighborhood.

The rehabilitation scope really covers two main areas. The first will be exterior siding will be taken out, plywood, the membranes repaired, and any damage to exterior drywall will also be repaired. It's anticipated that the plywood sheer, which wraps around the project, is also damaged. That will need to be replaced as well.

There was damage to the interiors. Interior drywall will be replaced, carpets and linoleum, as well as in many places the kitchen cabinets will also have to be replaced. The borrowers are going to take this opportunity to upgrade unit interiors with some new appliances and some new vents.

The total rehabilitation to remediate the damage is approximately $50,000 per unit. And again, the scope that we've looked at appears to be adequate. In the event that it's not, the project cash flow would supplement that.

One of the main concerns the Agency has, the staff has, is what is the status of rents in San Jose. Over the past several years, I think everyone is aware, rents have fallen and I think we've seen now to a point -- or the question to the staff is have rents reached the bottom and are they beginning to tick back up. So let's talk about that a little bit.

Our sense is that rents have really stabilized in the San Jose area. Employment is up. Anecdotal evidence indicates there's a thousand new jobs that have been brought into the San Jose area. Occupancy rates on a number of projects are beginning to stabilize and increase, and rent decreases have actually ceased, and we're beginning to see a very slight increase.

But that said, this is still a market that is going through somewhat of a transition. It's the Agency's intention that as we go through the lease-up period and the rent-up period, that we'll calibrate the rents that are achieved by the project. In the event the rents don't achieve the levels that we need, then the

loan would be reduced accordingly. This is not an uncommon thing that we do, particularly with higher income type projects in which during the lease-up phase, if the debt can't be supported by the rents that are received, then the permanent loan amount is reduced accordingly. But with the anticipation that over the next two years rents will increase and employment will go up in San Jose, we want to at least secure a commitment from the Board to have a loan upwards of $12 million, and we will see where that eventually settles on our rent scheme plan.

Another important note to talk about in addition to rent is relocation. At the time that the problems began to materialize and the owners felt the need to secure or go after litigation, leases on the project were not renewed. The project is vacant today and will be leased up only at such time as the project is complete.

We've asked borrowers to give us in writing assurances that there are no lingering tenant right issues or relocation issues. They've assured us that there isn't. That will be backstopped by an agreement with the partnership that in the event a tenant claim does arise, it will be the sole financial responsibility of the partnership to meet that and not a project-related cost. So we put that back on them, and we'll probably

secure a legal opinion to that effect.

One point I forgot to mention is clearly as the work commences, all of the work will be paid for -- or primarily paid for -- by the settlement proceeds and not by agency funds. We have asked for and we will receive a security interest in the settlement proceeds. In the event there is a default and we need to step in, the Agency then can take the proceeds as our own and complete the work as appropriate, and the owners have agreed to that security agreement.

So with that, I think that is -- that pretty much sums it up. Just to summarize who the borrowers again are, the borrowers are comprised of two entities. Pearl Avenue Associates is a corporation which is -- the main partner is the Related Capital Companies of Southern California. The managing general partner is Eden Housing from the East Bay. And the property management agent will be Related Management Agent. Related will also act as general contractor for the rehabilitation, which they have in all of the rehab projects we've done with Related in the past.

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

CHAIRMAN COURSON: Mr. Warren, so are you -- is staff recommending a modification to what we're looking

at here in terms of loan amount and rent or --

MR. WARREN: The -- no. I think what we're saying, as the record will indicate, that the commitment will say that the final loan amount will only be that as can be supported by the rents as set forth, and that would be a determination staff would make. We don't know what that's going to be, but we would basically -- as we would with anyone, that if the rents are not there, then the final loan amount would have to be somewhat less.

CHAIRMAN COURSON: But it could be greater than the $12 million?

MR. WARREN: No. It would be no greater than --

CHAIRMAN COURSON: So it's capped at the 12?

MR. WARREN: Exactly.

CHAIRMAN COURSON: Thank you.

Mr. Shine.

MR. SHINE: First, I really like the way you handled the lawsuit and the encumbering of its proceeds and so on. I know you've looked into it and that lawsuit is going to get settled, so my compliments on the way you structured this somewhat unusual deal.

With respect to the damage that was done by the water, I didn't see it here, but do you know offhand what was the cause of the problem with the water in the building? Was it coming up? Was it rain? What was it?

MR. WARREN: My -- it's rain, it was installation, and I believe it was also materials, but primarily installation.

MR. SHINE: Incorrectly sealing and the usual --

MR. WARREN: Yes.

MR. SHINE: And they have had their engineers come up with a recommendation?

MR. WARREN: Yes.

MR. SHINE: And is there going to be a deputy inspector or some means to see that it gets done the way that it's supposed to?

MR. WARREN: We will inspect this quite a bit.

MR. SHINE: That's my question. Do we do that out of our agency or do you --

MR. WARREN: Yes, we do.

MR. SHINE: -- hire an outsider?

MR. WARREN: Well, we do both. But in something like this, we would hire somebody from the outside. If we were only doing a permanent loan, for example, and not a construction loan, which is basically what we're doing here, we've always had inspectors monitoring what the project would look like so when we take over as permanent it's built as appropriate. So the same protocol here. We would have an inspector who in the morning is on one of our construction jobs across town, in the afternoon is

on this job watching the work being done.

MR. SHINE: So making sure that the flashing and counterflashing or whatever they're doing complied with the recommendations of the engineer?

MR. WARREN: And is --

MR. SHINE: You've dealt with that issue.

MR. WARREN: -- done correctly this time, yes, sir.

MR. SHINE: Okay. Thank you.

CHAIRMAN COURSON: Questions? Mr. Czuker.

MR. CZUKER: Since the indication is that there's mold, I assume there was some extensive environmental reports and mold reports that were performed on this property, and I'm assuming that there will need to be testing of some kind --

MR. WARREN: Yes.

MR. CZUKER: -- both current testing and as the work is being remediated, some form of environmental clearance --

MR. WARREN: Yes.

MR. CZUKER: -- that goes on to test at the end before the walls are closed up so that we don't have a recurring problem?

MR. WARREN: Absolutely. I think in any situation like this, the greatest concern, whether it's a

large project or not, is have you gotten it all, and I think that that's the big concern. Yes, that will be part of our sign-off. And we'll get appropriate reports that do just that.

CHAIRMAN COURSON: Other questions? Comments? Mr. Friedman.

MR. FRIEDMAN: I've got a couple of questions, and I'm probably just not proficient enough in reading it in the report. You said that the settlement is going to be financing all the rehab.

MR. WARREN: Yes.

MR. FRIEDMAN: So why is CalHFA making a construction loan if the settlement is paying for the rehab?

MR. WARREN: We probably shouldn't have -- we're not making a construction loan. If that word's in there, Mr. Friedman, it's probably incorrect.

MR. FRIEDMAN: So we're going to be monitoring the construction even though we're not paying for anything?

MR. WARREN: That is correct. If the word was in there, we -- at one point in time we looked at making a construction loan, and you may have something from a prior draft, but, no, we are not making a construction loan.

MR. FRIEDMAN: I thought I heard you earlier say something about financing the costs of the litigation?

MR. WARREN: Yes. Part of the proceeds from the loan will be to reimburse the partners for the costs to litigate the -- litigate the defense.

MR. FRIEDMAN: And that wasn't included in the settlement?

MR. WARREN: Not in ours, no.

MR. FRIEDMAN: Is that a typical thing?

MR. WARREN: I've seen it both ways. It may be a component of the settlement. I think quite frankly the owners look to the ability to -- given the value of the property, that they -- in order to settle, they realized they could probably borrow the money from the project to reimburse themselves.

MR. FRIEDMAN: It seemed like the cash flow generated by this project should be pretty decent cash flow.

MR. WARREN: Well, the City of San Jose will have a say in that because of the subordinate loans. There is a sharing of cash flow with the subordinate loan with San Jose, and they'll be having a say in how that money is spent.

MR. FRIEDMAN: Okay. And if I understood right, relocation was avoided by letting the leases expire in

anticipation of the rehab?

MR. WARREN: That is correct. It's been vacant for some time. But our concern in that area, Mr. Friedman, is that as the project begins to repopulate, will prior tenants assert some claims which otherwise were overlooked or not dealt with, and that's our concern.

MR. FRIEDMAN: Does CalHFA have -- feel any obligation to resolve the relocation issue?

MR. WARREN: No, we do not. We feel that is an obligation of the borrower and the cost for that should be borne by that. We don't feel any direct obligation to fix that problem, other than to monitor it or make sure it's resolved.

MR. FRIEDMAN: Or account for it in the costs of project.

MR. WARREN: Well, we are having that cost taken care of outside of the project costs.

MR. FRIEDMAN: Thank you.

CHAIRMAN COURSON: Other questions? Mr. Carey.

MR. CAREY: It looks like the costs will run $50 a square foot for the rehab. And in all honesty, it wouldn't surprise me if it exceeded that. Can you describe again what will happen if the rehab costs exceed the estimate?

MR. WARREN: Project cash during the two-year floating-rate period will be reviewed and approved basically by the Agency. As the rehabilitation proceeds and the work is done, if we find there are cost overages, then that money, which is going to be essentially put aside or not released until we're comfortable the work has been done, would then be made available for rehabilitation. So during that two-year period, as we do normally in these situations, we will control project cash flow, and hopefully it's going to be enough.

CHAIRMAN COURSON: Other comments, questions from the Board?

(No audible response.)

Is there a motion?

MR. SHINE: I'll move.

CHAIRMAN COURSON: Mr. Shine moves.

MR. CZUKER: I'll second.

CHAIRMAN COURSON: Mr. Czuker seconds. Any other discussion?

(No audible response.)

CHAIRMAN COURSON: Any discussion, comments from the public?

(No audible response.)

CHAIRMAN COURSON: Seeing none, we'll call the roll.

MR. FRIEDMAN: I'm sorry, can I ask one more question, please?

CHAIRMAN COURSON: Yes. Mr. Friedman.

MR. FRIEDMAN: The project basically seems to cash flow very well. If we didn't make this loan, what would happen?

MR. WARREN: Someone else would, to be honest with you. I believe that the borrower would probably go seek another loan, perhaps not as much or maybe not the same structure.

MR. FRIEDMAN: Are they obligated to pay off the loan that is in place now?

MR. WARREN: No, but I think the interest rate is high enough that they would want to seek financing under any scenario.

MR. FRIEDMAN: And the project would cash flow with non-public funding.

MR. WARREN: This is not public funding. This is a taxable loan. We would not be selling tax exempt debt on this.

MR. FRIEDMAN: Thank you.

MR. WARREN: There is no bond allocation being expended for this.

MR. CZUKER: One more clarification.

CHAIRMAN COURSON: Mr. Czuker.

MR. CZUKER: Is there a prepayment penalty or yield maintenance on the old debt?

MR. WARREN: On the existing CCRC debt, I don't know. I don't know that.

CHAIRMAN COURSON: Other questions?

(No audible response.)

CHAIRMAN COURSON: Call the roll.

MS. OJIMA: Thank you.

Ms. Weir.

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Mr. Friedman.

MR. FRIEDMAN: No.

MS. OJIMA: Ms. Wilson.

MS. WILSON: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Yes.

MS. OJIMA: Resolution 05-19 has been approved.

CHAIRMAN COURSON: Okay. Thank you.

We are now skipping over in our book the next

project, which we talked about, Dana Strand, and I believe that brings us to Larkfield Oaks in Sonoma.

MR. SHINE: We're not doing Dana Strand?

CHAIRMAN COURSON: No, I'm sorry. Dana Strand has been withdrawn, and we will be visiting that likely at our July meeting.

MR. CZUKER: Excuse me, Mr. Chairman.

CHAIRMAN COURSON: Yes, Mr. Czuker.

MR. CZUKER: Since we're going to be reviewing it in July, I just wanted to ask staff to consider why on such a large loan do we need to have a $75,000 taxable piece, which from a documentation standpoint, it seems like it's more headache than it's worth? If you're going to bring it before us in July anyways, maybe you can eliminate that.

CHAIRMAN COURSON: That's a fair discussion we certainly can have.

MS. WHITTALL-SCHERFEE: That is something that you will not see. The reason for that $75,000 was we had submitted an application to CDLAC for tax exempt bond allocation. That is being withdrawn at the request of the borrower, and we will be going back for a new CDLAC allocation that will include the full amount as tax exempt with no taxable portion.

MR. CZUKER: Makes more sense. Thank you.

CHAIRMAN COURSON: Not to get into discussion of the project, but if there are other troubling -- substantial troubling issues on the project anybody saw in reviewing it, we certainly have the opportunity to bring those forward now, or we'll wait and look at the project when we see it in July.

Okay. Seeing none, we'll go on to Larkfield.

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Item 4. Resolution 05-21 (Larkfield Oaks)

MS. WHITTALL-SCHERFEE: I'll proceed with Larkfield. This is a final commitment request for Larkfield Oaks. Larkfield Oaks is located in the community of Larkfield. It's in Sonoma County. They are requesting a loan to lender and a permanent loan. I believe most of you have been here long enough to know what loan-to-lender deals are, but I just wanted to point out that because this is a loan-to-lender deal with Silicon Valley Bank as the lender, you will notice that there is a 98-percent loan-to-value ratio with no letter of credit required.

Typically when we are doing the construction loan, we would require a letter of credit. Silicon Valley Bank is very comfortable with the appraised value of the property. They look at it a little bit differently than we do. They don't feel it's as great as

we think it is, and so they're willing to accept that risk. And since our loan is to Silicon Valley Bank, we are not requiring it ourselves.

MR. CZUKER: What collateral do you get from Silicon Valley Bank?

MS. WHITTALL-SCHERFEE: They sign a promissory note and there's a loan agreement, and the borrower enters into a regulatory agreement that's in place and senior to the construction loan that Silicon Valley Bank issues.

MR. CZUKER: So we're not getting a standby letter of credit from Silicon Valley Bank, we're getting basically a guarantee on a note?

MR. WARREN: The loan-to-lender project approved four lenders with A-plus ratings. Silicon Valley Bank was one of them. And to qualify for that, we've done a review of their financials, and we're willing to accept basically a guarantee from them, a corporate guarantee, for the repayment of the loan. And they have recourse too. If there's a default situation, we have the ability to recall the loan with Silicon Valley Bank. The way it's structured is we wanted to accept banks with a high credit rating without having to require the LC. So they've met that threshold. That's the approach we took.

MR. CZUKER: From their perspective, they don't

have a set-aside reserve requirement which they would have under a letter of credit, and so that may be a way to allow them to provide off balance sheet financing, since the bank no longer is setting aside reserves for the guarantee they're providing or the note that they're providing you. If they provide you a letter of credit, they do have to set aside reserves.

MR. WARREN: I think that's right, but I also would think that since they're carrying the obligation guarantee on their books, they're going to be -- that's going to show up on their balance sheet as well.

MR. CZUKER: Thank you.

MS. WHITTALL-SCHERFEE: So we're requesting a loan to lender to Silicon Valley Bank on Larkfield Oaks in the amount of $9,590,000. This project is currently being considered for a CDLAC allocation, and so that's why out of that $9,590,000 there is a small taxable portion in the amount of $355,000. Because in their preliminary review of expenses, which occurred after the CDLAC allocation, they needed a little bit more of a construction loan. We will also be asking for a permanent loan in the amount of $2 million for 30 years at 5.9 percent.

During the construction period there will be many other sources of funds that will also be used, including

the Joe Serna Farm Worker money, the Sonoma County series of funds, and the AHP loan from Silicon Valley Bank. When we get to the permanent loan, we will have the balance of the Joe Serna money. Part of it's coming in during construction. Part of it is coming in during the perm. And we will have the MHP money.

The borrower on this project is going to be Larkfield Oaks Apartments, LLP, a California limited partnership. The project will be developed by and one of the managing general partners will be Burbank Housing Development Corporation. They are very familiar to us. We have financed several projects with them, like Carillo Place. And they will be -- there will be a co-limited partner -- I'm sorry, a co-managing parter in the form of Community Housing Development Corporation of Santa Rosa.

And with that, Debra is going to take you through the slides and discuss a little bit more of the project.

MS. STARBUCK: Good morning. My name is Debra Starbuck. I'm a loan officer. Okay. Let me know if you can't hear me.

Okay. There's a close-up of the site. You'll notice it's -- just above the site, running across the photo you see here is Highway 101. This site is about five miles north of Santa Rosa, three to four miles south of Windsor, and it's in the county of Sonoma.

The crossroads you see below the site, this is Airport Boulevard. And you've got Fulton Road running up, which actually is an off-ramp off the freeway. The access to the site will be off Fulton Road. And there are some costs borne by the project for the development of this intersection, which they gather will get more traffic flow over time. There will be signals. There will be seven-foot wide sidewalks,and eight-foot high perimeter walls for noise concerns to the site.

The site is also -- has about six acres next to it between it and the freeway, which will be used for agricultural purposes. South of the site we have agricultural land. And there's also -- further south is the creek that they are adding potential -- well, there's potential concerns for flooding in the event of very heavy rainfall, so to mitigate those concerns, you'll see development costs for sitework which include removal of expansive soil on-site and bringing in more soil to raise the site level above any flood concerns.

Okay. We have an artist rendering for you. This is one of our creative artist renderings for one of the townhouse units. And we have another view here. Basically we have 36 townhomes in 12 buildings, and we have 16 flats.

This is a view of the site. It's a little

difficult to see, but we have perimeter -- we have perimeter parking here. And there will be 12 buildings with townhome units. And there will be fourplexes that include 16 flats, and there will be four flats over the community building, which is in the corner of the site here.

There's open green area and a playground area, a sports court, and some plaza areas with some decorative concrete flagstone area.

There will be a computer room and a community center facility or community building room here, and an office. And they will also provide some services for the mentally ill patients and disabled patients that will be in seven of the units.

From the rent comp chart here, you'll see that the rents range between 20 and 69 percent below the market in that area. We actually have 20 units designated to families earning less than 30 percent of area median income, so it's a very affordable project.

There are no known environmental concerns, other than bringing in the soil for raising the site.

And we have had a lot of experience with Burbank. They have also got the same contractor on this development as they are using for the Springs Village development in Santa Rosa, which is about 80-percent

complete right now and running very smoothly.

If you'll notice in the cash flows, some of the concerns that the Board may have are the costs per unit, but we've -- this is an MHP unit, an MHP-funded project with Joe Serna money. We are financing the development of studio -- two four-bedroom townhomes, which are very large units, and will help the larger families in the area.

We have on-site requirements and off-site requirements for the signal at the Fulton and the Airport Boulevard access. And the local fees are fairly high at $24,000 a unit, but that does match the funding that's being put in by the locality.

We plan to potentially sweep any cash flow in years 20 through 25. Replacement reserves have been structured higher during the first 20 years with no replacement reserve deposits in the last ten years of the loan. Any available cash, years 20 through 25, would be swept aside to handle any potential cash flow shortages in the last five years.

MS. WHITTALL-SCHERFEE: And with that, we would be happy to answer any questions you may have, and we request approval from the Board.

CHAIRMAN COURSON: Questions? Comments on the project? Mr. Shine.

MR. SHINE: I didn't notice it from your aerial photograph that maybe you can put back up, but where is the flood potential hazard coming from?

MS. STARBUCK: The Mark Creek, which is south of the site. You don't -- I think it's just below this aerial photograph too. It runs across south of the site.

MR. SHINE: So is this property and the surrounding property in a flood plain?

MS. STARBUCK: It's not on the 100-year plain, and it does not require flood insurance.

MR. SHINE: Is it on a FEMA map of some kind?

MS. STARBUCK: It is on a FEMA map, but in an X zone, and so it's a 100-to-500-year flood zone. So they're just bringing in -- they're going to raise the site by about a foot to ensure that there's no concerns of flood in the event of very heavy rainfall and the creek overflowing.

MS. WILSON: And that costs a million and a half dollars?

MS. STARBUCK: The sitework that you see, is that what you're referring to?

MR. SHINE: You've got a million and a half. I'm sure it's not just grading, but --

MS. STARBUCK: No. The sitework actually includes the off-site work as well, the sitework line

item.

MR. SHINE: The improvements to the intersection?

MS. STARBUCK: Correct.

MR. SHINE: Does that include signaling or something?

MS. STARBUCK: They're going to do signaling, the sidewalks, the bicycle ramps, the lighting.

MR. SHINE: They're putting in post tension slabs --

MS. STARBUCK: Correct.

MR. SHINE: -- after they raise the site?

MS. STARBUCK: The seismic review has required the post tension slab design; correct.

MR. CAREY: Is that because of the expansive soil issues?

MS. STARBUCK: Correct.

MR. SHINE: Now my bathroom question.

MS. STARBUCK: Your bathroom question? Okay.

MR. CZUKER: You may be excused.

MR. SHINE: Question: In the townhomes where you have only two baths, is it one full bath up and one full bath down?

MS. STARBUCK: That is -- I believe that's the case.

MR. SHINE: Okay. That's fine.

MS. STARBUCK: It's a three-quarter bath downstairs to a one full bath, depending on the unit design.

MR. SHINE: So one full bath upstairs, and three quarters is like a shower?

MS. STARBUCK: Yes.

MR. SHINE: For four bedrooms?

MS. STARBUCK: Yes.

MR. SHINE: And all four bedrooms are upstairs?

MS. MURTISHAW: I'm sorry, the four-bedroom has two full baths. The three bedrooms have --

MS. STARBUCK: This is Susan Murtishaw in our architectural services division.

MR. SHINE: And all four bedrooms are on the upper floor?

MS. MURTISHAW: No. There's a full bath downstairs in the four-bedroom units.

MS. STARBUCK: Susan, you might come up and join us.

MR. WARREN: You need to identify yourself.

MS. MURTISHAW: I'm so glad I came. Susan Murtishaw with architectural services.

MR. SHINE: Where are the four bedrooms located in the building?

MS. MURTISHAW: The fourth bedroom is on the

ground floor. There's one bedroom on the ground floor.

MR. SHINE: There's three up and one down?

MS. MURTISHAW: Yes.

MR. SHINE: Okay. Thank you.

MS. MURTISHAW: And there's a complete bath on the ground floor with the one-bedroom.

CHAIRMAN COURSON: Mr. Czuker.

MR. CZUKER: Before I get to my questions, I have a clarification from the prior question. Does that mean the three bedrooms that are up are all serviced by one bathroom?

MS. MURTISHAW: Yes. There is a three-quarter bathroom downstairs, and it's accessible through a service core so that you don't have to pass through the living room or dining room to get to the bathroom downstairs.

MR. CZUKER: So three bedrooms share one bathroom upstairs and the forth bedroom downstairs would have easier access to the downstairs bathroom.

MS. MURTISHAW: I thought we were talking about the three-bedroom. The three-bedroom --

MR. CZUKER: No, Mr. Shine --

MS. MURTISHAW: The three-bedroom unit --

MR. SHINE: Let's -- let's --

MS. MURTISHAW: The three-bedroom unit has three

bedrooms --

CHAIRMAN COURSON: Okay, let me -- let's talk about a four-bedroom first --

MS. MURTISHAW: Okay.

CHAIRMAN COURSON: -- where the bedrooms are and where the bathrooms are.

MS. MURTISHAW: Okay. The four-bedroom unit has three bedrooms upstairs served by one bath, and I believe it has -- the one bathroom has two vanities, and there's a compartmentalized shower and toilet so for some separation for the three bedrooms upstairs. And then the one bedroom downstairs has its own bathroom -- or has a bathroom that's shared by the downstairs.

CHAIRMAN COURSON: Okay. And then the three-bedroom.

MS. MURTISHAW: The three-bedroom unit has one and three-quarter baths. One is upstairs, compartmentalized again as is the four-bedroom, and it is on the -- the three-quarter bathroom is downstairs through a stairwell that's accessible from the upstairs.

MS. WHITTALL-SCHERFEE: And that is very common in the Santa Rosa area. Burbank typically has constructed their three- and four-bedrooms using that configuration.

CHAIRMAN COURSON: Mr. Czuker.

MR. CZUKER: Thank you. I'd like a little additional clarification as it relates to the reserves in the cash flow. Specifically, if I understood you correctly, the replacement reserves are only being set for the first 20 years.

MS. STARBUCK: That is --

MR. CZUKER: After the 20 years, no replacement reserves yet, obviously the building continues to weather, and maintenance and repair and maintenance issues still remain, yet there's no reserves setting -- being set aside after year 20. That gives me some concern.

And, of course, I think the reason you did it was because you wanted those funds available for a different reserve, which was to deal with potential cash flow issues at the back end of the loan since the last five years have -- may need some cash flow support. Could you address the whole issue of maintenance and repair reserves as well as cash flow requirement reserves, which got a little bit confusing here with this project.

MS. WHITTALL-SCHERFEE: I'd like to address the replacement reserves. This project has deep affordability because of the MHP and the Joe Serna money. And frequently what we see is that in order to make our loan so that it works over time, we have more cash flow

available in the beginning, and we get to be very tight towards the end. So we sometimes take a look at how much a regular replacement reserve that we typically do, between 350 and 400, would be over the life of the loan. And if the project cash flow warrants it, we do a disproportionately larger amount up-front. But the idea is that over the life of the loan, you have the same amount of money available for replacement reserves, you've just collected it early on.

MR. CZUKER: Except that, you know, roof repair or replacement or building systems, HVAC, et cetera, that have useful lives that in some cases only last anywhere from ten to 30 years may require -- while you reserved it up-front, you're going to be expending it towards the back end, and so you're going to be in a period where the actual expenditures of maintenance and repair, larger ticket items, will only be coming up starting in year 20 through 30.

MS. WHITTALL-SCHERFEE: Yes. And we will have the cash on hand then to deal with that because we've collected it up-front.

MR. CZUKER: Are there also sweeps where cash flow is being taken by MHP or by any of these other subsidy loans which restrict your ability from setting aside cash flow?

MS. STARBUCK: No. There are no further sweeps.

CHAIRMAN COURSON: Other questions? I'm sorry, go ahead, Mr. Czuker.

MR. CZUKER: One last observation, which is again, here you have the city fees being fairly high, and you have a total cost per unit for a relatively cheap construction of two-story configuration and $275,000 per unit, which is a high cost per unit for the type of product that's being proposed. I know there's nothing you can do about it, but I think it's just something that we should be concerned and, you know, monitor.

MS. STARBUCK: Right. And 28,000 of those per unit is the off-site and on-site work that's required for development.

MR. CZUKER: And it's nice for the City to participate, but they're basically just financing some of their own fees. So if they wouldn't have the large fee to begin with, they wouldn't be making the same subsidy to reduce the large fee that they're charging the project.

MR. WARREN: Yes.

CHAIRMAN COURSON: Other questions or comments?

(No audible response.)

CHAIRMAN COURSON: Is there a motion?

MR. CAREY: Move approval.

CHAIRMAN COURSON: Mr. Carey moves approval. Is there a second?

MR. FRIEDMAN: (Raises hand.)

CHAIRMAN COURSON: Mr. Friedman seconds it. Any further discussion?

(No audible response.)

CHAIRMAN COURSON: Any comments or discussion from the public?

(No audible response.)

CHAIRMAN COURSON: Let's call the roll.

MS. OJIMA: Thank you.

Ms. Weir.

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Mr. Friedman.

MR. FRIEDMAN: Yes.

MS. OJIMA: Ms. Wilson.

MS. WILSON: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Yes.

MS. OJIMA: Resolution 05-21 has been approved.

CHAIRMAN COURSON: Okay. And our last project this morning is the Villa Montgomery Apartments in Redwood City.

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Item 4. Resolution 05-22 (Villa Montgomery)

MS. WHITTALL-SCHERFEE: This is a final commitment request for Villa Montgomery Apartments located in Redwood City. This is not currently at CDLAC. It is scheduled to go to the next CDLAC round for approval.

This is a 58-unit family housing project. It is high-density in-fill in Redwood City. They are requesting -- we are requesting a construction and a permanent loan on this project. The City currently owns the land, and it is transferring the land to the limited partnership before the close of construction. The construction loan is in the amount of $15,600,000.

And this has something that I wanted to take a little bit of time to discuss with you, and that is a -- I called it a second mortgage -- or we called it a second mortgage. It's truly not a second mortgage. It is an AHP replacement loan in the amount of $405,000.

When we created our construction loan program, one of the comments that we heard was that because we

cannot make AHP loans, we are not an AHP lender, but the fear was that the ability to obtain AHP loans would be lost using our construction financing. We created a program based on those concerns that basically would allow a kind of substitute money using agency funds. What we found over time was that very few projects actually needed -- people, other entities, were willing to finance AHP loans because they wanted to either issue letters of credit or they wanted some involvement with the project and they were willing to do it even though they weren't the construction lender.

When this project came to us, this was the first project that they didn't find an AHP lender or an entity willing to be the AHP lender, so they asked us to take advantage of our AHP substitute financing program. We don't -- we're not recommending the program on an ongoing basis as a set program because we figure -- we feel that there is a better use of our money for other things, but we are recommending it for this particular project.

So the $405,000 loan would be agency funds for 32 years, the two years during construction, because it is part of the construction sources, and then the 30-year loan, the 30-year term, while it's a permanent loan.

The construction financing from other sources that will come in is our financing and then the AHP.

There is also Redwood City loan and grant money, the money used to acquire the property, and then Redwood City loan money as well.

During the permanent period, there will be our permanent loan in the amount of $4,760,000, and then there will also be HCD's MHP money.

And with that, Ruth Vakili is going to take you through the project and the slides.

CHAIRMAN COURSON: Can I interrupt just one moment?

MS. WHITTALL-SCHERFEE: Yeah.

CHAIRMAN COURSON: I noted that at my place there was a new package.

MS. WHITTALL-SCHERFEE: Yes, I'm sorry. I meant to mention that. There were several things that didn't seem to get picked up properly on the financial part of the project. So we provided you with a complete set of new financials.

For instance, in your original sheet, the construction valuation section of the appraisal didn't show up. And on the sources and uses, the developer overhead and profit showed up in the total development cost and use of permanent funds, but not in the permanent column. And then when it came to the final cash flow, the debt service cash, that actual cash available after

debt service, fell off the page, so we wanted to include that.

CHAIRMAN COURSON: Okay. Thank you.

MS. WHITTALL-SCHERFEE: But that brings up one other thing I did want to mention, and that is our second -- what we called our second mortgage is actually going to be junior to the MHP loan because MHP has a requirement that a balloon payment loan cannot be senior to it. Our expectation on our AHP loan is that we will share in some part of the residual receipts. The write-up has the word, I believe, equitable or equal, but the actual percentage that we will expect to see has not yet been agreed to.

The expectation is there is a lot of cash flow, and we expect at least a partial repayment over time, but there is the possibility that there will be a balloon payment, and as such, we will be -- this particular part of the loan structure will be junior to MHP.

MS. VAKILI: Good morning. The project is a -- planned to be a high density project on .62 acres. The location is in Redwood City. You can see the site here. It is located along a very busy corridor of El Camino Real and Vera Drive in Redwood City, which is a quarter of a mile from downtown. This project --

MR. SHINE: Is that main street El Camino?

MS. VAKILI: The main street is El Camino.

MR. SHINE: Okay.

MS. VAKILI: You can see it a little bit better here. Access to the property will be on a side street, Vera Avenue.

You can see behind the project there is an additional site that is currently undeveloped. This will be developed by Habitat for Humanities. It will consist of eight for-sale townhomes. The project will be -- will start construction after our project is complete.

Across the street you can see another high density project that is completed. It's a market rate apartment project which is about 95-percent leased up.

And the property is centrally located to business, to retail shopping, and transportation. It's about a mile from Highway 101.

To the left you can see an existing building which is adjacent to our property. This is a building that will stay in place. It is a retail appliance center.

Here's an elevation of the site. There will be a total of five stories. There will be two stories of parking, one underground, one at grade. There will be four stories of residential over. It's a very attractive project that the design of which was a result of a lot of

community input and input by the City to come about a sort of design which would be beneficial to the City's entry to Redwood City. This is considered a cornerstone property. The City of Redwood City is very interested in having a highly attractive property, which the design shows it is.

There will be 58 units of residential consisting of studios, one-bedrooms, two-bedrooms, and three-bedrooms. At the ground floor there will be 1,158 square feet of retail. On the ground floor also will be the lobby, the office space, community room. And on the second level there will be the podium with landscaping, benches, barbecue area, and a play structure. There will be a total of 112 parking spaces, and there will be seven guest spaces. The retail parking will be located on the street along Vera Avenue and along the main street.

Here's a picture of the podium level consisting of the outdoor spaces. The building will have an elevator that serves all levels. This project is very high density on a very small site. There are some challenges to building this property. The site itself has a water level which fluctuates from five to 11 feet below grade -- I'm sorry, 14 feet below grade. The podium itself, the garage structure itself, will have to be built with a mat foundation which is thickened to

compensate for the buoyancy of the soil and below grade walls which are designed to retain the expansive soils. There will have to be an extensive amount of shoring for the below grade garage and also underpinning of the adjacent retail building. There will be, during construction, soil dewatering operations, and also during the life of the project there will be a dewatering operation involved. These things all have added to a project that is relatively expensive, especially in the on-site work.

Here you can see that the rent levels are at 20 to 50 percent. Over half of the units are below 70 percent of market. The rents range from 28 to 84 percent of market.

The estimated lease-up period is expected to be very rapid. There's very little competition in this area. Of the affordable housing projects that do exist, there's a hundred-percent occupancy and extensive waiting lists. Of these properties that are offered in the area that are affordable, none are at the deeply discounted rents that this property is, and none of them are as well located in an urban setting as this property. We expect the project to be leased up within less than two months.

With that, I'll entertain questions.

CHAIRMAN COURSON: Questions on the project?

Mr. Czuker.

MR. CZUKER: You know I can't resist. Can we turn to page 285, please. And we have a replacement page, but we also have it in the book, but let's work off the replacement page. First, it's concerning to me that you're having an appraisal at a 5% cap rate. It's probably not prudent for any lender to accept a 5% cap rate as an appraised value. Based on that, you have a construction loan of 90-percent loan to value, also fairly high. A permanent loan with all the subsidies, you're at 55 percent.

Help me understand page 287. Is there a mistake in that the 405 under sources of funds, CalHFA, 405 should be in both categories because you have a 32-year loan there. So wouldn't that be a source that should be funds in at permanent which would also include the 405 CalHFA?

MS. WHITTALL-SCHERFEE: Well, it comes in during construction and it stays in as a total development cost, and that's what we were reflecting. It's not new money that helps pay off our construction loan.

MR. CZUKER: When we look at total sources for the project --

MS. WHITTALL-SCHERFEE: It's there.

MR. CZUKER: It's there. So shouldn't it be

listed in both columns as a source at permanent? Even though it's not new money, it's the same loan, but it should be reflected as funds in at the permanent stage.

MS. WHITTALL-SCHERFEE: What you're saying makes sense. The way we've set up the form, we just show it once when we actually fund it, and it's just showing there.

MR. CZUKER: Because if you look at the total project then, it's misleading as a total without showing the total sources that are in at the project during the permanent.

MS. WHITTALL-SCHERFEE: If you look at the third column, the one that's called "Total Development Sources" that's just to the right --

MR. CZUKER: Yes.

MS. WHITTALL-SCHERFEE: -- of that, "Funds in at Perm," that's where you see that it has stayed in and it is part of the total sources that remain in the project during the permanent loan period.

MR. CZUKER: And if you look down in that same column you're referring to "Sources Per Unit," you're at $400,573 per unit?

MS. WHITTALL-SCHERFEE: Yes.

MR. CZUKER: That's an exceptionally high cost per unit. We've been doing so well all along until this

project, where we got to $400,000 per unit for affordable housing and a 5% cap.

MR. WARREN: Staff does not take any responsibility for that cost. No, I think as Ruth has indicated, it is high. And I mean, Ruth's tried to explain that because of the five-story nature of the project, the underground parking, it is high. But I think even with that, I think you're right, Mr. Czuker, it's a very large number.

MR. CZUKER: I mean condominiums have -- rarely have that type of cost basis, and here we're talking about a cost basis for affordable housing with subsidies and public resources that could have been stretched for far more housing than that based on the cost per unit.

MR. WARREN: We don't -- we don't disagree. I think as you've pointed out and the Board has pointed out earlier, I think that as a lender we look at these from both standpoints. You know, what is the best way, what are the best numbers to pay for the project? Is it adequate?

But, you know, since we're not an allocating agency, it's hard for us to impose discipline on the market. I think that -- I don't know if Ms. Weir wants to comment -- they have put some guidelines out recently as to how they're going to mitigate some of these issues,

but I think much of that in the future is going to fall to organizations like CDLAC and TCAC and to a degree I think HCD do allocate scarce resources and probably have the greater ability to control those costs or at least demand justification for the out-sources that are sent out.

MR. CZUKER: And what you're saying is that because in the permanent loan phase CalHFA's loan is being reduced to 55 percent of the appraisal, but that's only based on all the subsidies that are coming in from tax credits and from MHP and the Redwood City loans and grants, that this would not otherwise be an economic or a penciled-in project except for the large contributions that are being asked for from all participants?

MR. WARREN: Which are being required for two reasons, number one, the costs, which are admittedly high, and, two the affordability that the project is buying. You've got some units here that are 20 percent of median income. The combination of those two factors, you know, very much limits the size of our permanent loans.

MR. CZUKER: And if you noticed, all your appraisals up till now were in the 6 to 7% cap rate range. Here you have a 5%. Obviously it distorts the value perception too to help make our ratio and loan look like

a more acceptable range.

MS. WEIR: I would agree, but I think even with a 6% cap or even 7% cap in this particular situation the LTV would be within acceptable limits.

MR. CZUKER: And you still have the high cost per unit, which still demands resources. And is that a good use of public resources?

MR. WARREN: I think that's something we could debate at great length, but, as I said, it's difficult for us in the process of underwriting the loan and trying to finance the development of it, other than to see how the money is being judiciously spent. It's a much more overarching discussion.

CHAIRMAN COURSON: Ms. Weir.

MS. WEIR: This is a big issue from our perspective, and I've also been working closely with MHP staff. And I know that MHP is looking very carefully at costs, as well as we are.

I think from the -- from a global perspective, this is a credibility issue for all of us that believe that we are housers. And as we go out in California with a campaign that's coming up for a permanent source for affordable housing, when -- and as we beat the bushes for financing for that permanent source campaign and as we go to constituents, other groups that are not affordable

housing groups, and we ask them for support for the campaign that's going to be going forward, when projects that are $400,000 per unit come to light, and I believe that ultimately they will, we're going to have a credibility problem.

On a more micro level, I think Mr. Czuker's comments are really well-taken. Is this the highest and best use of public subsidy? I cannot say that my subsidy of the tax exempt bond source is scarce, but we can say that the MHP source is scarce, dwindling, and will be gone in 2007, so a real critical issue from our standpoint.

The cost guidelines that I'm looking at that have not been approved at CDLAC committee level yet, this probably would not fly. We appreciate the issues. We appreciate the necessity of community involvement and City involvement in the design process, but one of the things that we see consistently with high cost projects are city requirements that add costs to the project. These are design requirements. These are requirements to make a project look, maybe like single family, although in this instance it's not obviously looking like single family, but in many cases there's a drive to have lower density and make it look like single family housing when, in fact, it's not, it's multifamily housing.

So I think there needs to be responsibility at the local level and also at the state level. And while I appreciate Linn's comments, that it's not CalHFA's business, I think because we are housers and we are active members in the affordable community, it needs to be all of our responsibility to look at this.

The guidelines that I'm looking at putting forward would be by geographic region, by type of construction. It's bound to be controversial. But I do believe that we are going to have a hard time making our case for a permanent source when we bring projects forward that have this kind of cost associated with them.

CHAIRMAN COURSON: Thank you.

Mr. Shine was next and Ms. Parker.

MR. SHINE: In contravention to most of the comments that I've been making over the last few years, and in response to your comments, I have to say that coming up with guidelines is important because when you can take a 27,000 square foot piece of property and put 58 units on it on land that has technical engineering problems, the question is do we want -- philosophically do we want to bother dealing with people who can't afford homes in those kind of areas or do we want to divide up, take the 125-to-175-thousand-dollar-per-unit projects in the hinterlands and only do our things there where the

land can be dealt with and more importantly in most cases the unusual requirements necessary to firm up a building's foundation because of toxics or because of expansive soil or because of other things that have occurred.

In this case, the project spent a million dollars, ($17,000 a unit), on an architect, and I take it that includes a structural engineer and some other people as well just to figure out how to do it in the first place. So is $211 a square foot too much for building a highrise subterranean garage reinforced concrete foundation building but in the middle of Redwood City, which is a pretty nice place to live? Or do we say forget Redwood City and we'll go way out where we can do it for a hundred or 200,000 less, but who's going to then service the people that need to be in that area?

Your comment about municipalities is very valid. We voted on a project in Berkeley that cost, I want to say, millions -- I don't know -- I don't remember exactly -- lots of money, so that the facade would be acceptable to the people who live next door, down two doors. I mean, there is that, but I don't know how we can, here at this table, deal with the community outcry that goes on politically in each community, other than saying we're going to commit to fulfilling the housing

needs of these constituencies in these areas, knowing that some are very high cost and some are more reasonable and appropriate.

So I shudder when I look at this project at $400,000, but then I look at the location and the construction and what they had to do, and I say, well, if that's what you want, that's what you got to pay.

MR. WARREN: I'd like to just make one comment, perhaps take somewhat of a small exception to Ms. Weir's comment. The Agency has traditionally put itself in a position where it can impact projects the most, that is design, affordability, deepening affordability, asset management, and taking care of tenants in the long term.

A place that we've had very limited ability to impact housing has been cost, and we acknowledge that as a lender, because we are both. So I would say quite frankly our job in the overall housing community is to pick our fights where we can impact the roll the most. And I think it's very important to remember that.

I think Mr. Shine is correct in that one of the sad truths of what we have is that in-fill is going to be the wave of the future for 40 to 50 percent of in-fill development. These are costs that have to be dealt with. And the entities that have to start coming to reality, as Ms. Weir correctly points out, are the localities, who I

think drive up the costs much more than market rate forces, and I think that's where the real crime is.

And Laura and I have talked about this a lot. How do you as a state agency go to a locality and say, "You know what, as an allocater, we think this is a problem."

And they say, "That's nice. We're still going to do it."

So I think we're stuck with a conundrum here, and I think that our goal, at least from staff's standpoint, is to make prudent lending decisions, challenge costs. I think we do that on a regular basis. But more importantly, when we have the ability to impact other areas of housing, that's where we take our best shot. And we'll just have to see how it goes.

MS. WEIR: John, if I may?

CHAIRMAN COURSON: Ms. Weir. Well, Ms. Parker is next. Then we'll go to Ms. Weir, then Mr. Czuker.

MS. PARKER: I guess my comment was going to be that I think we need to be careful about how much we lecture government in totality because I don't think that the State can essentially just point fingers. Let's all remind ourselves that the State has made a policy decision to charge prevailing wage, which we've all acknowledged how much that has had an increase in these

projects. That has been a conscious decision on the State's part to increase those costs for quote, unquote affordable housing.

Local government is doing their own variations. But the bottom line is that these are policy decisions that have been made by levels of government, and we're trying to figure out within all that how we can create some affordable housing.

So I -- Laurie, your comment about credibility, I had a conversation with a Bee reporter the other day who was doing some follow-up on how the bond funds are being utilized, and it doesn't take rocket science to realize that as costs have gone up, some of which have been self-imposed by government, the bonds are merely being used to essentially offset what we have imposed on increased costs. So we will have that problem, but it won't just be local governments. It will be all of us collectively. So I just think we need to, you know, be mindful and not necessarily just point fingers, because we've done it to ourselves too.

CHAIRMAN COURSON: Ms. Weir.

MS. WEIR: Just a quick comment. When I started looking at this cost issue, Mr. Shine, I really thought it would break down in terms of high cost and not so high cost areas and land values. And I really thought that

there might be some way to structure some kind of guideline. And interestingly enough, what we found and even at our last Board meeting here at CalHFA, we were looking at several projects that were not in urban areas and that were not in high cost areas that ended up having very high costs.

And what, in fact, I'm seeing as I'm looking at these deals is it may be in addition to the issues of localities -- and Terri's comments are well-taken in that we certainly are at the state level dealing with increased costs, layering on of increased costs, but there may need to be a greater discussion in the really pre-predevelopment phases of a project of site selection, and this may -- in fact, in some long distance need to fund some predevelopment activities in order to do soil studies, in order to really find out what is it really going to cost. Is this a good site to put affordable housing on? Are there going to be site issues that are going to drive up the cost to the point where we're going to be putting scarce public funds into a site that maybe is not the best site? There may need to be a different approach from the developer's perspective of where do we locate, how do we decide that this is a really cost-efficient place to put affordable housing.

And that's something that -- I mean, I understand

from the developer's perspective they're looking at whatever they can find, whatever the cities want. You know, the City says, here, we want something here, and they say, okay, we'll do it. And being the great developers that they are, they go ahead and they charge forth. That's really been their mandate. But at some point maybe there will be a need to look at some feasibility issues up-front before they are down the road with a full set of architectural drawings and full predevelopment and then realize, whoa, my goodness, it's a $400,000 per unit project.

MR. WARREN: Or come to us and ask for money.

CHAIRMAN COURSON: I've got Mr. Czuker, Mr. Carey, and then Mr. Shine.

MR. CZUKER: I have a few different comments. First, while I agree with some of what Mr. Shine had to say, I wanted to add and clarify a couple of points, first, that this is not a highrise, this is a midrise, and highrise costs are different than midrise costs. And to the extent that we are doing high cost areas, that's fine, but sometimes the cities have to recognize that to facilitate affordable housing in inner city or high cost areas, that there's going to be greater challenges and greater contributions or concessions that are required from local government. That's one. I'm not here to

preach. That's not my business, and it's certainly not within my scope or duties.

I would like to share with you also that, you know, the real culprits to higher cost, perhaps, are something that we need to dissect. For example, one could be location and land cost. One could be the attributable land selection in terms of mitigation, whether it's toxics or soil condition, which you've mentioned. The other is what are true hard costs? What are true construction costs?

What's come up in the last few years because of prevailing wage, which added to a degree of cost and hard cost, and what's come up because of the public subsidies that are coming from multiple areas is that profit margins at each level of the game, if you will, are not really being addressed. So that there could be hard cost for equivalent projects in that local municipality. For example, you know, downtown San Francisco may have specific hard costs from similar style projects, yet the project that's being presented to us may be 20 percent more. Why? Because they know that the people reviewing the project are not going to assess the additional profit margin -- not true hard cost, which was already high to begin with, but profit margins that were already padded on top of what may be average cost in an area.

So perhaps there needs to be empirical data that can assess submarkets that can say the average cost for building this style of construction, whether it's two story, four story, six story, midrise, et cetera, or lowrise, in a specific area, there are statistics that are available out there through the Building Industry Association, through comparative project analysis, through the lending community, where it is possible to say that it should cost within a specific band range a certain degree of construction costs in this area, which, granted, will be higher costs in some areas and lower costs in other areas.

But what's being added to the local subsidy picture are profits; whether it's contractor profits, developer profits, sponsor profits, that are being tacked on to locational issues, land cost issues, and construction cost issues.

And to answer Mr. Warren's comment that it's not our policy to look into some of these, in some cases maybe our policy should be, you know, similar to drugs: Just say no. You know, if you say no to something where the high cost exceeds a reasonably tolerable range, then we will not be teaching the market, but one lender will be standing up to say this is an unacceptable range to the extent that there are limited resources where

affordable housing projects can get financed and where there is a sophistication of integrating MHP loans and city subsidies and other forms of public funds. You know, one of the premier stops is CalHFA.

And by setting a policy and making it known, it does have a ripple effect. And just like Freddie Mac or Fannie Mae may say, hey, that's a great idea with some of the programs we're coming out as it relates to single family, equally some of the same public agencies and private companies and banks will say, you know what, if they're setting that policy, we need to look at that too. And that's something we need to take note of, and it will have an impact.

But if no one stands up for it and we all sort of turn a blind eye, then of course costs will continue to rise and more and more projects will come in with -- demanding the scarce resources at these higher levels and we'll be seeing more projects in the 400 per unit range as opposed to pushing back against those tendencies, which will eventually bring forward those in lower cost areas.

And initially it's harder in inner cities, but it still works. I mean, there are projects that are working in L.A. city, for example, in high cost areas where they don't -- they still have high land attributable issues,

but they're figuring out a way to make it work.

And you know, it's just a question of public policy. It's also a question of where does CalHFA want to stand up and take a position and not make it easy for this path or this practice to continue.

CHAIRMAN COURSON: Mr. Carey.

MR. CAREY: It's certainly food for thought. I'd just say that I think it's hard for us to assess the full picture for any project in a short review of a project here. This is particularly astounding if you look at the per square foot costs for the construction, and yet often we're driven as developers to the worst piece of land and maybe the only piece of land.

The credibility issue I think is very important, back to the cost. It will come back to bite us. At the same time, credibility is also based on the acceptability of affordable housing in the communities. And sometimes that's what drives the local government's decisions, is to push the project to be more acceptable, which will ultimately help us in passing the bond. I think we've got to decide what our role is and then go from there.

MR. CZUKER: And that may dovetail into our five-year plan discussions later as far as policy decisions.

CHAIRMAN COURSON: It certainly can.

Mr. Shine.

MR. SHINE: I agree. We -- sitting -- we can philosophize on one level, and then we can talk about what we can actually do here sitting at this table. The State of California has a wonderful document called "The Housing Element." And every community is supposed to follow that housing element and provide the necessary components for housing everybody. I don't know how many of them do, but I bet you not the majority of them. And I know the state rules have been toughened up, but we can't do anything about that sitting here at the table except maybe to talk to other people that are in different arenas about it.

And at the bottom line, your comment about land and the builders and the City saying, "I want to have you build a project on this piece of land," the developer doing it, well, of course. But by the same token, from the developer's point of view, the developer has to look at the market and its need and what is available, what are you going to actually buy. There may be 20 pieces of land in a redevelopment area or someplace that are great, except nobody wants to sell them unless you pay whatever it is or for some other reason.

So I -- I don't know the answer, but I know that cities -- you can't tell a city what you do. The City

can do anything they want, more or less. And the hardest job is to see how "The Housing Element", or something like it, be used to push this along a little. But it's a tough one. It's a tough one, very tough.

CHAIRMAN COURSON: Mr. Friedman.

MR. FRIEDMAN: Well, I firmly agree with everybody.

MR. SHINE: You're elected.

MR. FRIEDMAN: But not speaking for my department -- and I will vote for this project. My department obviously supported it -- but I'm really concerned about the credibility issue as well.

MHP's been a great program. It was a billion dollars, and we're going to run out of money. It's a fabulous program. But for the average taxpayer, when it goes in front of them and the average cost of the unit for a low income person is worth more than their own home is, that's asking a lot. And at some point maybe we do just have to say no, because I just don't know that it's a fair thing to ask the average person to do, if they're going to find out that what I'm paying -- committing for 30 years' worth of state debt is to pay for low income units at $400,000 a unit.

I just, you know, it does raise the question are we going to build affordable housing in high cost areas?

I mean, that's a really good question. Maybe there's more the City could have contributed to keep the costs of this project down. Maybe they would have added fewer design features, maybe they would have donated the land, who knows what. But as long as we still make it possible to get the funding you need to build these projects in high cost areas regardless of the cost, there is no motivation to drive those costs down locally.

So again, that's just my personal thoughts, not speaking for HCD, but I share the credible -- I -- at some point, you know, the credibility argument is really important if we expect the public to support this continuing effort. They've been very generous.

MS. WEIR: Yes, they have.

CHAIRMAN COURSON: Thank you.

Is there a motion?

MR. CZUKER: Now it's your turn.

MR. FRIEDMAN: I'll move it.

CHAIRMAN COURSON: We have a motion?

MR. FRIEDMAN: Yes.

CHAIRMAN COURSON: Is there a second?

MR. SHINE: I'll second.

CHAIRMAN COURSON: Okay. Mr. Shine seconds.

Mr. Czuker.

MR. CZUKER: I just want to add that I agree with

everything Mr. Friedman just said.

MR. SHINE: You're just an agreeable guy.

MR. CZUKER: But I wanted to share something that we've been discussing at this end of the table, which is that if the hard cost of this project is $250 a foot, approximately, there are many single family homes or condominiums that are being built at that or below cost. And so a for-sale project -- if a for-sale product is at or below that cost level, isn't that something we should take note of? I mean, I'm trying to highlight that.

And I agree with everything you've said too, so thank you for your comments.

CHAIRMAN COURSON: We have a motion and a second to approve the project. Is there further discussion?

(No audible response.)

CHAIRMAN COURSON: Any discussion from the public?

(No audible response.)

CHAIRMAN COURSON: Call the roll.

MS. OJIMA: Thank you.

Ms. Weir.

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: No.

MS. OJIMA: Mr. Friedman.

MR. FRIEDMAN: Yes.

MS. OJIMA: Ms. Wilson.

MS. WILSON: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Yes.

MS. OJIMA: Resolution 05-22 has been approved.

CHAIRMAN COURSON: Thank you. And an excellent discussion, which, as Mr. Czuker said, we can certainly revisit as we talk about the five-year plan. That's, I think, the meeting. Those kind of discussions are really vital to our part of the role of affordable housing, so I appreciate the discussion.

We are going to take a ten-minute break, and we'll be back at 11:00 o'clock.

(Recess taken.)

CHAIRMAN COURSON: Okay. We have done well this morning, had good discussions, appropriately discussed the projects, and so we are going to try to work straight through so everybody can accommodate earlier flights that they now are locked into. And so we're going to move on to our plan and planning. And I'll turn it over to

Terri.

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Item 5. Resolution 05-23 (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.)

MS. PARKER: Thank you, Mr. Chairman.

As usual, the staff of the Agency are looking forward to presenting to the Board of Directors our five-year business plan that we bring to you every May, which is essentially our statement to the affordable housing community about available resources for affordable housing, whether it be homeownership or rental, for a five-year period so that there is some sense among the industry of predictability of what would be available for many of them to, as we've talked earlier today, pursue very difficult to pencil out projects and for home buyers to essentially get themselves financially in order to be available to move into a homeowner from a renter.

We have spent quite a bit of time in doing this. As we mentioned at our board education about a month ago and at previous board meetings, we've hired a consultant, Dick Slater, to come in and work with us on the Agency's cash flows and its trust fund risk association analysis

for us to be in a better position going forward to plan for our resources. We had hoped to be able to do that presentation for you today, the second phase of it. However, some of the -- they ended up having some modeling problems last week, and we don't have the data to be available to do that to you -- for you today. We will plan to bring that information to you at the July meeting.

So I think what we would say to you today, this is our best sense of -- given where our resources are and risks, of a plan. We would see this almost a little bit from the standpoint of a placeholder, because once we get the additional information that we have, we will be able to use that for perhaps some modifications of the five-year plan when we come back either, if there's a desire to, as early as our midyear update or certainly when we present the plan to you a year from now.

Last comment, we have been particularly conscious of trying to look at the uses for our housing assistance trust funds since they are a scarce resource also and one that could be partnered and leveraged and in that sense try to bring about the highest and best public purpose of those funds.

So with that, we'll start off, as we normally do, with our homeownership folks, Ken Williams and Gerry

Smart.

And if -- Ken and Gerry, if you will go through what the staff has proposed for a business plan of homeownership.

And as part of that discussion, it will include discussions of our -- Nancy will follow along with mortgage insurance.

MR. SMART: Good morning, Mr. Chairman, Ms. Parker, Members of the Board. I'm going to address my remarks first to our accomplishments for this fiscal year and then Mr. Williams will talk about the five-year business plan for homeownership.

Our most significant and most recent accomplishment this year was the introduction of the Interest Only Plus program. That's a 35-year fixed-rate term mortgage where the first five years is interest only. That was designed to provide additional affordability to our first-time homebuyers. It provides financing up to a hundred percent of the home's value.

This program started off, I think, it was March 22nd. We had seven kickoff events throughout the state, which were extremely well-received. We had over a thousand lenders, brokers, real estate agents, attending those events, and it's been fantastic. In fact, the production loan reservations for the first six weeks have

now totaled over 60 million, which we are quite pleased with. And we have at least 23 different lenders participating throughout the state. I think we have 38 of the 58 counties represented in those reservations as well, so we're quite pleased with the introduction of that program.

We've also continued our expansion of outreach efforts with more than 200 outreach efforts throughout the state, attending trade shows, homebuyer fairs, conferences. We're panel speakers at a variety of conferences and trade association events and so forth, and we'll continue those efforts through the coming fiscal year.

We've also streamlined our process to reduce turn times on our loan processing. We're working to set up a contract, provided the Board approves the budget. We have funds in there to -- for one, to contract with B&P to put our documents on that system so our lenders can access it.

We've expanded our efforts with Affordable Housing Partnership, AHPP. We now have over 248 local programs, entities, involved. So far this year to date I think we've purchased over a hundred million or close to a hundred million dollars in first mortgages where the localities have provided nearly 30 million in down

payment assistance.

Of course, we're continuing our expansion of emerging markets with over 65 percent of our loans to minorities and as well as targeting low income homebuyers, over 50 percent of our production addressed there.

First mortgage production --

MS. WEIR: Can we ask questions as we go or should we wait?

CHAIRMAN COURSON: Yeah, I think the best thing to do is just ask questions as we're going along.

MS. WEIR: In your low income, is that 80 percent AMI or --

MR. SMART: It is based on 80 percent of the CDLAC definition of low income.

MS. WEIR: So that's fantastic. That number of loans that you're doing to low income families is well in excess of the CDLAC goal, and it's really hard to do, and you're to be commended.

MR. SMART: Thank you. Thank you, Ms. Weir.

Our first mortgage production for the last five years has been growing. You can see that we have been able to achieve at least a billion dollars worth of production each year, and we project that we'll reach $1.25 billion this coming fiscal year or at the end of

this fiscal year, which is also our plan goal.

What's going to be the significant challenge for us is how do we grow the number of loans we're doing? We're meeting our dollar goals, obviously, but with, you know, rising price appreciation, as we have seen in California, where the median price in California is now $495,000-plus, it's getting exceedingly more difficult for us to do that, especially with low income, first time homebuyers as our target.

We -- of course we're addressing that with our Interest Only Plus, increasing loan to values on our first mortgage product, the introduction of our homeowners -- HomeOpeners mortgage protection plan, which Nancy, I'm sure, will address in a moment. But those are some of the avenues that we have taken, and we'll continue to look at new loan products going forward to continue to drive up the level of loans that we're actually doing as well as meeting our dollar goals.

Our special program is mostly down payment assistance. You can see that it's been going along quite nicely. Each year, a progressive increase in our star programs, which I would call CHDAP, which is the California Home Buyers Down Payment Assistance Program, and HICAP program. We should very well achieve the goals this year if not exceed them through this fiscal year.

In fact, the programs that were funded through the Prop 46 program, we're well on our way to achieving those requirements. In fact, the CHDAP program had just under $112 million set aside. That's down payment assistance for first-time homebuyers. We're nearly halfway there with our -- what we've already disbursed to date as well as what's in the pipeline.

The Extra Credit Teacher program, that's a more targeted program for credentialed teachers. It's an incentive to move credentialed teachers into low performing schools and thereby improve the education to our children. That one is moving along. Although it's targeted and it's a limited market, we are pleased with our production. Our goal was 500 loans per year. We have over 300 now, and we have about a hundred in the pipeline. So we may not quite get to the 500 goal, but we're pleased with production so far to date.

The SFF is our School Facility Fees Down Payment Assistance Program. It's a new construction conditional grant program, basically a reimbursement to homebuyers for the school facility fees paid by the home builder. It's used for down payment assistance. That -- it's more and more difficult to -- for first time home buyers to purchase new homes because of the price, but -- that one's moving along slowly, but it is coming along

satisfactorily.

The HIRAP program, that one started off quite slow. In fact, there was hardly any production for the first half of this year until recent legislative changes that were made to increase the loan size from 3 to 6 percent. This is a program that targets first time homebuyers purchasing in redevelopment or revitalization areas that are designated by nonprofits that are federally funded. And with that increase, we've seen a significant turnaround in that program, nearly $2 million in down payment assistance going out.

And of course the mortgage insurance, this is, I understand, to be capital reserves basically for the insurance, and Nancy will address that in her remarks.

Ken.

MR. WILLIAMS: These are the objectives and strategies for the five years going forward. We will continue to provide the long-term fixed-rate and the interest-only first mortgages with the below market interest rates. As Terri had indicated and Gerry had indicated also, we will be reducing our dependency on the HAT funds, but we'll still be supporting low income homeownership. And that will be accomplished in large part through the layering of down payment assistance. And also we have the lower interest rates for low income.

We'll be providing -- continuing to provide the down payment assistance for the teachers and the lower interest rate on the first mortgage. And of course we'll be continuing the new Interest Only Plus loan product, which is really accelerating pretty well right now, almost weekly.

The last item is we had one of the first loan reservation systems where lenders could connect into our computer. I think we were the second in the nation to have it, but now after a few years, it's really outdated. So we had -- marketing conducted some focus groups, and there were some other focus groups. We had comments on our lender access system or the loan reservation system. And in this coming year we're going to start the process, really our IT department will be heading that up, to replace that system into a more modern system that works better for the lenders.

We'll continue to provide the training and outreach, technical assistance. We're going to step up the lender training. We're going to increase the amount of training sessions we're going to be able to do. Marketing and Homeownership are working on web-based training also, so that the lenders will be able to go on to our website, and they'll be able to access a Power Point presentation with a voice-over by the trainer.

It will be broken up into modules so that if the lender just needs to know a certain thing, a certain part of our program, they can do that part. Or they can take their time. They have limited time, obviously processing all these loans, so when they have time, they might do one module and another time do another. So that would really augment our training program.

We continue to partner with the localities and nonprofits. As Gerry indicated, we're up to 248 localities in the AHPP program. And that program is strictly for low income. And it really -- it's amazing how it has expanded over the years with the only marketing we've probably done is to have it on the website and discuss it in our workshops, but the localities seem to really pick it up and use it.

We update the sales price limits twice a year. That's been very helpful to try to stay up with the increasing prices in California and then utilizing marketing media resources to generate awareness. I'll have to say our marketing department really did a job on these seven kickoff events and all the publicity about the IOP and HomeOpeners. We were just flooded with telephone calls, and our volume is showing the positive effect of that.

Just to make a couple of comments before I

quickly go over these numbers. We are in a transition period where the average loan amounts are continuing to go up. We're reducing our dependency on HAT funds, that would be CHAP and HICAP, but we feel the new IOP is going to pick up some of the gap there with affordability for borrowers in that case, and also the AHPP will continue to help us.

It's important that the plan continues the Agency's obligation to low and moderate income homebuyers, and it continues the Agency's commitment to serving homebuyers throughout the state, including high cost areas.

I was going to go over what all these acronyms mean, but I think Gerry pretty well covered them. If we start with first mortgage program at the top, in the last plan we were stepping up the goal each year, but here we're going straight across at $1.2 billion a year. Again, we're in a transition period. We want to see if we can meet this goal, exceed this goal, and then come back to you in the next plan, see where we're at, at that time. It's still a very ambitious goal. Even though our current goal is 1.25, this is right up there with that.

SHBAP, we continue -- or the Agency continues its commitment to the self-help developer community by putting up $2.5 million for the development loans to the

nonprofits. Those are development loans up to $500,000 per project.

CHAP, we've reduced that amount on FHA loans, so the next two years it will be $13.3 million, and then in the out years I think we'll just see what we're going to be able to do in that respect, see how the IOP is doing to help affordability. And same with HICAP. We'll have the goal next year of 32.4 and then 30.9 in the next year, again, seeing if we can reduce our dependency on the HAT funds.

And then you see the Prop 46 budgets or goals. The CHDAP funds go two years. That's because essentially we would use all of the funds in two years, but they will have repayments, and we can recycle, make new loans. HIRAP, again they're --

CHAIRMAN COURSON: And you can recycle on out past those seven, right? You can continue to recycle those funds --

MR. WILLIAMS: Yes.

CHAIRMAN COURSON: -- into the out years?

MR. WILLIAMS: Yes.

HIRAP, there's $6 million going forward this year, and we would use that in a two-year period, we estimate. Again, that money, those loans can be repaid and recycled. Extra Credit Teacher, we would use the

Prop 30 -- Prop 46 money in three years, we estimate. School Facilities, you can see, goes out for the full five years and then there would really still be some balance after that. We'll be trying to pick up the marketing and outreach on School Facilities, see if we can increase production there.

So you can see for the five-year total we would have a total homeownership program just over $6.2 billion.

MS. PARKER: I just want to make one -- this will be a comment. One, I don't want to correct staff, but since we have -- one of our Board members is particularly interested in our Self-Help Builders Program, I do want to point out that we have increased what had been $500,000 as a development --

MR. WILLIAMS: Thank you.

MS. PARKER: -- loan to $750,000 in our business plan --

MR. WILLIAMS: Thank you.

MS. PARKER: -- to essentially make that plan more viable.

I also would like to point out that we do have a record -- we had a record two days, the last two days of our business, I think because we're making some changes in our down payment assistance. But the Agency had an

almost $31 million day yesterday, 109 loans. And Laurie, I want to point out that seven were Extra Credit Teacher.

MS. WEIR: Fantastic. That's great news.

MR. WILLIAMS: I would say that a high day would be $10 million, so that's really something.

CHAIRMAN COURSON: I am struck when I looked at this and I guess I had the same sense last year, although it's probably more pronounced now, just looking across the top line, the big line at the top, the billion-two, and basically the patient has flat-lined. We're looking at the same goal out ten years.

And to me, if as we come up hopefully and continue to think about ways to meet first time homebuyers and affordability and our Interest Only Plus and some of those, it would be my sense to meet that mission and, as you look at the demographics coming into the state and so on, that that number would show some increase as opposed to really basically just being flatlined. I would hope our mission or my sense of our mission is the goal would be to get that number going up to meet those markets, which is going to be -- if you believe the demographics over the next five years, will be a growing market.

MR. WILLIAMS: Yeah. And that would be our hope and expectation also. But we're just in this transition

where prices have increased so much. We've just introduced IOP, and then reducing the CHAP and HICAP funds, so we're just being a little cautious there. But I will know in a few months how we're doing against the first year loan.

CHAIRMAN COURSON: Well, then we can look forward to a revised plan with bigger volumes.

MR. WILLIAMS: Okay.

CHAIRMAN COURSON: Thank you.

MS. WEIR: Mr. Chair.

CHAIRMAN COURSON: Laurie.

MS. WEIR: When I discussed this with the Treasurer, he is concerned and is trusting that CalHFA, along with the rest of the housing community, will continue to look for ways to find alternative funding sources to keep the Extra Credit down payment assistance going past '07/08. And I'm not sure if there's any transferrability in any of these numbers, if at the end of '07/08 there might be balances in other accounts, that if there are programs that are going forward like the Extra Credit program, perhaps there might be a way -- that's only a suggestion, but his concern is very much to keep down payment assistance funds available for the Extra Credit program.

CHAIRMAN COURSON: Well, that's a good question,

though. What is the ability to move funds where one of the -- if you go back to page -- a couple pages ago, a couple slides ago and it shows the balance as how much it was, how much we've used, and what is the ability to move funds among those programs if we have an excess in one and a need in another? Yeah, that's the slide.

MR. SMART: Basically, I think by law if the funds aren't used in the prescribed period of time, then they would revert to the CHDAP program, except for the Extra Credit Teacher. I think that is -- that $25 million, I think it was, stays in that program.

MS. PARKER: It's permissive on the part of the executive director about moving it back to the mother ship, as we call it. And I believe we have just about hit that day. And there's no intention on our part, as you can see, to propose to do that. And money that comes back from those payments will continue to revolve in that fund.

I would point out one part of the larger chart. We have -- and which is on the other one. We have -- go back to the Prop 46 one for a minute. The mortgage -- no. You just were at it. The Prop 46 one, Gerry.

As you can see under mortgage insurance, we've got that $71 million balance sitting there. Right now, we are proposing through legislation, AB 1512, to have

that be available in addition for construction lending on homeownership. But those dollars are also available, and priority for them is for down payment assistance. Those -- whatever amount of those dollars that go back, and they are scheduled really as of this month to be available, our business plan projection doesn't anticipate them being needed, and they're not really in that last -- that last chart.

But we don't anticipate, as you can see, by the CHDAP -- go to the last chart. I'm confusing you. That line that says CHDAP and it has 31.8 or 31, almost, the first two years, that doesn't anticipate that that $70 million or some part of that $70 million will be available to come in there. So I just want to alert you that there are some other dollars.

Laurie, it's -- I don't know about the ability to go the opposite direction, but certainly we aren't needing to do anything with moving Extra Credit Teacher dollars into CHDAP because we have, we believe, plenty of funding source there, and so that will allow us, in that sense, to look at Extra Credit Teacher more narrowly, fortunately, rather than looking at down payment assistance at the bigger picture.

CHAIRMAN COURSON: Okay. Any other questions?

(No audible response.)

CHAIRMAN COURSON: Gerry, Ken, thank you very much.

MS. PARKER: Nancy.

Just a little introduction to Nancy. As you can see, her representation doesn't just say mortgage insurance, it also says homeownership business development. And we have expanded her role, along with our homeownership staff, to really see if we can -- given the challenges we have in homeownership, to use whatever means and resources we can to do business planning. And it really is -- along with Ken and Gerry and Nancy's main responsibility for us to be developing some of those products to help us keep that mortgage goal at $1.2 billion or greater without impacting the overall housing trust fund of the Agency.

So with that, Nancy.

MS. ABREU: Okay. Thank you very much. First of all and what's not on the slide is just to inform the Board that we did receive within the last two weeks the reaffirmation of the rating of the insurance fund by -- S&P has reaffirmed the rating at A-plus, so we're pleased with that. This was probably one of the most thorough reviews that S&P has done on the fund in the three years I've been there, so we were pleased with the results. We can send you copies of it, if you care. I have

electronic copy, or you can get it on the S&P website.

With that, from a plan perspective '04/05, we are pleased to tell you that we're exceeding plan by about 64 percent. We originally went into this planning season with a plan to do $260 million of new insurance written, and we're projected to do about $427 million of new insurance written. And that increase is largely driven by a shift in the homeownership business.

If we look back to year 2003 for the homeownership business, about 85 percent of that business was FHA. We now see that through the first three months of the year, 48 percent is FFA. So though we've maintained our dollar volume for homeownership, we've seen a significant shift in business away from FHA that has allowed the mortgage insurance fund actually to capitalize on the new conventional business being purchased by the Agency and thus an increase in plan.

Right now, 94 percent of the business we insure is CalHFA, and we expect to see that continue. As I've reported to the Board several times, we don't really see any opportunities, at least in the immediate future, in originating new insurance on third-party business, those loans being sold to GSEs or private lenders. That has really been well capitalized and well saturated, I think, by the private MIs, and they're very aggressive and

continue to be out there.

So we're focusing internally, and, as Ms. Parker alluded to, working very closely with homeownership and marketing on new products, et cetera. One of the things we did do simultaneously with launching the Interest Only Plus was reduce the coverage of mortgage insurance required that the borrower pays from the previous 50 percent to 35 percent. And that has reduced the monthly payment or the premium about 14 basis points. So previously on a 97 to a hundred percent loan, our rate was 99 cents on the dollar, if you will. It's been rolled back to 85 cents. So that, you know, provides a little more borrowing capacity for the buyer.

As everyone has addressed already this morning, we were part, along with Homeownership and Marketing, in what we call a very successful launch of the Interest Only Plus. If you're curious of some of the articles or the media coverage that the Chairman alluded to, just log on to Google, do a CalHFA Interest Only Plus search, and you'll get more than ten pages of articles. And it's kind of fun to read about it in The Boston Globe and the Las Vegas papers, et cetera, talking about the product launched in California. So in your spare time you may want to do that.

Another part of the three-legged stool, if you

will, that was launched back on March 23rd was we introduced HomeOpeners, which is a mortgage protection program. If you recall, it's provided as part of our reinsurance treaty with Genworth, and it provides our borrowers with up to $2500 a month of benefit or payments towards their mortgage payment for five years if they're -- become unemployed during the first five years of the loan and it's deemed a qualified unemployment by EDD.

So in part of our focus groups, we found some resistance and reluctance to people to buy their first home because of the job uncertainty, and this, we felt, provided the safety net for the borrower to make that step into homeownership. And it's provided to us as part of our reinsurance treaty to Genworth. And it's no additional cost to the Agency and no additional cost to the borrower.

The last item is more on the processing side and the streamlining that Gerry alluded to where we will now accept the use of Desktop Underwriter and Loan Prospector, which are the automated decision engines of the GSEs on both the loan decision side and also on the mortgage insurance side.

Going forward, and these strategies really deal with what Ms. Parker alluded to as the homeownership

business development role, is really to work during this transition period, which I think was the word Ken used, as we reduce our reliance on our HAT funds and we have increased loan amounts, less and less FFA, to really help develop some new products. We'll be doing some focus groups to see if we really want to do an adjustable rate mortgage.

When we did our focus groups six, nine months ago, the lenders were telling us that they loved the Interest Only Plus, but there was a market that they felt was still compelled to an adjustable rate product because they -- they knew they were only going to be in the house for five to seven years and they wanted that program. So we're going to do some further research on that area.

We're going to be looking to expand partnerships with the private sectors. We recently launched the partnership with CitiMortgage that you probably recall where CitiMortgage approached us and said they had up to a hundred million dollars worth of down payment assistance they would like to put into play in the California market and how can they work with us. So they will now provide anywhere from 5 percent to 20 percent down payment assistance behind a CalHFA first. And depending on the borrower portfolio, it may be deferred for five years in payment or a lower interest rate, just

kind of dependent on the borrower's demographics. So we're going to be working more just kind of on the R and D, research and development, to see what else is out there that we can possibly tap.

We're going to be working, as the Chairman alluded to, with the private sectors, localities, and cities to see what we can do about helping to build affordable stock. We have met with Mayor O'Neill of Long Beach. They've identified one potential site that will entail three parcels that we've begun very early discussion about how we could play a role, other localities, the GSEs, private developers, et cetera.

We're going to be joint sponsoring a similar initiative in the East Bay with PMI Mortgage Insurance that will include inviting probably six to eight mayors from the East Bay, some nonprofit builders, for-profit builders, to see how we can all play a role in building some affordable stock in the East Bay. We're going to be going to San Francisco, meeting with Mayor Newsom, and also Oakland and Anaheim has been identified. So it's really taking a look at how CalHFA can play an active role in garnering the resources, harnessing all the people to help build some stock.

And the last item is just something that Ken mentioned working with IT and Homeownership and then the

mortgage insurance side to have an integrated technology platform for our lenders so when they register a loan, it can be seamless and go from that loan origination all the way through mortgage insurance.

Any questions?

CHAIRMAN COURSON: Questions of Nancy on the initiatives or the mortgage insurance?

MS. PARKER: Mr. Chairman, I'd make one note to the Board members. I think maybe as recently -- yeah, it was a year ago we were discussing what we should be doing with our mortgage insurance program, how viable was it, how necessary was it? I think it's interesting to have Nancy come back and look at the report that she made, along with our homeownership people, and all I can say is thank goodness we have it. So, you know, it's amazing what can happen, but the Agency continues to at least be well positioned to be flexible and nimble to deal in the marketplace.

MR. CZUKER: Mr. Chairman.

CHAIRMAN COURSON: Mr. Czuker.

MR. CZUKER: Thank you.

Can you perhaps give a little bit more detail, for example, when you met with the mayor in Long Beach, what types of issues were you discussing, what types of role for CalHFA to play there? Were you promoting other

programs like construction loans? Were you promoting specifically just the insurance and down payment assistance? So when you're saying you're meeting, for example, with the municipalities or the mayors, what types of things are a part of that conversation?

MS. ABREU: It's really --

MR. CZUKER: Because you could be cross-pollinating, is what I'm saying.

MS. ABREU: Right. Exactly. And Mr. Czuker, I don't think we have any model in mind for promoting any of our specific programs, per se. It was more facilitating a round-table discussion where we could identify all the necessary people or organizations, kind of in a vertical thought process, that would be needed to bring affordable stock together. How could we facilitate bringing the resources together, and then sitting in a room and saying what can each of our roles be. For example, the mayor may have identified three parcels that they need to bring together, one they have under their control, two they're going to need funding for. So one is is there a role for CalHFA to provide acquisition financing for that land or is it something that one of the GSEs could potentially play in, or is it something that Washington Mutual's or Wells Fargo's community development bank could play in?

So it's really assembling a group of resources and talking about, okay, here's the problem. The mayor has identified these parcels. Their goal is to build a hundred units. What can we all bring to the table to help make it be reality? And, you know, some of the benefits would be CalHFA could potentially do some of the end loans on our homeownership side. We could potentially do the mortgage insurance. But it was really focused on how to assemble this group of people to make something happen.

CHAIRMAN COURSON: I would say, Mr. Czuker, no one -- there seems to be a lack of a quarterback to coordinate some -- the myriad of resources around. And so I think our approach has been to identify -- and we need to pick two or three and see if this works, but identify, particularly in municipalities we talked about earlier, who understand what their role and contribution needs to be and can we be the catalyst along with them to assemble other resources, private and public, and produce a project or projects and create stock. And if we can, and we play part of a role but bring these other resources in, then we do one or two or three of these and we can take them elsewhere. But that's our goal.

MS. PARKER: Long Beach was a good opportunity because we have done quite a bit with the housing staff

in Long Beach. And the staff that actually sat in on the meeting with the mayor is very well aware of our HELP program. And we have done a number of deals doing the HELP program, so that was certainly part of the discussion of that kind of thought.

We also did use it as an opportunity, though, to talk with them about the legislation that we are proposing, 1512, using that mortgage insurance money for perhaps loan, construction lending, in-fill for the development on the homeownership side. So I think it was a matter of trying to connect that there's a number of ways and/or ask localities what are their specific needs now so that we can be taking that into consideration as we do a business plan development.

MR. CZUKER: So, for example, as a follow-up to that meeting, how was it left? What's the next step?

MS. ABREU: In that case in particular with the site, they were going to meet with the developer, and the developer is going to provide us their concepts of where their thinking is, what their plan is. And then we're to get back in the next 30 days and talk through what the roles are, if we think this is kind of the direction we want to be going and then put together a group.

CHAIRMAN COURSON: I think that our next role would be, if it makes sense, then to think through with

all of the contacts and resources that we're aware of, to bring other resources in and leverage off of ourselves to get other resources in to develop these parcels. Because everybody -- the GSEs have affordable housing goals, HUD has affordable program, the banks and private market have Community Reinvestment Act responsibilities, and they're getting -- they're getting scattered, and we're going to see if we can pull them back, sort of rifle-shot them in to layer them and make those dollars go further.

MS. ABREU: Okay?

MR. CZUKER: Thank you.

MS. ABREU: Thank you.

MS. PARKER: Linn. Multifamily.

MR. WARREN: I'd like to start off with accomplishments for the division for the year. We have had a very active year within multifamily, as the bullet points indicate. From a commitment standpoint, with today's approvals, we achieved $370 million of committed loans, that's both construction and permanent, $174 million in construction and $196 million in permanent loans. That's 2600 units for 29 projects. That is the largest commitment total in the history of the Agency.

The HELP program is in its seventh year. We now have $130 million of allocated funds in 92 localities which we've assisted in redevelopment, preservation and

creation of approximately 17,000 units.

MR. CZUKER: Is that based on the set-asides, the 20-percent set-asides from the city, the HELP program?

MR. WARREN: It's based on -- it's a wide range of programs, so it could be for the set-asides. It could be for, you know, very deep targeting. Some of it's moderate income. It's primarily very low. So I guess I'm not quite sure --

MR. CZUKER: What's the source of repayment for the HELP program?

MR. WARREN: It's a direct obligation from the City. These are ten-year loans.

MR. CZUKER: And are we getting an assignment of their 20-percent set-aside funds to meet --

MR. WARREN: No. No, I'm sorry.

MR. CZUKER: -- the taxable payment obligations?

MR. WARREN: No, we aren't. It's a general obligation from the City, and we're not taking a collateral assignment from the set-aside. But given the success to date of recycling of HELP money, that hasn't proved to be necessary. The money is coming back.

MR. CZUKER: And so it's their unsecured obligation is not tied to their tax -- city's tax revenues?

MR. WARREN: That's correct.

MR. CZUKER: Any defaults?

MR. WARREN: No. No. We've actually pulled some money back. We've been fairly stringent about utilization. So, for example, they have approximately six months in which to use the money and provide evidence. And there have been several cases over the years in which that hasn't happened and the money's been reclaimed. And some cities, quite honestly, have given the money back. They don't want the obligation because the project hasn't gone forward. That goes back into the pot and then gets recycled. So we're watching it really closely. But by and large, the money is being used as -- as awarded.

To complement the commitments -- I'm sorry.

MR. CZUKER: I'm sorry. What is the cap per city?

MR. WARREN: It is -- it's $2 million total in the prior rounds, and you cannot apply -- if you received a round this year, you have to wait basically a year or two years, depending upon the project, before you can apply again. But normally, even though it's $2 million per award, most of them are negotiated down to the million to million-two range to try to stretch the dollars out. But we have prevented localities or redevelopment agencies and city housing from coming back year after

year after year. They have to wait a while.

MR. CZUKER: So I just want to commend staff again. Because at $130 million at an average loan of a million dollars, that's a lot of loans.

MR. WARREN: Yeah, it's a fair --

MR. CZUKER: That's a lot of cities that are being tapped or helped by the HELP program, no pun intended. But it's a tremendous rollout, so congratulations.

MS. PARKER: We've been very fortunate. We've actually -- it was created initially to really reach out and partner with localities. They have loved this program, and the Agency has received national recognition on it.

MR. CZUKER: Tremendous job.

MS. PARKER: It has been a major success.

MR. CZUKER: So you have roughly 130 loans almost in 92 localities.

MR. WARREN: 92 localities. Actually more loans because some localities have been back more than once.

MR. CZUKER: Well, if you average roughly a million dollars, you have $130 million outstanding, that's a tremendous job.

MR. WARREN: That's about right.

MR. CZUKER: Congratulations.

MR. WARREN: The next bullet has to do with projects that we've been closing. With the increased commitment, and the graph will show this in a minute, this is another high-water mark for the Agency. We closed on 35 projects, and we often have multiple loans per project as today's projects indicated, representing $274 million, 2,720 units, again, 35 projects.

So if you combine just the pure lending activity between the commitment side and the closing side, on an annual basis -- although there is some overlap. We will commit in one year and often close in the same, but they are two separate processes. It's an enormous amount of work for any commercial lending shop. So we're very proud of the effort the staff, not only who you saw today, but others back home, have accomplished. It really has gone quite well.

The construction lending program I think has matured into one of the most established lending programs in the state for affordable housing with now 21 loans and projects in process for almost $250 million. As we had hoped and I think it has come to pass, the construction lending program has opened up broad new avenues in the special needs area. You saw three of them today. We now have 21 loans in process for $44 million, and much of that is construction lending.

We think that most affordable lenders today are willing to take risks in the area of affordable -- special needs type lending, but there is still some reluctance. And I think as other initiatives the Agency has had, we're trying to be very aggressive in this area, and I think our borrowers are appreciating that aggressiveness.

Just to give you a sense of the relationship between construction lending and the permanent, in 2000 through 2002, we had the loan-to-lender program, one of those you saw today. Those are not pure construction loans, but the relationship is with construction lenders. Anticipating that that is not a terribly profitable loan product for us is one of the reasons we pivoted it into the pure construction lending. You can see in 2003/2004 that it really has taken on a really significant component of our committed loans.

On the permanent loan side, it reflects exactly the same situation. The 2000 number, which is that very large bar, one reason that it's disproportionately large is that it contains the El Rancho Verde close, which some of the Board members may recall, which is a $75-million loan.

But I think what's important to note from a competitive standpoint, that several years ago there was

a clear distinction between construction lenders and permanent lenders. We felt that this was going to change to the, quote, one stop shop, in which someone would loan in both permanent construction and in many cases bridge and mezzanine financing. We saw this trend coming, which was another reason we went into construction lending. As you can see here, the construction loan program has essentially allowed us to maintain and actually increase our market share of the permanent loans. And we feel those are the demands that have been placed on all affordable housing lenders in California, and we're trying to keep current with that trend.

MR. CZUKER: Excuse me. I just wanted to add that the introduction and acceleration of the special needs financing, which is so complicated, so sorely needed, and so difficult to finance, the construction loan program has really been a tremendous resource. And just as the three projects we saw today, it's really a tremendous public benefit that CalHFA is providing. So my compliments to staff in working through creative solutions to facilitate all sorts of special need housing requirements throughout the state of California. That's no small feat, and there's really nowhere else to go. So it's really a vacuum, a great, great, sorely needed social need out there in the state of California. And

this is really the premier location to develop solutions for very, very special projects. Again, my compliments to the staff.

MR. WARREN: We have found, Mr. Czuker, that actually being the construction lender and being involved at the inception of the project actually makes involvement easier versus waiting toward the end. We think that actually was a by-product we didn't anticipate, and it's actually helped a lot.

MR. CZUKER: And also the ability to be taken out of the loan product earlier. So, for example, some of the projects we saw today where we were in at the construction loan, we were providing a bridge financing for three or four years, we're being taken out by tax credits or other subsidies that only have the ability to be funded at a later stage once the project is in operations or provide social benefits. Tremendous public purpose that's being accomplished here, so thank you.

MR. WARREN: Thank you.

For the coming year, we have a number of new initiatives. In the area of new construction, our primary loan product will continue to be the tax exempt financing coupled with 4-percent credits. We also believe that with the coming year we are uncertain, I think as many are, as to what is the source of permanent

funds for affordable housing.

We've elected to get into or back into after many years 9-percent tax credit projects. We think it's important that we develop a series of loan products that we can offer to our borrowers. This is also going to become evident as we begin to do supporting housing programs that utilize 9-percent projects. So throughout the summer we'll be developing some taxable loan products after our tax exempt products to try to leverage the public benefit by doing that.

We are going to introduce -- we have introduced some new loan products on the tax exempt bond side. These really have two primary components, and that is a variable rate component and it goes into prepay after the tax credit period. On the variable rate side, we've introduced a product which will float for two years during the construction rate, be forward fixed for 15 years, and after year 17, the loan product would then have the ability to float once again. This is a variation of basically a Freddie Mac product.

During the 15-year period, monies will be escrowed to buy an interest rate cap, which will become in place after year 17, which will be 200 basis points over the fixed rate of the 15-year period. The reason for us doing this is as these projects come off of the

tax credit period, we believe there's going to be a need for flexibility in refinancing. Having a flexible product with an interest rate ceiling on it, we think gives our borrowers a lot of flexibility if they choose to make changes for refinancing or other loans for that period of time.

We'll continue to offer our 30-year product. That's not going anyplace, but this is an additional product which we think will help our borrowers. After the 17-year period, our loan, the variable rate, can be prepared with some -- yes.

MR. CZUKER: I didn't mean for you to stop.

MR. WARREN: No, I was there.

MR. CZUKER: I think that's a very interesting product. Based on the fact that the initial period is fixed for 15 years, will that rate be more competitive than the interest rates that have been proposed for the 30- or 35-year programs?

MR. WARREN: We think it's about 20 basis points right now below. The reason it's not more is the cost of cap is in the 15-year period.

MR. CZUKER: So you're saying it will be more like 570 or 590?

MR. WARREN: Oh. Current rates today on 30-year fixed is 540. And the float to fixed I believe is 530 to

535. But the cap, the cost of the cap does take it down. But they're both competitive rates.

MR. CZUKER: And the cap at the end of the maturity of the 15 years is 200 basis points over what?

MR. WARREN: The fixed rate. So the highest loan rate on the float to fixed would be 735.

MR. CZUKER: So it's the fixed rate at origination, not the fixed rate that may be at the time of maturity of the 15 years?

MR. WARREN: That's right, because --

MR. CZUKER: It could be a totally different interest rate environment at that time.

MR. WARREN: Could very well be.

MR. CZUKER: So that cap -- so you're actually capping at 730 or something.

MR. WARREN: And we're escrowing cap through the period of time -- or refreshing during the 15-year period. Without getting into too arcane financial discussions, we have a swap structure which will end in year 15, and that's where the fixed rate happens, during that 15-year period. So we swap at that point in time.

MR. CZUKER: You're unwinding a fixed-rate swap and back to a floater at the end of the 15-year period.

MR. WARREN: That is correct. That's capped by -- the up side is capped by the interest-rate cap.

MR. CZUKER: I understand. Interesting.

MR. WARREN: This -- this -- the other issue that I think we also want to bring up today is the speed at which we're having to operate in this environment. As indicated earlier, we're having quick turn-arounds.

One concept that I did want to mention today, and hopefully we'll be coming back to the Board in July, is to revisit the delegation of loan authorities. You saw some large loans today. Others are medium size. We have a number of our partners that have gone to accounting situations. CDLAC has done that. I think HCD is looking at some situations.

And since so many of our products are directly intertwined with both those agencies and others as far as locality, we would like to come back to the Board with a proposal in July to revisit our delegation, some appropriate level to help us work through some of these issues on the staff level and just respond more quickly, understanding the Board's need to maintain risk and maintain credit quality. That is something we'd like to come back and talk to folks about.

CHAIRMAN COURSON: We will put that on the July agenda with a presentation and full discussion.

MR. WARREN: There is much to discuss. We do need to raise the issue.

MR. CZUKER: How much demand do you perceive to be on the category of preservation?

MR. WARREN: I think it's beginning to pick back up a bit. Let me just finish the last bullet, the residential development financing before we go to preservation.

Under the -- currently the Agency is putting through the Assembly AB 1512, which is a residential development loan program. This is a component where we'd be redirecting money that was originally intended for mortgage insurance, coupling it with our construction loan program, and wrapping it all up together with our take-out financing.

The objective of this is to finance and develop in-fill homeownership product. The bill has cleared the Assembly housing committee and is headed toward -- or is at appropriations now. We had asked for prevailing wage to be waived for this particular loan product. We were not successful in achieving that, but all other components of the bill remain intact, so we're looking forward -- yes, sir.

MR. CZUKER: How do you deal with the ten-year construction lien defect rules that are associated with condo development for the product this would roll out into?

MR. WARREN: We think that the subordinate loan product -- and this loan is relatively cheaply priced, as low as 3 percent. So we're hoping that that cheaper cost would help mitigate the ten year. I think on a more proactive basis, we're in discussions with our insurance carriers to come up with a pooled program whereby we can offer pooled defects insurance coupled to the product from AB 1512 and mitigate the cost.

It's still going to be expensive, no matter how you cut it. But if we can develop something along the lines of our pooled earthquake insurance with mitigated costs, it does two things. It's cheaper and it may make it available to those particular smaller, particularly nonprofit borrowers, who are now doing in-fill who otherwise can't get insurance. I think the best way is to think good thoughts, see what we can do with that. But it's an honest to God cost we'll have to deal with.

So we have good expectations for that program. We actually do have a fair amount of interest already, particularly the aspect that the monies could be used for land acquisition to stay in the project and then be repaid.

Mr. Shine.

MR. SHINE: Go back just a sentence or two and tell me how does that -- you're trying to get the 1512

legislation to include some kind of insurance?

MR. WARREN: Oh, I'm sorry. I confused the two. The 1512 is the loan program. Now, separate from that, the legislation in the program, we do obviously a great deal of insurance and hazard. In talking with our insurance carrier, we would like to explore the idea of a pooled defects insurance, if possible, for these -- but not part of 1512.

MR. SHINE: For whom?

MR. WARREN: For the borrowers. For the developers.

MR. SHINE: CalHFA borrowers?

MR. WARREN: For the developers of the projects of the developments that we finance.

MR. CZUKER: But only this particular product or all products?

MR. WARREN: For right now, only this product. The discussions are very preliminary, and we're not even sure whether we can come up with pricing that would be different.

MR. SHINE: You're asking them to do, I take it, an occurrence type policy?

MR. WARREN: Yes.

MR. SHINE: With a tail and all that kind of stuff?

MR. WARREN: It's to be established. But we're very preliminary in those discussions. We're hoping that some degree of bulk will mitigate the cost.

MR. SHINE: Okay. The builders have had a great deal of experience in dealing with construction defect litigation and the insurance or lack thereof.

MR. WARREN: Right.

MR. SHINE: Maybe if you want we can sit down and talk about it and --

MR. WARREN: That would be very helpful.

MR. SHINE: -- see how that could work. The builders have a whole, like a staff, now solely devoted to insurance and risk aversion and all that kind of stuff, and it's all in the last year or so.

MR. WARREN: The terrain has changed.

MS. PARKER: Just to make this clear, you know, this particular program, the assumption is that this would be construction lending. This loan would then be paid off when those units are sold. So unlike insurance that we have on our deals that are 30 years in our portfolio, the expectation of these loans is -- well, it could happen at any time, but we're not going to hold -- these loans aren't going to be in our portfolio for, you know.

MR. WARREN: The objective is if we can

facilitate obtaining insurance on a pooled basis, even though our loans are paid, then we think this is a value that we can pursue.

MR. SHINE: You would have a tremendous market.

MR. WARREN: That's our goal.

MR. FRIEDMAN: And the source of funds for this program?

MR. WARREN: The construction side would be agency funds. The subordinate financing would be redirected funds from the mortgage insurance from Prop 46 pursuant to AB 1512. And then take-out financing.

MR. FRIEDMAN: Mortgage insurance money would be used for construction?

MR. WARREN: I think we --

MS. PARKER: Richard, we have legislation here that essentially would allow the Prop 46 funds that current statute requires that we -- whatever is the balance in the mortgage -- is appropriate for mortgage insurance allocated to 85 million. As of it's actually May, whatever is left over needs to be swept and go into the down payment assistance pot. So we essentially proposed legislation to add as an additional use for those funds construction lending. And that's going through the legislature right now. And we've been through all the issues with the Leg Counsel and with, you

know, the advocates about the use of those funds and -- but that's what the purpose of the legislation is. It has to stay on the homeownership side because that was the homeownership pot.

MR. FRIEDMAN: It's a switch from using the money for mortgages to construction.

CHAIRMAN COURSON: From mortgage insurance.

MR. CAREY: It ultimately would go back to the down payment assistance?

MR. WARREN: That's correct.

MS. PARKER: Right.

CHAIRMAN COURSON: Yeah, in May, if nothing is done, it's going to revert to down payment assistance. We're suggesting as opposed to just down payment assistance, it could also go to acquisition, development, and construction.

MS. PARKER: The real plan about that was -- is that what we were hoping for and what the down payment does allow the buyer or the borrower to certainly qualify for a loan that they might not otherwise be able to qualify for. The idea here is by putting money into construction lending, that hopefully the unit gets built for less money, thereby making --

MR. FRIEDMAN: No, I fully understand the virtues of it and the general proposition that whatever changes

the legislature makes on the use of general public issued bond monies must be consistent with the purpose, original purpose. Switching from the mortgage side to the construction side might be considered a change in purpose.

MS. PARKER: We had these discussions in drafting our language.

CHAIRMAN COURSON: Well, we are making mortgage --

MR. HUGHES: It reverts back to the homeownership side. The money all by -- under the Prop 46 goes back to homeownership, encumbered in the insurance bucket. And this basically falls within the homeownership bucket, if you will.

MS. PARKER: To answer Rich's questions, we had this discussion when we gave it to the drafters and sent it to the Leg Counsel. We went through all these discussions.

MR. HUGHES: Um-hmm. Right.

MR. FRIEDMAN: Okay.

CHAIRMAN COURSON: Ms. Weir.

MS. WEIR: The variable, the fixed to variable -- is that the right way to say it?

MR. WARREN: Yes.

MS. WEIR: This is just a preview of the program;

right? It's going to come back, and it's going to be sort of more fleshed out, or are we approving the program here?

MR. WARREN: It will come back as loan approvals. The program is not under way yet, but it would come back in the form of project approvals.

MS. WEIR: But this is -- this vote is the program approval vote?

MR. WARREN: No, not particularly. I think that it's important to note that what we're doing is not necessarily a program change, per se. It's really a pricing change on how we want to do this. As we bring projects to the Board, if there's concern about any risk on that, I think that can be aired there. But this does not -- this business plan does not contemplate, quote, program improvement, per se. It's not unlike the Interest Only Plus which was rolled out as a program that we develop on a regular basis.

CHAIRMAN COURSON: It's fair to say that we could see a project with this interest rate structure to it and then as part of the deliberation on that project have a discussion of it.

MS. PARKER: Yeah. We've -- actually, we've discussed this. Irrespective, we've been discussing residential development financing for the last --

CHAIRMAN COURSON: No, no, she's --

MR. WARREN: Ms. Weir has gone back to the --

CHAIRMAN COURSON: We're back to the multifamily.

MS. PARKER: Oh, oh, the new loan coupled with the --

MR. WARREN: Yeah.

CHAIRMAN COURSON: So we'll see it as part of a project, which then can be discussed as to it's appropriate, economics are right, structure is right, and so on. That's the form we'll see.

MR. WARREN: We use the term "program." In reality, Ms. Weir, really what it is, is a different type of loan pricing versus a, quote, new program. The program is still tax exempt financing for affordable housing deals, and we're just changing the pricing around a little bit, so I think we can draw the distinction. If we went into, for example, a new 202 lending program, then, yes, I think that would be -- that would be different than just a loan pricing change.

CHAIRMAN COURSON: Okay.

MR. WARREN: In preservation, moving along here, the preservation is beginning to pick up again in certain areas. We think the 202 loans and 236 loans are going to get some activity. What we would like to do here is work with outside originating lenders. I think it's important

as we leverage our own capacity to try to leverage up and do those. We would probably still originate the loans. We would use an outside lender, private lender, for underwriting and processing.

The Agency will also be looking at refinancing its own Section 8 portfolio. That's a program, a process that will be done through the summer.

And the last area of preservation is us revisiting our 501(C)(3) refinance program. The only difference -- the main difference here is these loans would not have heavy rehabilitation. The expectation would be they're in pretty good shape, and this would be more of a pure refinancing involvement versus a heavy rehabilitation. We have capital plans that can be fixed over a period time.

MR. CZUKER: Is there any demand for that?

MR. WARREN: As nonprofit portfolios are aging, 20-, 30-year portfolios, there appears to be a demand for it. I don't think it's going to be a large volume, but it's good to have a product off the shelf that we can offer our borrowers.

MR. CZUKER: Would they be required to spend 15 percent towards rehab or updating?

MR. WARREN: I can't recall exactly what the 501(c)(3) requirements are. I'm not sure there's a

minimum rehab requirement for (c)(3) loans, but it would have to meet the appropriate affordability requirements, which they all do.

MR. CZUKER: And if you're financing older bonds, obviously you'd be evaluating the age and repair and maintenance requirements.

MR. WARREN: And the request from our borrowers is instead of doing massive rehabilitation, which is hard with 501(c)(3) debt because there's no equity, are we willing to entertain projects with lesser rehab but a more stringent capital plan over a period of time. That's a little different model for us, so we would have to see how that would play.

MR. CZUKER: While they may have had little or no equity 30 years ago, hopefully through appreciation over the life of the loan, they've developed some cash flow and some ability to -- to have reserves or to maintain maintenance and repair.

MR. WARREN: And the refinancing benefit would be either increased cash flow or an equity take-out or some combination of the two, and that's going to be on a case-by-case basis.

MR. CZUKER: But you will not have the benefit of tax credits to provide additional equity.

MR. WARREN: That is true, yeah. They are highly

leveraged loans. Therein lies part of the risk.

In the special needs area, we have a number of initiatives. One of the first and most exciting is the supportive housing projects linked to Prop 63, the Mental Health Services Act that passed last year.

What we're proposing is a use of underutilized Prop 46 funds which was previously allocated for preservation. The idea would be to link these monies in conjunction with our own construction financing and supportive housing dollars from Prop 63. The monies would be allocated by HCD through their MHP program, construction funds from our shop, and then mental health, county mental health departments would bring all these funds together into targeted supportive housing projects going for the most seriously mentally ill.

These are very tough projects to do financially, and they're also very tough to do from a service standpoint. Our goal here is to come up with a collaborative process not only for the funding, but for the approval which is more accelerated in which these projects can be more easily built. We would also incorporate bonds and credits in a lot of these cases.

The next area is Agnews replacement housing. I think we've mentioned this before prior. The Agnews Center is in San Jose, and it's closing in 2007. And

there is a need to house approximately 300 developmentally disabled adults throughout the San Jose area. The Agnews program calls for approximately 100 group homes to be acquired or constructed and to ultimately be paid for through long-term lease payments that runs from the Department of Developmental Services through the regional centers, which are private nonprofits that administer these facilities on behalf of the State Department of Development and Disability.

The Agency has looked at this, and we feel that we can provide permanent financing for these hundred group homes. These are taxable, in the form of tax exempt debt, as well as construction lending. The security for the loan wouldn't necessarily be the properties themselves. That can be very hard to do. But instead, the security would be the ongoing lease payments that would be part of the annual appropriations from the State for these regional centers.

We're very much in the preliminary stage of this. There's a great deal of more work to do. This is something the Board will see for formal approval probably later on this summer. There will be a number of statutory issues, as well as fairly complex lending issues that we have to deal with.

The benefit of this program is it's a very bold

approach. It's a very large-scale approach to dealing with this particular population. And we think it's a very good alternative to institutional housing, but we have much to do on this.

As mentioned earlier I think with Mr. Czuker's, comments, one of the trends we continue to do on special needs is short-term construction and bridge financing. We think that's a very good play for us. It mitigates our lending risk and also allows us to recycle those funds.

In the area of special lending, we have our HELP program. The next area is the CDFI financial institutions. This is coupled with the Prop 63 program mentioned above. We are in discussions with Low Income Investment Fund and Corporation for Supportive Housing to purchase some of their short-term and medium-term debt to give them liquidity. Clearly in the area of CSH, for us to be able to recycle some of their funds would help with supportive housing issues.

We also have money set aside to purchase loans from Habitat for Humanity.

And the final area is tax-increment financing, which we lend against the 20-percent set-aside. The challenge here is to price a product competitively with the larger term bond loans. I'll stop there. Yeah.

MR. FRIEDMAN: You did say you had the money for Habitat for Humanity. Is that for Habitat type projects or for a specific --

MR. WARREN: What we would do is when the homes are built, the loans are made by Habitat. We would then buy the loans from Habitat after they're done.

This is a sense of the business plan. We have a modest trend in an increase for permanent construction loans. The HAT loan category is basically backstop funds.

We will note at this juncture under the HELP program, you'll notice that is now $10 million. We have reduced that from 20 in order to reallocate the $10 million into the financial institutions and into the Habitat programs that call for HAT. We will see how well that goes.

The Agnews housing plan calls for $50 million for two years. And then the residential development program is shown below. If we're successful with it, $40 million in the first year. Up to $80 million for subsequent years. So with that, I'll stop and --

CHAIRMAN COURSON: Two things strike me here. One is when this year we're projected -- well, permanent construction for '05/06, is 280 million based on this projection. This year we did 370. What's the driver

that brings that figure down?

MR. WARREN: We had two or three very large projects this year, upwards of $40 million combined. We think that's abnormal. I'd just as soon not base projections on what we think might just be an occasional project. If it happens again, then we get to go back up, but that's why.

CHAIRMAN COURSON: Okay. And the second question is it seems counterintuitive to me as our homeownership and business development group is working and trying to spread into more cities with our initiatives, that we're reducing the HELP program by 50 percent. Somehow there's a disconnect for me in trying to do the one. Particularly my take on the HELP program, and we talked about this earlier, is using it even more targeted as opposed to just block granting it. As we go in, that's another tool or arrow in our quiver to help them with really what probably is the toughest part of putting these projects together. And just as we're going that way and trying to bring more to the table, to me we're going the opposite direction.

So I don't know where other -- know where the other ten is, so I'll ask it a different way. We were 20 million this year, have been for the past couple years, and urge that we look someplace to find another ten to at

least keep it at the level it's at. I think it sends a message that's inconsistent with what certainly a big part of our homeownership development is going to be.

MR. WARREN: Ms. Parker may want to weigh in on this, but I think we have moved it into the financial institutions, which gives liquidity to those that are doing the most good. I think that our goal is to be targeted. If we did do that with HELP, I think my recommendation to the Board would be is that we look at perhaps a more targeted use of the funds. HELP is very good, but it is very broad. And one can argue that if you're looking for more clear and stark results, you may want to do some more specific targeting, which is the goal really behind the Habitat financial institutions. It's far more direct.

CHAIRMAN COURSON: Mr. Friedman and then Mr. Czuker.

MR. FRIEDMAN: I don't mean to flog this, Habitat is a great organization. I mean, we fund them frequently through our programs when they apply for money. How did they -- how did we arrive at the place where you have a separate allocation for a nonprofit or a single nonprofit organization?

MR. WARREN: We talked -- I guess, first of all it's an outreach effort that's consistent with our

mission. Number 2, we talked to a number of nonprofits about how can we help them, and the loan purchase is one of them.

A couple years ago we did a purchase through securitizing, you know, Habitat loans which was very cumbersome. We don't think it had a lot of impact, to be honest with you. But at the same time, we heard that there was need for the Habitat, so we decided to go with 5 million, which I think is a fairly modest number from a budgetary standpoint. And it's floor purchasing loans to try to facilitate that they're doing.

So it really was an outgrowth of an earlier program which we didn't think was all that effective and led into more direct loan purchase programs.

MR. FRIEDMAN: Well, I guess my question, I mean, there are a lot of reputable and good organizations that do similar type things, Neighborhood Housing Services, for example, or Self-Help Organizations would be another one. Is this something CalHFA makes available to any large-scale nonprofit that do secondary mortgages?

MR. WARREN: I think it's entirely likely that if we're successful in this area and a secondary role develops for us, it's something we should look at. I think this is a start. So if it would bring reinvestment or if other organizations want to sell their loans and we

can provide liquidity for further loans, I think it could become a very good line of business for us.

But at this point in time, we just happened on to a couple Habitats that had an interest in this, and we felt it was an appropriate time to explore it.

MR. FRIEDMAN: Thank you.

CHAIRMAN COURSON: Mr. Czuker.

MR. CZUKER: Thank you, Mr. Chairman.

I just wanted to follow up a little deeper on a point that you started to raise but didn't get far enough, in my opinion, which is, is there a way that staff could use one program as a feeder for another program and, for example, because there are so many potential benefits, whether it be to a city or to a developer or to special needs or take, for example, the HELP program that we were just discussing for a minute, when a city is coming in and asking -- obviously they have a specific intended use to a specific intended project. Why at that time isn't CalHFA looking up, for example, whether it be the permanent loan or the construction loan -- sure, we'll give you the seed money that you need to acquire the site; however, as a cross benefit -- you're not going to get this money anywhere else, we're going to provide you this benefit. In exchange we're asking for a first right of refusal, the opportunity to provide the

permanent debt on the project or even the construction loan, if that's something that is a desirable business to expand the role that CalHFA can play. We have all these special programs that are independently marketed, but yet one program can help secure additional business if we expand their totals.

MR. WARREN: I think that the comments earlier that Ms. Abreu and the Chairman indicated, if you go to localities, the next logical step for us is to bring forth a menu of what we can do, and quite frankly what you see in front of you is the menu. And to go in and say, "Where are your needs," I think one of the concepts of vertical integration is there may be five financing needs and we would supply three of them or two of them. And maybe it's the first money, maybe it's the last money.

But I think just as commercial lending today is becoming a very much integrated approach with cash management, the full thing, there's no difference between that and lending to a locality: Different products for different needs. And I think that's the goal. We just haven't formalized that. But that's a good point, is to cross sell basically your products, for lack of a better term. That's precisely our goal.

CHAIRMAN COURSON: Well, I would just urge, and

I'll vote to support the plan, but I'll vote to support it with the caveat that we seek an additional $10 million on the HELP program.

MR. WARREN: That's fine.

CHAIRMAN COURSON: Okay.

MS. WEIR: Mr. Chairman.

CHAIRMAN COURSON: Ms. Weir.

MS. WEIR: This is a more generic question. The Fannie Mae announcement that they will not be involved in purchasing tax exempt bonds for the foreseeable future, what impact does have on this Agency?

MS. PARKER: Bruce, you want to come up?

MR. WARREN: Bruce may want to address that.

MS. PARKER: Because actually, Bruce has --

MR. WARREN: Bruce is next anyway, so it's a good introduction of Bruce Gilbertson.

MR. GILBERTSON: Did you want to run through the financing reports?

MS. PARKER: No, I just --

MR. WARREN: No, there was a question.

MR. GILBERTSON: I'm sorry, I was distracted.

Oh, currently, I'm sorry. Currently that isn't going to impact us at this point. Fannie Mae is a purchaser of long-term fixed rate housing bonds. Over the past few years, we have issued well over 90 percent

of all of our bonds at a short rate load because of our --

MS. PARKER: Mr. Shine can't hear you, so you either need to speak up or move the mike closer to you.

MR. GILBERTSON: So really, the Fannie Mae situation isn't going to impact our ability to issue debt. We're -- currently, they are not buyers of our bonds. Our bonds are all issued primarily as variable-rate demand obligations or auction rate securities. Those are not products that they're interested in. They have historically been a big, big purchaser of fixed-rate housing bonds, especially the longer term maturities.

CHAIRMAN COURSON: Okay. I believe our next -- if I can get our Executive Director -- or Counsel, is our next -- should we approve the plan and --

MS. PARKER: Yes.

CHAIRMAN COURSON: -- then move to the budget?

MS. PARKER: This is an action item, and then we -- for the business plan and then we have the administrative --

CHAIRMAN COURSON: Just one moment.

Mr. Shine.

MR. SHINE: Before we vote, I would just like for the record to let everyone know that I happen to be a

member of the board of directors of one of the local affiliates for Habitat for Humanity, and I have been told that it's okay for me to vote because I have no interest in it one way or the other, but I wanted to go on record as saying.

CHAIRMAN COURSON: We'll defer to counsel on that.

MR. HUGHES: Yes, that's correct. Mr. Shine and I have discussed this, and he is correct.

CHAIRMAN COURSON: Okay. The motion --

MR. CAREY: Mr. Chair.

CHAIRMAN COURSON: Yes.

MR. CAREY: One comment, I'd like to just join with you on the request for HELP. And also, I need to reiterate the comments made earlier that it's -- I would certainly hope that our targets for single family would -- would be higher than the plan reflects and that we continue to make efforts to reach the lowest income level that we can.

CHAIRMAN COURSON: All right. I certainly support that, and that will be on the record.

A motion is in order to approve the plan to include an additional $10 million in the HELP category.

MR. CZUKER: So moved.

CHAIRMAN COURSON: Is there a second?

MR. CAREY: Second.

CHAIRMAN COURSON: And Mr. Carey seconds. Any further discussion?

(No audible response.)

CHAIRMAN COURSON: Any comment from the public?

(No audible response.)

CHAIRMAN COURSON: Let's call roll.

MS. OJIMA: Thank you.

Ms. Weir.

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Mr. Friedman.

MR. FRIEDMAN: Yes.

MS. OJIMA: Ms. Wilson.

MS. WILSON: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Yes.

MS. OJIMA: Resolution 05-23 has been approved.

CHAIRMAN COURSON: Okay. Our next agenda item is the budget. Jackie.

While she's coming up, for those who want them, I do have the parking vouchers or certificates, which much to my surprise, the one time I've used it was worth $1.50 off of an $18 parking fee. But I have parking slips, if you need them.

Okay. Jackie.

--o0o--

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

MS. PARKER: Jackie and I have had drafted an introduction to the operating budget. We -- again, as we always do, even though we're not required to have what most of the agencies do, which is to submit their operating budgets to a Department of Finance review and have that funding approved and sought through the legislature, we do operate much like a Department of Finance review. Dick LaVergne gets to play the old finance person. We are always very careful about what we approve for our operating budget, and we tie it to business plan product and public benefit goals of the Board.

So I think with that, we have submitted a proposal to you. We are prepared to essentially discuss

the contracting dollars we have in great detail and have been asked by many of our Board of Directors. And really I'm going to turn it over to Jackie to let her go through it.

MS. RILEY: Thank you.

As Terry alluded to in her letter, the basic increases in our budget this year are the ten added new positions. We, every year, go through and look at every single position in our agency and we redirect. If we have vacancies we don't plan on filling in a certain area, we move them around to other areas. Last year we added no new positions, but find it impossible because of workload growth and other back office kind of functions, that we need to keep up with what's going on with our programmatic staff as they keep growing and adding new programs, the support staff in some areas also needs to grow to keep up with them. Our facilities --

CHAIRMAN COURSON: Can I -- can I -- I have a question.

MS. RILEY: Sure.

CHAIRMAN COURSON: It's related and it was in the plan, but one of the -- one of the items or strategies under administration was to try to work within the state government to upgrade and update positions as a strategy. Is any of that envisioned in this budget?

MS. RILEY: Actually, some of those have already happened.

CHAIRMAN COURSON: Okay.

MS. RILEY: We were able to upgrade our asset manager's position. And one of the strategies that we've been doing, and it's in the budget here, is adding under each of our major division directors an assistant chief. Our programs have gotten so large and complex that it's really very difficult for one person to oversee on their own all of the functions, so we have been systematically adding an assistant level in there to help with that.

The other reason for doing that is we have had a really flat organization for a long time. And as we continue to grow, we find that the mid-level managers, we don't have many. We're up here, down there. And a lot of times our ratios of supervisors to subordinates are really, really high, 1 to 19 or something. The normal state ratio is around 1 to 7. So we're trying systematically to do that.

CHAIRMAN COURSON: Okay. Thank you.

MS. RILEY: So some of those numbers are included in there.

We have added the ten new positions. Rent increases are also an issue for homeownership. And Nancy, alluding to marketing, we're doing a lot more outreach, a

lot more lender training, so we do tend to travel the state and rent rooms in various locations and all that, so that cost has gone up. Actually, our largest cost -- yes.

MR. CZUKER: Can you address consulting professional services?

MS. RILEY: I was just going to mention IT and then get to this little sheet. Is that all right with you?

MR. CZUKER: Of course. Go right ahead.

MS. RILEY: The last big increase is in the IT area. With our new CIO, Mike Howland, we have -- he has taken on some really ambitious initiatives this year in the area of homeownership, as you heard folks talk about.

Also, multifamily, I think for the last two years we've been here talking about doing a multifamily loan origination system. We're finally at the point, even though we add money, we've had money set aside in the budget, like last year, but it has not been expended, so that money will roll forward to this year, but we need to show it again this year. It wasn't expended, but it will be shortly. We're ready.

Taking on some other initiatives, new financing, and also adding a new general ledger system. So there's a lot of things going on in the IT area. Those will be

one-time costs. There's some consulting costs and also some software procurement.

And with that segue, I'll move into the consulting and professional services. It has been talked about several times here at the Board as far as, you know, what goes into our line items, because all you see is a grand total. And for most of our line items, there are documents, these schedules, that we create that back up those dollars, where we anticipate spending those dollars. And as you can see, they're listed by each division and what their anticipated needs are. So this compiles the line item that is the consulting services dollars.

Do you have specific questions on any of those or are you just looking at them for the first time?

MR. CZUKER: If you look back in the book, to -- let's see -- pages 350, 351.

MS. RILEY: Yes.

MR. CZUKER: You have consulting services for '03/04 of 4 and a half million, and then you budgeted for '04/05 7.6 million?

MS. RILEY: Yes. That's when we came in for an augmentation in January because of our legal fees for the two lawsuits that we were involved in.

MR. CZUKER: A 2.1-million increase?

MS. RILEY: Yeah.

MS. PARKER: Combined, it was $2 and a half million, almost $3 million. It was the HC lawsuit but --

MR. CZUKER: And that was over and above what was set aside or budgeted for --

MS. RILEY: Yes.

MR. CZUKER: -- in terms of legal services in the prior budget?

MS. RILEY: Yes.

MS. PARKER: And I think we talked about this when we brought it before the Board, one of the things that we had done a year ago, we had thought that there might be a possibility of having it not go to a trial and certainly not to have it go for as -- continue for as long as it did. So the dollar estimates that we had were substantially under what that cost us.

MS. RILEY: We had set aside at that point last year $500,000.

MR. CZUKER: That's what I wanted to --

MS. RILEY: We thought we were getting a summary judgment.

MR. CZUKER: What happened? But going forward, we're projecting next year 5.2?

MS. RILEY: That's right. And as you will see -- you have this handout?

MR. CZUKER: Yes.

MS. RILEY: That is the entire listing of all of the contracts that make up that 5.2. And if you'll notice, a large segment of that once again is under legal. Our general counsel this year asked that we set aside a reserve, kind of contingency, which is a half million dollars. Normally we don't do that. But because of various issues that are -- how would you say it, Tom -- sort of, you know, rising to the top, it's an unknown. And rather than come back to the Board again and ask for an augmentation, we decided to put in these reserve amounts. You'll see them listed there for litigation and nonlitigation.

MR. CZUKER: But even with those reserves, they're only at a million-nine.

MS. RILEY: Exactly. Well, hopefully we're not anticipating, you know, anything really big happening. You can see that there is the half million set aside for the appeal of the agency judgment. And those are what are known to us at this moment.

MR. CZUKER: Adds up fast, doesn't it?

MS. WEIR: How does that compare to consultant services contracts in years past? Is this about average? Is it more?

MS. RILEY: Well, we have obviously a lot more

this year scheduled in legal. There's another -- if you look at IT, normally on consulting services in IT, that's maybe, you know, $250,000. And we're up to 9. And that is -- most of those are going to be one-time costs this year.

A lot of our dollars stay constant. The marketing dollars are pretty constant. The other thing that's unusual this year, and you heard Gerry talk about it, is a $130,000 contract with BMP, which will set up our loan documents so that every lender can pull them down and they get translated into whatever system they use so they can, you know, access our documents.

The rest of the costs here are pretty average, are pretty normal for us. They're just kind of ongoing costs, the cost of doing business.

MS. PARKER: Let's point out a couple things. And some of these have been in prior years, but just the trend continues.

Under multifamily, the very last page, you'll see that there are consultants not yet chosen. And there's three of Linn's staff that are doing work based on a consultant contract because we can't hire them with the expertise through our normal process. There is money under legal for Tom to be hiring what would normally be -- if he could find the lawyers that have the special

training within our state salaries, he would be hiring legal people.

So we -- and this is not -- this isn't unique to CalHFA. If you look at other agencies or financial institutions, you look at STRS and you look at PERS, many of these state agencies are going to do more and more with having outside consultants do staff work than in the past has been done with state employees. As the salaries have become more and more out of line in that work, we couldn't do the work. So we have essentially made the choice of doing it this way or having to roll back the business plan and essentially not -- we couldn't be doing the production rolls that we have were it not that we had, you know, the legal or the programmatic staff and resources.

MR. CZUKER: What's the difference between page 350 and 351?

MS. RILEY: 350 is the combined budget for the housing fund and the insurance fund, and 351 is only the housing fund.

MR. CZUKER: I see.

MS. PARKER: And 352 is -- 352 and 351 roll up to 350.

MR. CZUKER: Thank you.

MS. RILEY: So you can see them separately.

MS. PARKER: But that was a test.

CHAIRMAN COURSON: Are there questions on the budget or any of the items?

MS. WEIR: I have just a small question under administration.

MS. RILEY: Yes.

MS. WEIR: Judy Rice?

MS. RILEY: Judy Rice is a consultant we've been using for a little bit of organizational development work.

MS. PARKER: She's helping us with doing some of the work that we're required to do in sexual harassment training. We're also using her to help us with strategic planning, activities with our staff. So she's a consultant doing that kind of work. I think many of you met her. We've been using her for a couple years.

MS. RILEY: She was here --

MS. PARKER: She was here a couple years ago to essentially, you know -- we mentioned the work that we were hiring her to do to help us with some strategic planning among the organization.

MR. CZUKER: How close are you to hitting the budgeted '04/05?

MS. RILEY: Actually, the last expenditure report that I saw from accounting, we were somewhat under

expended. And -- for that point in time, which I was really surprised to see. It's good news.

And looking, there's a couple large expenditures that I'm anticipating hitting, but I think that we will be under our budget projections. And once again, that money just rolls forward into the '05/06 budget.

MR. CZUKER: The fiscal year end is what month?

MS. RILEY: June 30 is the end of our fiscal year, so we're getting really close.

CHAIRMAN COURSON: There was a -- another one of the items in the strategies talked about putting together a group and starting to plan for a physical relocation.

MS. RILEY: As soon as we get the business plan put to bed and the budget put to bed, that's one of our next steps, is to gather a group of us internally and start looking at what's the next move.

MS. PARKER: That's the reason why there are positions being added in Jackie's area.

MS. RILEY: So our leases, we have three, two in Sacramento, one down in Culver City. They all expire in 2009. So we're going to start the planning process for that.

CHAIRMAN COURSON: Other questions on the budget?

(No audible response.)

CHAIRMAN COURSON: Is there a motion to approve

the budget?

MR. CZUKER: So moved.

MR. SHINE: Second.

CHAIRMAN COURSON: All right. Mr. Shine moves, Mr. Czuker seconds.

Any other discussion?

(No audible response.)

CHAIRMAN COURSON: Any comments or discussion from the public?

(No audible response.)

CHAIRMAN COURSON: Call the roll.

MS. OJIMA: Thank you.

Ms. Weir.

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Mr. Friedman.

MR. FRIEDMAN: Yes.

MS. OJIMA: Ms. Wilson.

MS. WILSON: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson.

CHAIRMAN COURSON: Yes.

MS. OJIMA: Resolution 05-24 has been approved.

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Item 7. Reports

CHAIRMAN COURSON: And the last portion of the presentations we went through is our normal financing report. However, with a lot of people looking at watches and we do go through this every month, I think it's pretty self-explanatory. If you have questions, ask Bruce Gilbertson. But I think in the interest of time, we're just going to let the written record stand for itself and ask you those questions. I know we have some airplanes that are coming up.

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Item 8. Discussion of other Board matters

Item 9. Public testimony

CHAIRMAN COURSON: So at this point I would ask if there is any public testimony or public comment before we adjourn?

(No audible response.)

CHAIRMAN COURSON: And seeing none, our next meeting is in July in Sacramento. We stand adjourned.

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

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REPORTER'S CERTIFICATE

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

In witness whereof, I have hereunto set my hand this 18th day of May, 2005.

_____

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

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CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Coliseum Gardens, Phase II
Oakland, Alameda County
CalHFA Loan #04-012-N

SUMMARY

This is a Final Commitment request. Security for the loans will be a newly constructed, 146 unit family apartments located on 69th Avenue and Leona Creek Drive in Oakland, California. The project will be owned by Lion Way Housing Partners L.P., a California limited partnership whose managing general partners are Related\Oakland Coliseum II Development Co., LLC and Lion Creek II, LLC.

LOAN TERMS

Permanent

First Mortgage	$4,040,000
Interest Rate:	5.90%
Term:	40 year fixed, fully amortized
Financing:	Tax-exempt
Second Mortgage	$730,000
Interest Rate:	3.00%
Term:	40 year fixed fully amortized
Financing:	Taxable – FAF Funds

This is a future bond refunding request. The Oakland Housing Authority will issue the tax-exempt bonds and Wells Fargo will provide the construction financing. Upon construction completion CalHFA will refinance the bonds to provide the permanent financing.

OTHER FINANCING

Source	Type	Loan Amount	Term	Interest Rate	Repayment
HCD-MHP	Loan	$9,815,000	55	3.00%	Residual Receipts
HCD-NSSS	Loan	$500,000	55	3.00%	Forgivable
OHA – HOPE VI	Loan	$7,430,139	55	0.00%	Residual Receipts
OHA – Local	Loan	$703,620	55	0.00%	Residual Receipts
AHP	Grant	$645,000	35	0.00%	

The Oakland Housing Authority, (OHA), owns the land and will provide a ground lease to the partnership. The Ground Lease is not finalized, but the expected term is 85 years (75 years minimum) and will be subject to review and approval by CalHFA. The ground lease will be prepaid (with no annual lease payments). CalHFA's Regulatory Agreement and Deeds of Trust will be secured on the leasehold interest.

HUD, through the OHA, is providing a HOPE VI loan to the project. HUD will record a Regulatory and Operating Agreement on the fee interest, which will restrict 54 units as Public Housing Assisted Units. The HUD Regulatory and Operating Agreement will be senior in priority to CalHFA's Regulatory Agreement and Deeds of Trust.

The HUD Regulatory and Operating Agreement provides operating assistance to subsidize the 54 units, under the terms of the Annual Contribution Contract (ACC) between HUD and the OHA. The proposed rent/income of all the 54 ACC units will not exceed 30% of area median income.

The project has also received a commitment from the California Department of Housing and Community Development's Multi-Family Housing Program (MHP), and MHP's Nonresidential Space for Supportive Services Program (NSSS).

PROJECT DESCRIPTION

Coliseum Gardens Phase II is a 146 unit family project. It is the second of a four phase master plan, designed to replace a public housing project built in the 1940's. The proposed project is part of the Coliseum Transit Village that will ultimately involve the construction of 437 affordable housing units (including 157 public housing units), 28 affordable for sale town homes, a restored/expanded 5.7 acre city park, a restored creek, and market rate housing over retail at the Coliseum BART station.

Coliseum Gardens Phase I, currently under construction and financed by CalHFA, includes the replacement of 45 of the 178 public housing units previously on the site and the construction of an additional 70 units of rental housing. There will be a joint use agreement between the phases for overall management and maintenance.

Project Location

- The project is located at 69th Avenue and Leona Creek Drive in the City of Oakland, Alameda County within walking distance of the Coliseum Bart station and the Oakland Coliseum.
- San Leandro Avenue, a major north south thoroughfare, is two blocks to the west, and Interstate 880 is less than one-half mile to the west. The site is three and a half miles from downtown Oakland and Jack London Square. The City of San Leandro is two miles south and the City of Alameda is less than two miles to the northwest. The City of Emeryville is five miles north and the City of San Francisco is six miles to the west.
- Coliseum Gardens is located in a medium density residential neighborhood bordering commercial and industrial areas to the west and north and residential areas to the east and south. The Oakland Coliseum complex and the Oakland International Airport are located to the southwest.
- Adjacent to the north of the site is the proposed site for Coliseum Gardens Phase III and to the east is Coliseum Phase I, which is currently under construction.
- Surrounding amenities include a public elementary school and a middle school within one-quarter mile of the site, as well as a medical clinic and several alternatives for grocery shopping within a half mile radius. Two public parks which include baseball and soccer fields, basketball courts, picnic and barbeque areas, and walking trails are immediately adjacent to the site. These two parks will be consolidated into one larger 5.7 acre park in the center of the Coliseum Gardens multi-phase redevelopment area.

Site

- The site is an irregular L shaped, four acre parcel. The parcel is zoned R-70 high density residential, which is a conforming use and allows for the 146 unit development. The site is currently vacant land.

Improvements

- The project will consist of 1, 2, 3, 4, and 5 bedroom units. There will be 55 units located in one four-story podium building with secure parking beneath, and 10 town home units located over the 7,500 S.F. social service/ community space which will look out over a public park. The remaining 81 units are configured as two-story walk-up town homes and flats with tuck under garages. The controlled parking beneath the podium deck will provide direct secure access to the perimeter sidewalk town homes as well as to the deck units above. The two-story units will have secure access through a gated auto court.
- Construction will be wood-framed Type V construction atop one level of concrete Type I podium construction, and wood framed Type V construction atop slab on grade. The building exteriors will be stucco. The roof material will be asphalt shingle. The slab on grade buildings will have gas forced air heating and individual hot water heaters. The podium buildings will be equipped with a central boiler and the landlord will pay for hot water. Electric heat in the podium buildings will be provided by wall heaters. There is no air conditioning. A number of units will have individual private decks, patios or balconies.
- The project will have 7,500 square feet of social service/ community space. An extensive social service program is planned that will include a child care center, social service counseling, referral and job training, and English as a second language (ESL). All of these amenities will be provided through service providers in the community. The project will budget ($225/ unit/ year) to pay for a social service coordinator who will be responsible for working with the wide variety of service providers. With the exception of the childcare center, other services will be provided to residents free of charge.

Off-site Improvements

- Offsites are being financed separately by the City of Oakland and the Oakland Housing Authority.

Relocation

- No relocation required. All relocation was completed prior to start Coliseum Gardens Phase I.

MARKET

Market Overview

The project's Primary Market Area (PMA) is a polygon shaped area consisting of the southwestern portion of the City of Oakland. The market study completed by Laurin Associates, dated March 1, 2005, further defined the PMA as the area bordered by High Street to the

northwest, MacArthur Boulevard to the north, Interstate 580 to the east, 98th Avenue to the south, and Doolittle Drive to the west.

- The estimated population in the PMA is 94,716. From 1990 to 2000 the PMA population increased by 12.3%. Between 2000 and 2005, the PMA population increased at an annual rate of 0.1%.
- There are 29,955 households in the PMA. Fifty-four percent of the households make less than the CTCAC 50% area median income of $82,800 for Alameda County and 20% of the households make between 50% to 80% area median income.
- Based on 2000 Census 36.2% of renter households in the City of Oakland were paying over 35% of their income for rent.
- There are 15,127 renters in the PMA, representing approximately 50% of the households.
- Approximately 35% of the PMA population is under the age of twenty.
- As of 2005 the average household size in the City of Oakland is 2.5 persons. (Households by percentage are: 1-person 32.5%; 2-person 28.4%; 3-person 14.9%; 4-person 11.0%; and 5+ person 13.2%)
- The largest employers in the County of Alameda are the University of California at Berkeley, the County of Alameda, the Oakland Unified School District, Lawrence Livermore National Laboratory, the U.S. Post Office, Kaiser Permanente, New United Motor Manufacturing, Inc., and the City of Oakland.
- The unemployment rate in Alameda County was 6.8% in 2003 and 4.5% in 2004. The unemployment rate in Oakland was 10.6% in 2003 and 9% in 2004.

Housing Supply and Demand

- According to the 2000 Census, 49.6% of the housing units in the City of Oakland are single family and 50.2% of the units are multifamily.
- In the PMA 50.4% of the multi-family housing units were built before 1949, and 19.9% were built between 1950 and 1959. Only 7.5% of the housing units in the market area were built between 1980 and 2000.
- The vacancy rate in the PMA for income restricted housing is 1.3% and for market rate housing is 1.9% as of February 2005.
- In the City of Oakland 39.5% of all rental units (including single family) are one-bedroom units, 28.2% are two-bedroom units, 10.5% are three-bedroom units, and 2.6% are four-bedroom (or more) units.
- The Oakland Housing Authority states that there are 15,000 families on the waiting list for Public Housing and 3,137 families on the Section 8 waiting list. A separate list of families interested in Section 8 includes approximately 10,000 names. The majority of the City of Oakland's assisted housing projects have closed waiting lists with 12 to 24 month long waits for units.
- The City of Oakland's assisted housing stock consists of 3,308 public housing units, 9,686 households assisted with Section 8 vouchers and certificates, 803 units assisted with Section 8 project based subsidies, and 6,845 other assisted units. Assisted housing units represent approximately 12.9% of Oakland's housing stock.
- There are three multi-family affordable housing projects under development or pending in the PMA: Coliseum Gardens I (under construction), Coliseum Gardens III, and a LIHTC project targeting disabled persons.
- Upon project completion in 2007, there will be an estimated demand for 7,851 LIHTC units targeting households in the PMA with incomes between 40% and 60% AMI. (The overall capture rate is 1.2 %.)

- Upon project completion in 2007, there will be a total theoretical demand for 5,640 ACC units targeting households in the PMA with incomes less than 40% AMI. (The overall capture rate is 1.0 %.)

PROJECT FEASIBILITY

Estimated Lease-Up Period

The market study estimates the lease-up within six months.

Appraisal

An appraisal has not been received. A joint appraisal will be ordered with Wells Fargo the Construction lender. The appraisal report is expected by the week of July 25, 2005. An appraisal prepared for the Oakland Housing Authority, dated April 2, 2004, valued the leasehold interest in the property at $2,850,000. (The appraisal assumed no improvements on the land.)

An estimated restricted value of $5,940,000 was calculated for the loan-to-value calculation used in the Cash Flow Project Summary section of this report. The value was calculated using the restricted cash flow and a 6.25% capitalization rate.

ENVIRONMENTAL

CalHFA has received a Phase I and Phase II Environmental Site Assessment for the entire 22 acre Coliseum Gardens site completed by Environ International Corporation in October 2003 and January 2004, respectively and an update, dated March 5, 2005.

Issues of concern identified in the Phase I were further evaluated in the Phase II, including: 1) potential impact to ground water from possible perchlorate and volatile organic compounds (VOC) at the former Coast Manufacturing plant previously located on the site, and 2) potential impacts to the ground water beneath the property from an up gradient site with a reported leaking fuel UST.

Twenty-five borings were drilled throughout the 27 acre property to be redeveloped. Soil and ground water samples were collected and were analyzed for: 1) VOCs benzene, toluene, ethyl benzene, xylenes (BTEX) and methyl tert butyl ether (MTBE), 2) total petroleum hydrocarbons (TPH), as gasoline, diesel and motor oil, 3) oil and grease, 4) perchlorate, 5) metals, and 6) pH. Ground water, which flows generally west and southwest towards the bay, was encountered in all borings at relatively shallow depths ranging from 6 to 12 feet.

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

The Pacific Electric Motor Company site, located up gradient from the property is a leaking underground storage tank facility with identified fuel releases to the soil and groundwater. The ground water monitoring data from the site indicated the following constituents are present at

the site: TPH as gasoline, BTEX and MTBE. Both the BTEX and MTBE reported on the Pacific Electric Motor Company site were above the federal and state Maximum Contaminant Levels (MCL).

Several up gradient ground water samples were analyzed. TPH as gasoline and diesel was found at low concentrations in four of the six samples, below levels that would initiate significant regulatory agency concern or require significant remedial action. Trichloroethylene (TCE) was reported in four of the samples at levels above the EPA tap water Preliminary Remediation Goals (PRG) and above the federal and state MCL, but below the San Francisco Bay Area Regional Water Quality Control Board's Environmental Screening Level. The Regional screening level was determined to be more appropriate by Environ. The impacted ground water is not a drinking water supply and Environ concluded that there does not appear to be a significant health risk to future residents as a result of TCE in the groundwater.

The Oakland Housing Authority has been awarded three Brownfield grants totaling $600,000 for the three parcels that make up Coliseum Gardens II site. This money will be used for additional testing and environmental remediation of the project. The grants require a regulatory agency to provide oversight and eventually a closure letter. The California Department Toxic Substances Control has been engaged as the oversight agency.

CalHFA will have URS, its environmental consultant, review of all environmental reports. A condition of the final commitment will be satisfactory review of all of these documents and any additional reports or tests required as a result of the URS review. If additional remedial action is recommended, the work will be required to be completed during the course of construction. Should any additional toxics be found on the project site prior to loan closing, the Master Development Agreement provides that the Oakland Housing Authority is responsible for any removal or remediation efforts. In addition there is a 5 year, $10 million environmental insurance policy for the property for which CalHFA is named an additional insured party.

NOISE STUDY

A noise study dated February 10, 2005, was completed by Wilson, Ihrig & Associates. The project site's existing noise environment is formed by several local and distant sources. These include 1) BART and Union Pacific Railroad operation to the west; 2) vehicle traffic; and 3) truck loading/dumping operations at an industrial site to the north. The study has made recommendations for noise mitigation measures for both inter unit and outdoor areas. Those mitigation measures have been incorporated into the project design.

SEISMIC

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

DEVELOPMENT TEAM:

Borrower

Lion Way Housing Partners, L.P.

Lion Way Housing Partners is a limited partnership with its co-general partners Related\Oakland Coliseum II Development Co., LLC and Lion Creek II, LLC.

- Related\Oakland Coliseum II Development Co., a California limited liability company which is affiliated with the Related Companies. The Related Companies was established to focus on the acquisition and development of government assisted and market rate multi-family housing. In the last five years it has developed over 4,739 multifamily units in fifteen projects throughout California, including five projects with over 1,644 units financed with tax exempt bonds. The Related Companies LP, a privately held New York based development and financial services company has developed nationwide over 30,000 units of multifamily housing and 3.5 million square feet of office and retail space, and has financed the development of over 110,000 apartments.

- Lion Creek II, a California limited liability company which is an affiliation between the Oakland Housing Authority and East Bay Asian Local Development Corporation (EBALDC), a California nonprofit corporation. ELBDC, established in 1975 is the co-developer of Coliseum Gardens. EBALDC's mission is the betterment of the East Bay community particularly the low income populations. ELBADC has acquired and rehabilitated several historic properties such as Swan's Marketplace, the Asian Resource Center, and Madison Park Apartments; all in Oakland. EBALDC develops new construction affordable housing, mixed-used projects and community facilities. EBALDC has developed 784 units of rental housing, 97 for sale single family homes and co-housing condominiums, and over 133,000 square feet of retail and office space including two child-care centers. The Oakland Housing Authority will have a limited role in the LLC, as it pertains to rights necessary for the public/HOPE VI housing.

Management Agent

Related Management Company

- Related Management Company, (RMC), established in 1974, will be the property manager for the project. RMC currently manages 114 properties with over 18,500 units of rental housing throughout California, New York, New Jersey, Pennsylvania, Illinois, the east coast and the southern states. RMC's property management portfolio consists of mostly affordable housing projects in addition to several mixed-use properties. RMC currently manages ten projects that have been financed by CalHFA with over 2,800 units.

Service Provider/Coordinator

East Bay Asian Local Development Corporation (EBALDC)

- EBALDC's Neighborhood and Economic Development department will be the primary service provider/coordinator for project's residents. The department's program areas include 1) Individual Development Accounts, that provide strategies and information to help families stabilize their financial situations and develop plans for long term family economic self sufficiency; 2) Neighborhood Revitalization and Commercial Services,

which focuses on business development, merchant organizing, job creation, and technical assistance for businesses and residents; and 3) Social and Community Services, which develops strategies for bridging gaps in local supportive service delivery systems.

Contractor

Cahill Contractors, Inc. (Proposed)

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

Architect

Kodama Diseno and Y.H. Lee Associates

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

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

Y.H. Lee Associates (YHLA)

Yui Hay Lee founded YHLA Architects in 1981. YHLA has been recognized for its successful delivery of large-scale development projects ranging from resort complexes and multi-phased high-rise condominiums to retail center and professional sports facilities. Mr. Lee has over 35 years of professional architecture and planning experience. Mr. Lee received formal architectural training and holds architectural degrees from the Harvard Graduate School of Design, Miami University, and the Ecole des Beaux Arts, at the Fontainebleau, France.

PROJECT SUMMARY

PROJECT NUMBER: 04-012-N

Final Commitment

Project:	**Coliseum Gardens HOPE VI, Phase II**		
Location:	69th Avenue & Leona Creek Drive	***Developer:***	**The Related Companies California**
City:	Oakland	***Partner:***	East Bay Asian Local Development
County:	Alameda	***Investor:***	MMA Financial
Zip Code:	94621		

		No. of Buildings:	13	
Project Type:	New Construction	*No. of Stories:*	4	
Occupancy:	Family	*Residential Space*	141,644	sq. ft.
Total Units:	146	*Office Space*	7,500	sq. ft.
Style Units:	Townhomes & Flats	*Commercial Space*	0	sq. ft.
Elevators:	Yes	*Gross Area*	149,144	sq. ft.
Total Parking	146	*Land Area*	174,240	sq. ft.
Covered	146	*Units per acre*	37	

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	**$4,040,000**	**5.90%**	**40**
CalHFA Bridge Loan	**$0**	**4.50%**	**3**
CalHFA FAF Second Mortgage	**$730,000**	**3.00%**	**40**
MHP	$9,815,000	3.00%	55
MHP NSSS	$500,000	3.00%	55
Oakland Housing Authority HOPE VI	$7,430,139	0.00%	0
Oakland Housing Authority	$703,620	0.00%	55
AHP	$645,000	0.00%	35
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 during Construction	$0		
GP Equity	$1,085,986		
Deferred Developer Fee	$214,014		
Tax Credit Equity	$20,004,285		

Construction Valuation		Appraisal		Value Upon Completion	
Investment Value	$0	**Appraisal Date**	**0/0/0**	**Est. Restricted Value***	$5,940,000
Loan / Cost		**Cap Rate***	**6.25%**	**Perm. Loan / Cost***	11%
Loan / Value				**Perm. Loan / Value***	80%

*Estimated Values

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	Amount	Required Reserves	Amount	
CalHFA Permanent Loan Fees	$60,600	Other Reserve	$0	
CalHFA Bridge Loan Fees	$0	Replacement Resv. Initial Deposit	$0	
CalHFA 2nd Loan Fees	$10,950	Repl. Reserve - Per Unit/ Per Yr	$400	
Construction Inspection Fee	$27,000	CalHFA Operating Expense Reserve	$112,765	
		Rent Up Reserve	$113,809	LOC

Date: 6/13/2005 **Senior Staff Date:** 6/15/2005

UNIT MIX AND RENT SUMMARY — Coliseum Gardens HOPE VI, Phase II

04-012-N

Total Unit Mix

# of Units	Unit Type	# of Baths	Average Sq. Ft.
28	1 Bedroom Flat	1	600
63	2 Bedroom Flat	1	841
43	3 Bedroom Townhome	1.5 & 2	1,237
5	4 Bedroom Townhome	2	1,634
7	5 Bedroom Townhome	2	1,500
146			

Occupany Restrictions

Agency	20%	30%	40%	50%	60%		Total
CalHFA				29			29
Tax Credits					145		145
OHA HOPE VI		54					54
HCD	13	41	32	31	28		145
AHP							

Restricted Rents Compared to Average Market Rents

Median Income Rent Levels	Units Restricted	Restricted Rents	Avg. Market Rate Rents	Dollars Difference	% of Market
STUDIO			$1,905		
20%	1	$486		$1,508	21%
30%	4	$486		$1,508	21%
40%	1	$1,060		$934	51%
50%	1	$1,325		$669	65%
60%	0	$1,325		$0	0%
One Bedroom			$1,184		
20%	0	$0		$0	0%
30%	8	$397		$787	34%
40%	7	$580		$604	49%
50%	7	$735		$449	62%
60%	6	$735		$449	62%
Two Bedroom			$1,345		
20%	0	$0		$0	0%
30%	4	$397		$948	30%
40%	20	$694		$651	52%
50%	19	$880		$465	65%
60%	19	$880		$465	65%
Three Bedroom			$1,534		
20%	9	$397		$1,137	26%
30%	23	$397		$1,137	26%
40%	4	$796		$738	52%
50%	4	$1,011		$523	66%
60%	3	$1,011		$523	66%
Four Bedroom			$1,774		
20%	3	$397		$1,377	22%
30%	2	$397		$1,377	22%
40%	0	$0		$0	0%
50%	0	$0		$0	0%
60%	0	$0		$0	0%
Five Bedroom			$1,905		
20%	1	$486		$1,508 $0	21%
30%	4	$486		$1,508 $0	21%
40%	1	$1,060		$934 $0	51%
50%	1	$1,325		$669 $0	65%
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40%	1	$1,060		$934 $0	51%
50%	1	$1,325		$669 $0	65%
60%	0	$1,325		$0 $0	0%

Sources and Uses of Funds — Coliseum Gardens HOPE VI, Phase II

04-012-N
Final Commitment

SOURCES OF FUNDS:	Total Sources of Funds ($)	Sources per Unit	%
CalHFA First Mortgage	4,040,000	27,671	9%
CalHFA FAF Second Mortgage	730,000	5,000	2%
MHP	9,815,000	67,226	22%
MHP NSSS	500,000	3,425	1%
Oakland Housing Authority HOPE VI	7,430,139	50,891	16%
Oakland Housing Authority	703,620	4,819	2%
AHP	645,000	4,418	1%
Source 7	-	-	0%
Source 8	-	-	0%
Source 9	-	-	0%
Source 10	-	-	0%
Source 11	-	-	0%
Source 12	-	-	0%
Income during Construction			
GP Equity	1,085,986	7,438	2%
Deferred Developer Fee	244,739	1,676	1%
Tax Credit Equity	20,004,285	137,016	44%
Total Sources	45,198,769	309,581	100%
(Gap)/Surplus	-		

USES OF FUNDS:	Total Cost ($)	Cost per Unit ($)	%
ACQUISITION			
Ground Lease Prepayment	880,000	6,027	2%
Demolition	-	-	0%
Legal - Acquisition Related Fees	-	-	0%
Subtotal - Land Cost / Value	880,000		
Existing Improvements Value	-	-	0%
Off-Site Improvements	-	-	0%
Other	-	-	0%
Total Acquisition	**880,000**	**6,027**	**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):	Total Cost ($)	Cost per Unit ($)	%
NEW CONSTRUCTION			
Site Work	1,582,924	10,842	4%
Structures (Hard Costs)	24,818,674	169,991	55%
General Requirements	1,651,230	11,310	4%
Contractors Overhead	574,382	3,934	1%
Contractors Profit	1,651,230	11,310	4%
Contractor's Bond	268,332	1,838	1%
Photovoltaics	250,000	1,712	1%
Landscaping	800,000	5,479	2%
Social / Community Space	1,267,500	8,682	3%
Total New Construction	**32,864,272**	**225,098**	**73%**
ARCHITECTURAL & ENGINEERING			
Architectural Design	950,000	6,507	2%
Other Architect & Engineers	100,000	685	0%
Total Architectural	**1,050,000**	**7,192**	**2%**
Engineering Expense	300,000	2,055	1%
Engineers Supv. during Construction	-	-	0%
ALTA Survey	25,000	171	0%
Total Engineering & Survey	**325,000**	**2,226**	**1%**
CONSTRUCTION LOAN COSTS			
Construction Loan Interest	1,349,660	9,244	3%
Construction Loan Fee	191,274	1,310	0%
Bond Issuer Costs	115,000	788	0%
Construction Lender Costs	75,000	514	0%
Other Lender Req'd Legal Fees	-	-	0%
Title and Recording fees	40,000	274	0%
CalHFA Req'd Inspection Fees	27,000	185	0%
Testing & Inspection Fees	50,000	342	0%
Prevailing Wage Monitoring Expense	-	-	0%
Taxes & Insurance during construction	-	-	0%
Predevelopment Interest	50,000	342	0%
Other	-	-	0%
Other	-	-	0%
Total Construction Loan Expense	**1,897,934**	**13,000**	**4%**
PERMANENT LOAN COSTS			
CalHFA Perm Loan Fees	71,550	490	0%
CalHFA Bridge Loan Fees	-	-	0%
CalHFA Loan Application Fee	500	3	0%
OHA Loan Fee - HOPE VI	60,000	411	0%
Title and Recording	20,000	137	0%
Perm. Bridge Loan Interest Expense	-	-	0%
Bond Origination Guarantee Fee	-	-	0%
Tax Exempt Bond Refunding	5,000	34	0%
Other	15,000	103	0%
Total Permanent Loan Expense	**157,050**	**1,076**	**0%**
LEGAL FEES			
Borrower Legal Fee	200,000	1,370	0%
Other	-	-	0%
Total Attorney Expense	**200,000**	**1,370**	**0%**

USES OF FUNDS (Cont'd):	Total Cost ($)	Cost Per Unit ($)	%
CONTRACT / REPORT COSTS			
Appraisal	20,000	137	0%
Market Study	10,000	68	0%
Physical Needs Assessment	-	-	0%
HUD Risk Share Environ. Review	-	-	0%
CalHFA EQ Waiver Seismic Review Fee	10,000	68	0%
Environmental Phase I / II Reports		-	0%
Soils / Geotech Reports	85,000	582	0%
Asbestos / Lead-based Paint Report	-	-	0%
Noise/Acoustical/Traffic Study Report	56,000	384	0%
Termit and Dryrot	-	-	0%
Other	-	-	0%
Total Contract Costs	**181,000**	**1,240**	**0%**
CONTINGENCY			
Hard Cost Contingency	1,823,352	12,489	4%
Soft Cost Contingency	100,000	685	0%
Total Contingency	**1,923,352**	**13,174**	**4%**
RESERVES			
CalHFA Operating Expense Reserve	112,765	772	0%
Construction Defects Reserve	-	-	0%
Rent-Up Reserve - Investor	193,120	1,323	0%
ACC Reserve	200,000	1,370	0%
Additional Operating Reserve	246,329	1,687	1%
Total Reserves	**752,214**	**5,152**	**2%**
OTHER			
CTCAC App/Alloc/Monitor Fees	79,947	548	0%
Local Permit Fees	647,049	4,432	1%
Local Development Impact Fees	520,951	3,568	1%
Other Consultants	80,000	548	0%
Advertising & Marketing Expenses	115,000	788	0%
1st Year Taxes & Insurance	625,000	4,281	1%
Furnishings	175,000	1,199	0%
Final Cost Audit Expense	35,000	240	0%
Miscellaneous Admin Fees	75,000	514	0%
Bond Issuance Costs - Issuer	115,000	788	0%
Miscellaneous		-	0%
Other	-	-	0%
Total Other Expenses	**2,467,947**	**16,904**	**5%**
SUBTOTAL PROJECT COSTS	**42,698,769**	**292,457**	**94%**
DEVELOPER COSTS			
Developer Overhead/Profit (5% Acq.)	-	-	0%
Developer Overhead/Profit (NC/Rehab)	2,500,000	17,123	6%
Consultant / Processing Agent	-	-	0%
Project Administration	-	-	0%
Broker Fees to a related party	-	-	0%
Construction Mgmt. Oversight	-	-	0%
Other	-	-	0%
Total Developer Fee / Costs	**2,500,000**	**17,123**	**6%**
Total Costs	**45,198,769**	**309,581**	**100%**

Annual Operating Budget — **Coliseum Gardens HOPE VI, Phase II**

Final Commitment

INCOME:	$ Amount	Per Unit	% of Total
Total Rental Income	$1,138,092	$7,795	95.88%
Laundry	$10,512	$72	0.89%
Other Income	$38,394	$263	3.23%
Gross Potential Income (GPI)	**$1,186,998**	**$8,130**	100.00%
Less:			
Vacancy Loss	$59,350	$407	5.26%
Effective Gross Income	**$1,127,648**	**$7,724**	

EXPENSES:	Total Cost	Per Unit	% of Total
Payroll	$183,230	$1,255	24.22%
Administrative	$63,656	$436	8.42%
Management Fee	$58,400	$400	7.72%
Utilities	$103,806	$711	13.72%
Operating and Maintenance	$190,676	$1,306	25.21%
Insurance and Business Taxes	$59,130	$405	7.82%
Social Programs	$32,850	$225	4.34%
Other	$0	$0	0.00%
Subtotal Expenses	**$691,748**	$4,738	91.45%
Replacement Reserves	$58,400	$400	7.72%
Taxes & Assessments	$6,278	$43	0.83%
Total Expenses	$756,426	$5,181	100.00%
Financial Expenses			
CalHFA First Mortgage	$263,372	$1,804	
CalHFA FAF Second Mortgage	$31,359	$215	
MHP Annual Payment	$41,223	$282	
NET OPERATING INCOME	**$35,268**	**$242**	

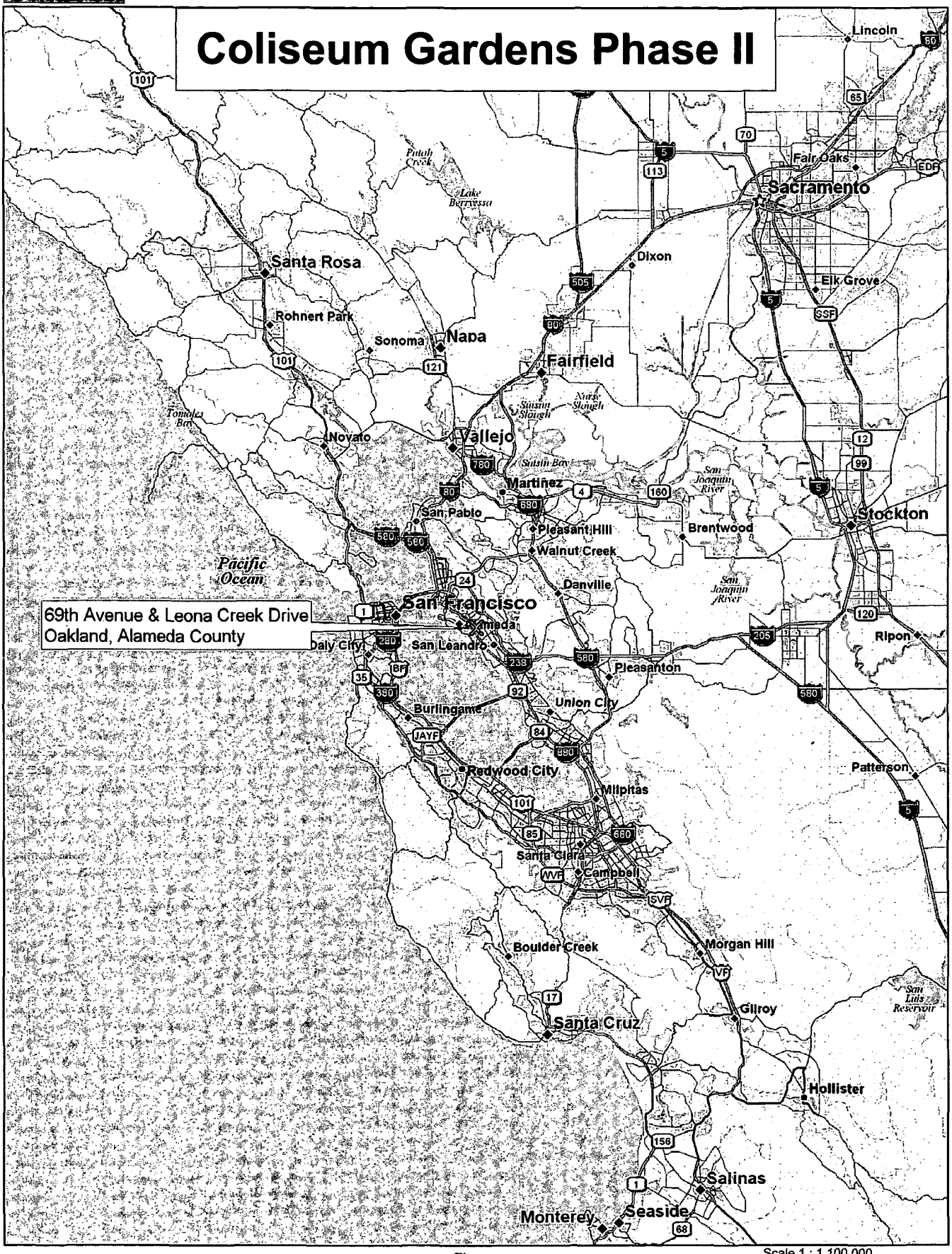
Cash Flow	Final Commitment				CalHFA Project Number: 04-012-N n Gardens HOPE VI, Phase II					
RENTAL INCOME	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Affordable Rents	**890,364**	**908,171**	**926,335**	**944,861**	**963,759**	**983,034**	**1,002,694**	**1,022,748**	**1,043,203**	**1,064,067**
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%*
ACC Units	**247,728**	**255,160**	**262,815**	**270,699**	**278,820**	**287,185**	**295,800**	**304,674**	**313,814**	**323,229**
ACC Unit Increases	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
TOTAL RENTAL INCOME	**1,138,092**	**1,163,331**	**1,189,149**	**1,215,560**	**1,242,579**	**1,270,218**	**1,298,495**	**1,327,423**	**1,357,018**	**1,387,296**
OTHER INCOME										
Laundry	**10,512**	**10,722**	**10,937**	**11,155**	**11,378**	**11,606**	**11,838**	**12,075**	**12,316**	**12,563**
ACC Utility Reimbursement	**38,394**	**39,162**	**39,945**	**40,744**	**41,559**	**42,390**	**43,238**	**44,103**	**44,985**	**45,884**
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	**48,906**	**49,884**	**50,882**	**51,899**	**52,937**	**53,996**	**55,076**	**56,177**	**57,301**	**58,447**
GROSS POTENTIAL INCOME	**1,186,998**	**1,213,215**	**1,240,031**	**1,267,460**	**1,295,516**	**1,324,214**	**1,353,571**	**1,383,600**	**1,414,319**	**1,445,743**
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%*
ACC Units	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
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	**59,350**	**60,661**	**62,002**	**63,373**	**64,776**	**66,211**	**67,679**	**69,180**	**70,716**	**72,287**
EFFECTIVE GROSS INCOME	**1,127,648**	**1,152,554**	**1,178,029**	**1,204,087**	**1,230,740**	**1,258,004**	**1,285,892**	**1,314,420**	**1,343,603**	**1,373,456**
OPERATING EXPENSES										
Expenses	691,748	712,500	733,875	755,892	778,568	801,926	825,983	850,763	876,286	902,574
Annual Expense Increase	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Taxes and Assessments	6,278	6,404	6,532	6,662	6,796	6,931	7,070	7,211	7,356	7,503
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	58,400	58,400	58,400	58,400	58,400	61,320	61,320	61,320	61,320	61,320
Percentage Increase Yearly	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*5.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*5.00%*
TOTAL EXPENSES	**756,426**	**777,304**	**798,807**	**820,954**	**843,764**	**870,177**	**894,373**	**919,294**	**944,961**	**971,397**
NET OPERATING INCOME	**371,222**	**375,250**	**379,222**	**383,133**	**386,976**	**387,827**	**391,519**	**395,126**	**398,642**	**402,059**
DEBT SERVICE										
CalHFA - 1st Mortgage	263,372	263,372	263,372	263,372	263,372	263,372	263,372	263,372	263,372	263,372
CalHFA FAF - 2nd Mortgage	31,359	31,359	31,359	31,359	31,359	31,359	31,359	31,359	31,359	31,359
MHP	41,223	41,223	41,223	41,223	41,223	41,223	41,223	41,223	41,223	41,223
Sum of all req'd debt service	335,954	335,954	335,954	335,954	335,954	335,954	335,954	335,954	335,954	335,954
CASH FLOW after all debt service	**35,268**	**80,519**	**84,491**	**88,402**	**92,245**	**93,096**	**96,787**	**100,395**	**103,910**	**107,328**
DEBT COVERAGE RATIO	**1.10**	**1.12**	**1.13**	**1.14**	**1.15**	**1.15**	**1.17**	**1.18**	**1.19**	**1.20**

Cash Flow	CalHFA Project Number: 04-012-N						Coliseum Gardens HOPE VI, Phase II			
RENTAL INCOME	**Year 11**	**Year 12**	**Year 13**	**Year 14**	**Year 15**	**Year 16**	**Year 17**	**Year 18**	**Year 19**	**Year 20**
Affordable Rents	**1,085,349**	**1,107,056**	**1,129,197**	**1,151,781**	**1,174,816**	**1,198,313**	**1,222,279**	**1,246,725**	**1,271,659**	**1,297,092**
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%*
ACC Units	**332,926**	**342,913**	**353,201**	**363,797**	**374,711**	**385,952**	**397,531**	**409,457**	**421,740**	**434,393**
ACC Unit Increases	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
TOTAL RENTAL INCOME	**1,418,274**	**1,449,969**	**1,482,398**	**1,515,578**	**1,549,527**	**1,584,265**	**1,619,810**	**1,656,181**	**1,693,399**	**1,731,485**
OTHER INCOME										
Laundry	**12,814**	**13,070**	**13,332**	**13,598**	**13,870**	**14,148**	**14,431**	**14,719**	**15,014**	**15,314**
ACC Utility Reimbursement	**46,802**	**47,738**	**48,693**	**49,667**	**50,660**	**51,673**	**52,707**	**53,761**	**54,836**	**55,933**
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	**59,616**	**60,808**	**62,024**	**63,265**	**64,530**	**65,821**	**67,137**	**68,480**	**69,850**	**71,247**
GROSS POTENTIAL INCOME	**1,477,890**	**1,510,778**	**1,544,422**	**1,578,843**	**1,614,057**	**1,650,086**	**1,686,947**	**1,724,661**	**1,763,249**	**1,802,731**
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%*
ACC Units	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
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	**73,895**	**75,539**	**77,221**	**78,942**	**80,703**	**82,504**	**84,347**	**86,233**	**88,162**	**90,137**
EFFECTIVE GROSS INCOME	**1,403,996**	**1,435,239**	**1,467,201**	**1,499,901**	**1,533,355**	**1,567,581**	**1,602,600**	**1,638,428**	**1,675,087**	**1,712,595**
OPERATING EXPENSES										
Expenses	929,651	957,541	986,267	1,015,855	1,046,331	1,077,721	1,110,052	1,143,354	1,177,655	1,212,984
Annual Expense Increase	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Taxes and Assessments	7,653	7,806	7,962	8,121	8,284	8,449	8,618	8,791	8,967	9,146
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	64,386	64,386	64,386	64,386	64,386	67,605	67,605	67,605	67,605	67,605
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	**1,001,690**	**1,029,733**	**1,058,615**	**1,088,363**	**1,119,001**	**1,153,776**	**1,186,276**	**1,219,750**	**1,254,226**	**1,289,735**
NET OPERATING INCOME	**402,306**	**405,506**	**408,586**	**411,538**	**414,354**	**413,806**	**416,324**	**418,678**	**420,860**	**422,859**
DEBT SERVICE										
CalHFA - 1st Mortgage	263,372	263,372	263,372	263,372	263,372	263,372	263,372	263,372	263,372	263,372
CalHFA FAF - 2nd Mortgage	31,359	31,359	31,359	31,359	31,359	32,004	32,004	32,004	32,004	32,004
MHP	41,223	41,223	41,223	41,223	41,223	41,223	41,223	41,223	41,223	41,223
Sum of all req'd debt service	335,954	335,954	335,954	335,954	335,954	336,599	336,599	336,599	336,599	336,599
CASH FLOW after all debt service	**107,574**	**110,774**	**113,855**	**116,807**	**119,623**	**118,430**	**120,948**	**123,302**	**125,484**	**127,484**
DEBT COVERAGE RATIO	**1.20**	**1.21**	**1.22**	**1.22**	**1.23**	**1.23**	**1.24**	**1.24**	**1.25**	**1.26**

Cash Flow	CalHFA Project Number: 04-012-N							Coliseum Gardens HOPE VI, Phase II		
RENTAL INCOME	**Year 21**	**Year 22**	**Year 23**	**Year 24**	**Year 25**	**Year 26**	**Year 27**	**Year 28**	**Year 29**	**Year 30**
Affordable Rents	**1,323,034**	**1,349,495**	**1,376,485**	**1,404,014**	**1,432,095**	**1,460,737**	**1,489,951**	**1,519,750**	**1,550,145**	**1,581,148**
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%*
ACC Units	**447,424**	**460,847**	**474,672**	**488,913**	**503,580**	**518,687**	**534,248**	**550,275**	**566,784**	**583,787**
ACC Unit Increases	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
TOTAL RENTAL INCOME	**1,770,458**	**1,810,342**	**1,851,157**	**1,892,927**	**1,935,675**	**1,979,424**	**2,024,199**	**2,070,026**	**2,116,929**	**2,164,935**
OTHER INCOME										
Laundry	**15,620**	**15,933**	**16,251**	**16,576**	**16,908**	**17,246**	**17,591**	**17,943**	**18,301**	**18,667**
ACC Utility Reimbursement	**57,051**	**58,192**	**59,356**	**60,543**	**61,754**	**62,989**	**64,249**	**65,534**	**66,845**	**68,182**
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	**72,672**	**74,125**	**75,608**	**77,120**	**78,662**	**80,235**	**81,840**	**83,477**	**85,146**	**86,849**
GROSS POTENTIAL INCOME	**1,843,130**	**1,884,467**	**1,926,765**	**1,970,047**	**2,014,337**	**2,059,659**	**2,106,039**	**2,153,503**	**2,202,075**	**2,251,785**
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%*
ACC Units	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
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	**92,156**	**94,223**	**96,338**	**98,502**	**100,717**	**102,983**	**105,302**	**107,675**	**110,104**	**112,589**
EFFECTIVE GROSS INCOME	**1,750,973**	**1,790,243**	**1,830,426**	**1,871,544**	**1,913,620**	**1,956,676**	**2,000,737**	**2,045,827**	**2,091,972**	**2,139,195**
OPERATING EXPENSES										
Expenses	1,249,374	1,286,855	1,325,461	1,365,225	1,406,181	1,448,367	1,491,818	1,536,572	1,582,669	1,630,149
Annual Expense Increase	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Taxes and Assessments	9,329	9,515	9,706	9,900	10,098	10,300	10,506	10,716	10,930	11,149
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	70,986	70,986	70,986	70,986	70,986	74,535	74,535	74,535	74,535	74,535
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	**1,329,688**	**1,367,356**	**1,406,152**	**1,446,110**	**1,487,265**	**1,533,201**	**1,576,858**	**1,621,823**	**1,668,134**	**1,715,833**
NET OPERATING INCOME	**421,285**	**422,887**	**424,274**	**425,434**	**426,355**	**423,475**	**423,879**	**424,005**	**423,837**	**423,362**
DEBT SERVICE										
CalHFA - 1st Mortgage	263,372	263,372	263,372	263,372	263,372	263,372	263,372	263,372	263,372	263,372
CalHFA FAF - 2nd Mortgage	32,004	32,004	32,004	32,004	32,004	32,004	32,004	32,004	32,004	32,004
MHP	41,223	41,223	41,223	41,223	41,223	41,223	41,223	41,223	41,223	41,223
Sum of all req'd debt service	336,599	336,599	336,599	336,599	336,599	336,599	336,599	336,599	336,599	336,599
CASH FLOW after all debt service	**125,909**	**127,512**	**128,899**	**130,059**	**130,979**	**128,099**	**128,503**	**128,629**	**128,461**	**127,987**
DEBT COVERAGE RATIO	**1.25**	**1.26**	**1.26**	**1.26**	**1.27**	**1.26**	**1.26**	**1.26**	**1.26**	**1.26**

Cash Flow	CalHFA Project Number: 04-012-N							Coliseum Gardens HOPE VI, Phase II		
RENTAL INCOME	**Year 31**	**Year 32**	**Year 33**	**Year 34**	**Year 35**	**Year 36**	**Year 37**	**Year 38**	**Year 39**	**Year 40**
Affordable Rents	**1,612,771**	**1,645,027**	**1,677,927**	**1,711,486**	**1,745,715**	**1,780,630**	**1,816,242**	**1,852,567**	**1,889,618**	**1,927,411**
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%*
ACC Units	**601,301**	**619,340**	**637,920**	**657,058**	**676,769**	**697,073**	**717,985**	**739,524**	**761,710**	**784,561**
ACC Unit Increases	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
TOTAL RENTAL INCOME	**2,214,072**	**2,264,366**	**2,315,847**	**2,368,543**	**2,422,485**	**2,477,702**	**2,534,227**	**2,592,091**	**2,651,328**	**2,711,972**
OTHER INCOME										
Laundry	**19,041**	**19,422**	**19,810**	**20,206**	**20,610**	**21,023**	**21,443**	**21,872**	**22,309**	**22,756**
ACC Utility Reimbursement	**69,545**	**70,936**	**72,355**	**73,802**	**75,278**	**76,784**	**78,319**	**79,886**	**81,484**	**83,113**
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	**88,586**	**90,358**	**92,165**	**94,008**	**95,889**	**97,806**	**99,762**	**101,758**	**103,793**	**105,869**
GROSS POTENTIAL INCOME	**2,302,658**	**2,354,724**	**2,408,012**	**2,462,552**	**2,518,373**	**2,575,509**	**2,633,989**	**2,693,849**	**2,755,121**	**2,817,841**
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%*
ACC Units	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
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	**115,133**	**117,736**	**120,401**	**123,128**	**125,919**	**128,775**	**131,699**	**134,692**	**137,756**	**140,892**
EFFECTIVE GROSS INCOME	**2,187,525**	**2,236,988**	**2,287,612**	**2,339,424**	**2,392,455**	**2,446,733**	**2,502,290**	**2,559,157**	**2,617,365**	**2,676,949**
OPERATING EXPENSES										
Expenses	1,679,054	1,729,426	1,781,308	1,834,748	1,889,790	1,946,484	2,004,878	2,065,025	2,126,975	2,190,785
Annual Expense Increase	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Taxes and Assessments	11,372	11,599	11,831	12,068	12,309	12,555	12,806	13,063	13,324	13,590
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	78,262	78,262	78,262	78,262	78,262	82,175	82,175	82,175	82,175	82,175
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	**1,768,687**	**1,819,286**	**1,871,401**	**1,925,077**	**1,980,361**	**2,041,214**	**2,099,859**	**2,160,262**	**2,222,474**	**2,286,550**
NET OPERATING INCOME	**418,838**	**417,702**	**416,211**	**414,347**	**412,094**	**405,519**	**402,431**	**398,895**	**394,891**	**390,399**
DEBT SERVICE										
CalHFA - 1st Mortgage	263,372	263,372	263,372	263,372	263,372	263,372	263,372	263,372	263,372	263,372
CalHFA FAF - 2nd Mortgage	32,004	32,004	32,004	32,004	32,004	32,004	32,004	32,004	32,004	32,004
MHP	41,223	41,223	41,223	41,223	41,223	41,223	41,223	41,223	41,223	41,223
Sum of all req'd debt service	336,599	336,599	336,599	336,599	336,599	336,599	336,599	336,599	336,599	336,599
CASH FLOW after all debt service	**123,462**	**122,326**	**120,835**	**118,971**	**116,718**	**110,144**	**107,055**	**103,519**	**99,516**	**95,023**
DEBT COVERAGE RATIO	**1.24**	**1.24**	**1.24**	**1.23**	**1.22**	**1.20**	**1.20**	**1.19**	**1.17**	**1.16**

Coliseum Gardens Phase II



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Scale 1 : 1,100,000
1" = 17.36 mi
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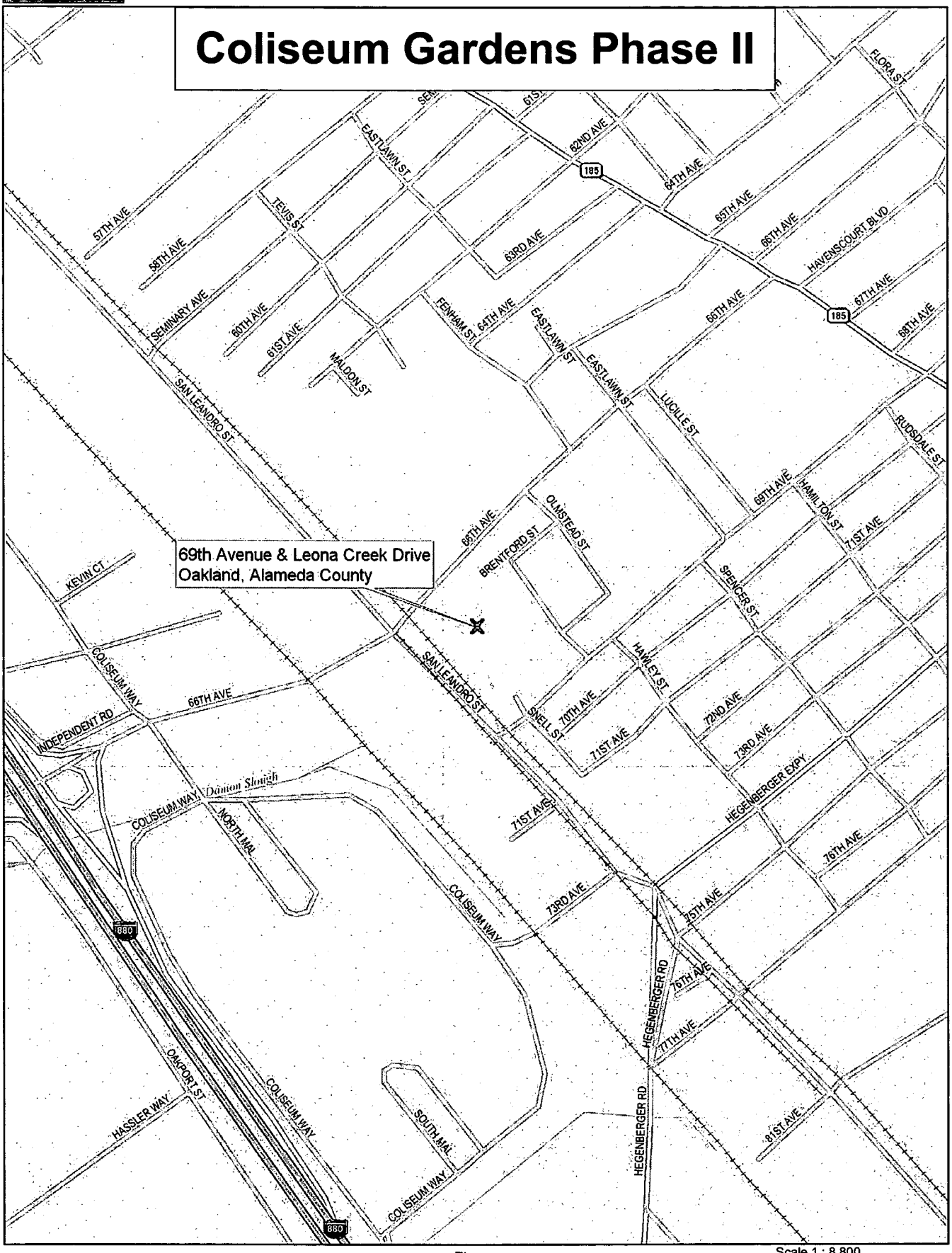
Coliseum Gardens Phase II



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1" = 733.3 ft Data Zoom 14-5

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RESOLUTION 05-25

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Lion Way Housing Partners, L.P., a California limited partnership (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in Oakland, California, to be known as Coliseum Gardens Phase II (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which prepared a report presented to the Board on the meeting date recited below (the "Staff Report"), recommending Board approval subject to certain recommended terms and conditions; and

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

WHEREAS, on June 15, 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;

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, in a form acceptable to the Agency, and subject to recommended terms and conditions set forth in the Staff Report, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	MORTGAGE AMOUNT	
04-012-N	Coliseum Gardens Phase II Oakland, California	First Permanent: Second Permanent:	$ 4,040,000 $ 730,000

2. The Executive Director may modify the terms and conditions of the loans or loans as described in the Staff Report, provided that major modifications, as defined below, must be submitted to this Board for approval. "Major modifications" as used herein means modifications which either (i) increase the total aggregate amount of any loans made pursuant to the Resolution by more than 7%; or (ii) modifications which in the judgment of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency, adversely change the financial or public purpose aspects of the final commitment in a substantial way.

I hereby certify that this is a true and correct copy of Resolution 05-25 adopted at a duly constituted meeting of the Board of the Agency held on July 7, 2005 at Sacramento, 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	$26,400,000
Interest Rate:	variable
Term:	20 Months, interest only
Financing:	Tax-exempt
FAF Loan	$580,000
Interest Rate:	3.00% simple interest
Term:	20 Months
Financing:	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 be 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 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 April 2007.

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-site improvements currently budgeted is $535,000 for off-sites and utilities, in addition to $225,778 for streets.

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, June 2004, and May 2005 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 below)

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.

LFR concludes in their May 2005 Phase I that: a) caution should be exercised during redevelopment activities for the presence of subsurface features such as buried utility lines, and b) City of Los Angeles guidelines should be followed regarding methane gas mitigation.

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 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.

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 in addition to a ten percent contingency. Requests for qualifications from general contractors will be distributed by the end of June 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 mid-July, and bidding is expected to commence by mid-August. A five week bid period will be allowed, with bids due by mid-September. Construction is expected to start November first with completion expected by April 2007.

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 Space*	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	$26,400,000	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	$1,026,630		
Deferred Dev. Fee	$974,175		
Tax Credit Equity	$17,911,706		

Construction Valuation		Appraisal		Value Upon Completion	
Investment Value	$28,700,000	**Appraisal Date:**	06/20/05	**Restricted Value:**	$3,200,000
Loan / Cost	70%	**Cap Rate:**	6.50%	**Perm. Loan / Cost**	4%
Loan / Value	92%			**Perm. Loan / Value**	70%
Loan /Value inc. FAF	94%				

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	**Amount**	**Required Reserves**	**Amount**	
CalHFA Construction Loan Fee	$264,000	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	$26,400,000	Rent Up Reserve	$138,000	LOC
Contractors Payment Bond	$25,559,548	LTV over 90% LOC	$1,277,778	LOC
Contractors Performance Bond	$25,559,548			

Date: 6/22/2005 **Senior Staff Date:** 6/13/2005

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			$1,195		
ACC UNITS	4	$371		$824	31%
40%	0	$0		$0	0%
50%	7	$620		$575	52%
60%	0	$0		$0	0%
80%	0	$0		$0	0%
Three Bedroom			$1,425		
ACC UNITS	32	$371		$1,054	26%
40%	17	$559		$866	39%
50%	17	$713		$712	50%
60%	17	$868		$557	61%
80%	0	$0		$0	0%
Four Bedroom			$1,575		
ACC UNITS	10	$371		$1,204	24%
40%	5	$615		$960	39%
50%	5	$787		$788	50%
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 ($)	Funds in at Permanent ($)
CalHFA Construction Financing	26,400,000	
Construction Only Source 2		
Construction Only Source 3		
CalHFA First Mortgage		1,650,000
CalHFA Second Mortgage - FAF	580,000	
HCD-MHP	-	7,950,640
HCD-MHP-NSSS	-	500,000
Housing Authority City of Los Angeles	6,729,758	
Los Angeles Housing Dept.- HOME funds	2,904,285	
Source 6	-	-
Source 7	-	-
Source 8	-	-
Source 9	-	-
Source 10	-	-
Source 11	-	-
AHP Loan	-	-
Income during Construction	-	-
Developer Contribution		1,026,630
Deferred Developer Fee	-	974,175
Tax Credit Equity	1,000,000	16,911,706
Total Sources	37,614,043	29,013,151
(Gap)/Surplus	0	-

Total Development Sources		
Total Sources of Funds ($)	**Sources per Unit**	**%**
1,650,000	14,224	4%
580,000	5,000	1%
7,950,640	68,540	20%
500,000	4,310	1%
6,729,758	58,015	17%
2,904,285	25,037	7%
-	-	0%
-	-	0%
-	-	0%
-	-	0%
-	-	0%
-	-	0%
-	-	0%
-	-	0%
1,026,630	8,850	3%
974,175	8,398	2%
17,911,706	154,411	45%
40,227,194	346,786	100%
0		

USES OF FUNDS:	Construction ($)	Permanent ($)
LOAN PAYOFFS & ROLLOVERS		
Construction Loan payoffs		**$26,400,000**
ACQUISITION		
Lesser of Land Cost or Value	-	-
Demolition	-	-
Legal - Acquisition Related Fees	15,680	
Subtotal - Land Cost / Value	15,680	-
Existing Improvements Value	-	-
Off-Sites & Site Utilities	535,000	
Streets	225,778	-
Total Acquisition	**776,458**	**-**
LIFE LONG LEARNING CENTER		
Site Work	187,993	-
Structures (Hard Costs)	2,785,892	-
General Requirements	351,707	-
Contractors Overhead	-	-
Contractors Profit	-	-
Contractor's Bond	23,203	-
General Liability Insurance	-	-
Environmental Mitigation Expense	-	-
Other	-	-
Other	-	-
Total Life Long Learning Center	**3,348,795**	**-**
RELOCATION EXPENSES		
Relocation Expense	-	-
Relocation Compliance Monitoring	-	-
Total Relocation	**-**	**-**

Total Development Costs		
Total Uses of Funds ($)	**Cost per Unit**	**%**
-	-	0%
-	-	0%
15,680	135	0%
15,680		
-	-	0%
535,000	4,612	1%
225,778	1,946	1%
776,458	**6,694**	**2%**
187,993	1,621	0%
2,785,892	24,016	7%
351,707	3,032	1%
	-	0%
	-	0%
23,203	200	0%
-	-	0%
-	-	0%
	-	0%
-	-	0%
3,348,795	**28,869**	**8%**
-	-	0%
-	-	0%
-	**-**	**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	1,415,510	-	1,415,510	12,203	4%
Structures (Hard Costs)	20,976,624	-	20,976,624	180,833	52%
General Requirements	269,431	-	269,431	2,323	1%
Contractors Overhead and Profit	2,378,777	-	2,378,777	20,507	6%
Contractors Profit	-	-	-	-	0%
Contractor's Bond	174,706	-	174,706	1,506	0%
General Liability Insurance	-	-	-	-	0%
Personal Property and Furnishings	344,500	-	344,500	2,970	1%
Other		-	-	-	0%
Total New Construction	**25,559,548**	**-**	**25,559,548**	**220,341**	**64%**
ARCHITECTURAL & ENGINEERING					
Architectural Design	892,100	-	892,100	7,691	2%
Architect's Supv during Construction	-	-	-	-	0%
Total Architectural	**892,100**	**-**	**892,100**	**7,691**	**2%**
Engineering Expense	816,971	-	816,971	7,043	2%
Engineers Supv. during Construction	-	-	-	-	0%
ALTA Survey	-	-	-	-	0%
Total Engineering & Survey	**816,971**	**-**	**816,971**	**7,043**	**2%**
CONSTRUCTION LOAN COSTS					
Construction Loan Interest	1,130,000		1,130,000	9,741	3%
CalHFA Construction Loan Fee	264,000		264,000	2,276	1%
Other Construction Loan Fees	-		-	-	0%
CalHFA Outside Legal Counsel Fees	20,000		20,000	172	0%
Other Lender Req'd Legal Fees	20,000		20,000	172	0%
Title and Recording fees	24,000		24,000	207	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	105,750		105,750	912	0%
FAF interest during construction	34,800		34,800	300	0%
Total Construction Loan Expense	**1,730,050**	**-**	**1,730,050**	**14,914**	**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	-	68,400	68,400	590	0%
Perm. Bridge Loan Interest Expense	-	-	-	-	0%
Bond Origination Guarantee Fee	-	-	-	-	0%
Tax Exempt Bond Allocation Fee	600	-	600	5	0%
Legal Fees		35,000	35,000	302	0%
Total Permanent Loan Expense	**12,250**	**103,400**	**115,650**	**997**	**0%**
LEGAL FEES					
Organization Legal Fee	5,500		5,500	47	0%
Syndication	50,000		50,000	431	0%
Total Attorney Expense	**55,500**	**-**	**55,500**	**478**	**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	2,890,834	-	2,890,834	24,921	7%
Soft Cost Contingency	200,000	-	200,000	1,724	0%
Total Contingency	**3,090,834**	**-**	**3,090,834**	**26,645**	**8%**
RESERVES					
CalHFA Operating Expense Reserve	-	78,295	78,295	675	0%
Construction Defects Reserve	-	-	-	-	0%
90% LTV and Rent-Up Reserve LOC	21,237		21,237	183	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	**167,185**	**427,270**	**594,455**	**5,125**	**1%**
OTHER					
CTCAC App/Alloc/Monitor Fees	18,000	46,926	64,926	560	0%
Local Permit Fees	285,210	-	285,210	2,459	1%
Local Development Impact Fees	90,000	-	90,000	776	0%
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	-		-		0%
Construction Management & Cost Estimating	-		-		0%
Construction Testing	-	-	-	-	0%
Service Planning & Community Outreach	-		-	-	0%
Total Other Expenses	**511,785**	**74,966**	**586,751**	**5,058**	**1%**
SUBTOTAL PROJECT COSTS	**37,076,558**	**27,005,636**	**37,682,194**	**324,846**	**94%**
DEVELOPER COSTS					
Developer Overhead/Profit (5% Acq.)	-	-	-	-	0%
Developer Overhead/Profit (NC/Rehab)	492,485	2,007,515	2,500,000	21,552	6%
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	**537,485**	**2,007,515**	**2,545,000**	**21,940**	**6%**
Total Costs	**37,614,043**	**29,013,151**	**40,227,194**	**346,786**	**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

ACC RENTAL INCOME		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
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%*
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%*
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%*
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%*
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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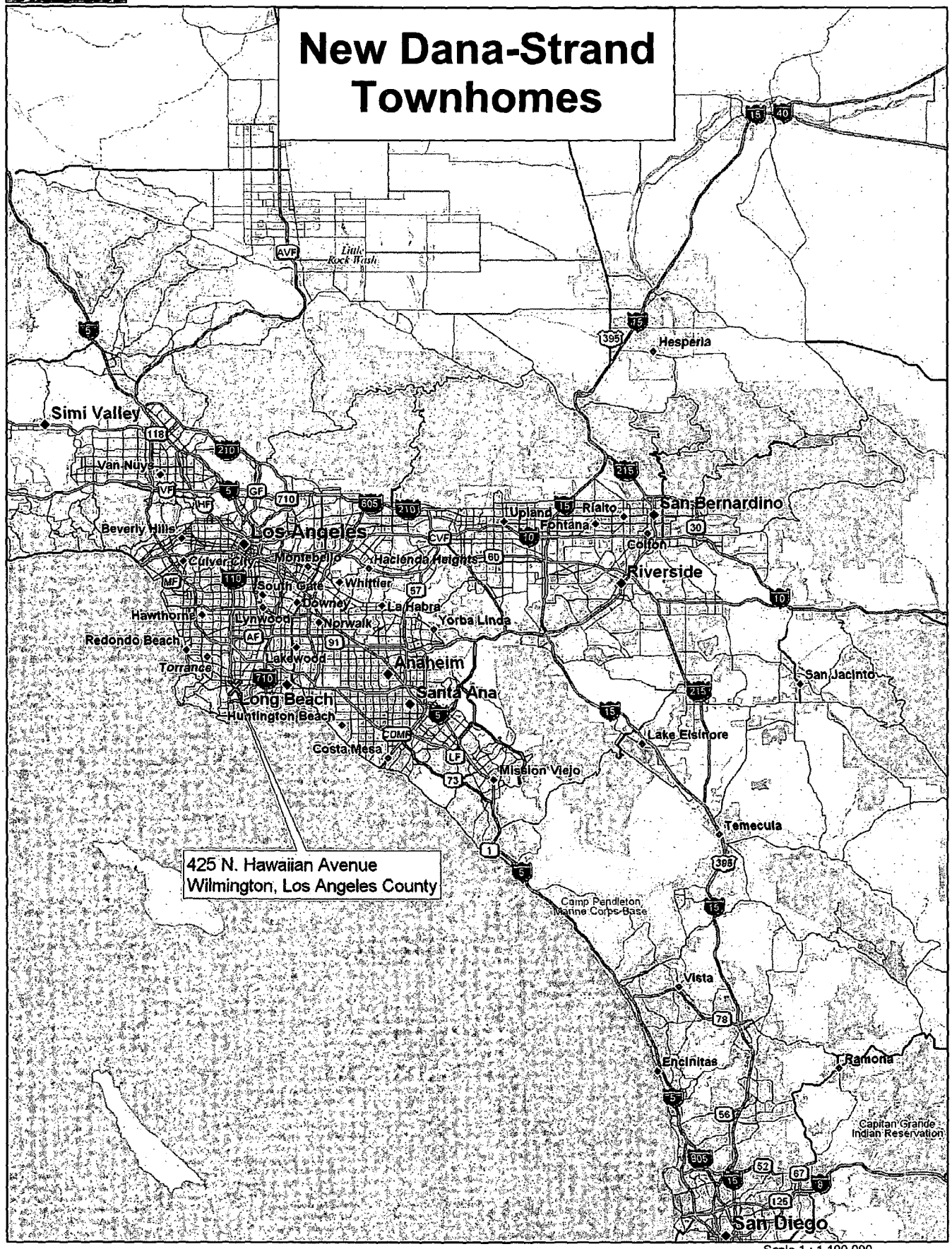
Street Atlas USA® 2004

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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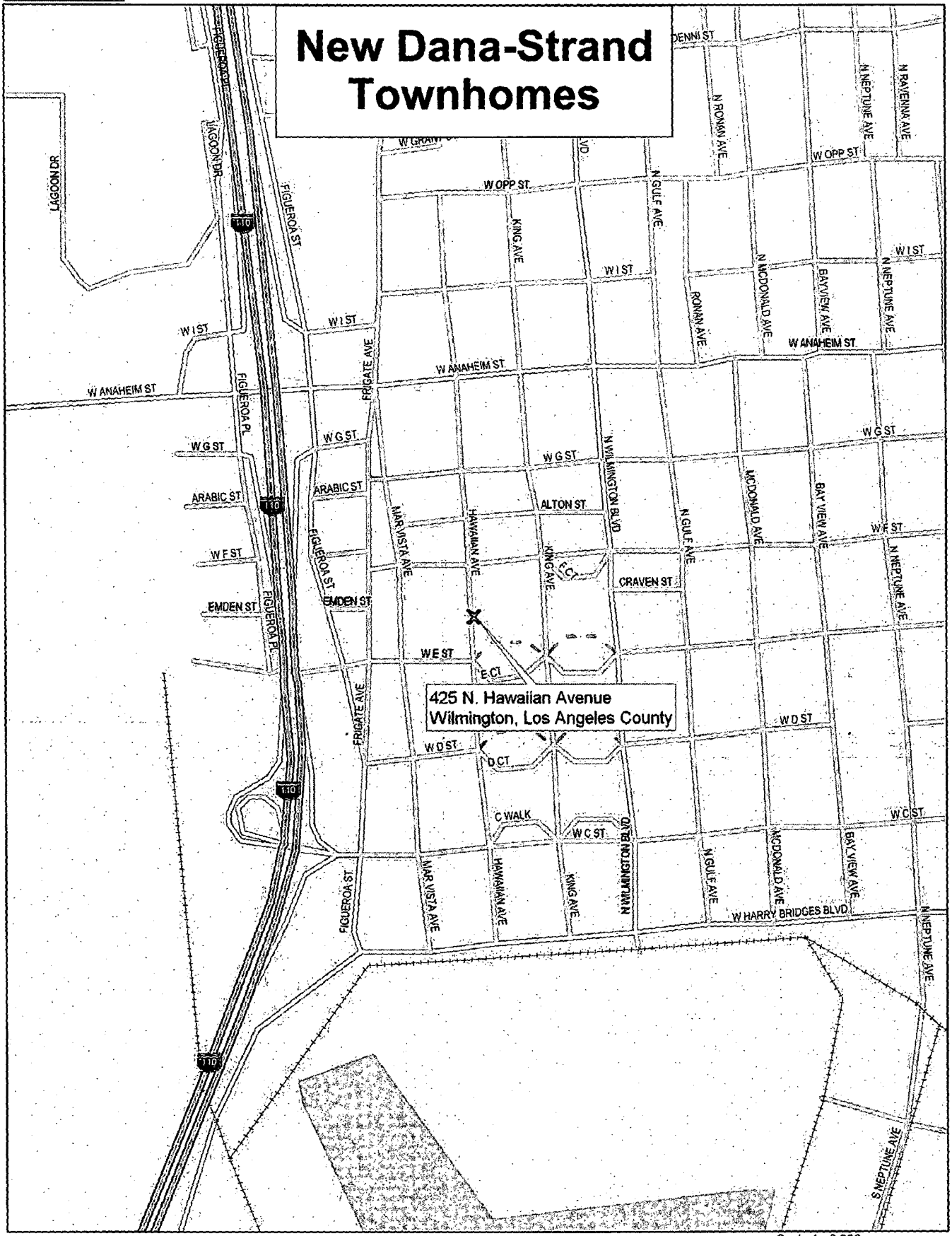
DELORME

Street Atlas USA® 2004

New Dana-Strand Townhomes



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TN

MN (13.1°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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RESOLUTION 05-26

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, the proceeds of which are to be used to provide financing for a multifamily housing development located in Wilmington, California, to be known as New Dana Strand Townhomes (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which prepared a report presented to the Board on the meeting date recited below (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;

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, in a form acceptable to the Agency, and subject to recommended terms and conditions set forth in the Staff Report, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	MORTGAGE AMOUNT	
4-010-C/S	New Dana Strand Townhomes Wilmington, CA	First Construction	$26,400,000
		Second Construction	$ 580,000
		First Permanent	$ 1,650,000
		Second Permanent	$ 580,000

2. The Executive Director may modify the terms and conditions of the loans or loans as described in the Staff Report, provided that major modifications, as defined below, must be submitted to this Board for approval. "Major modifications" as used herein means modifications which either (i) increase the total aggregate amount of any loans made pursuant to the Resolution by more than 7%; or (ii) modifications which in the judgment of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency, adversely change the financial or public purpose aspects of the final commitment in a substantial way.

I hereby certify that this is a true and correct copy of Resolution 05-26 adopted at a duly constituted meeting of the Board of the Agency held on July 7, 2005 at Sacramento, California.

ATTEST:_____
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Gish Apartments
San Jose, Santa Clara County, CA
CalHFA # 05-006CN

SUMMARY

This is a final commitment request. Security for the loans will be a 0.42-acre site and the residential improvements located at 1410 North First Street in the City of San Jose in Santa Clara County. Gish Apartments, L.P., a California a limited partnership, whose general partner is Gish Apartments, LLC. will own the property. The sponsor, First Community Housing Corporation will be the sole member of Gish Apartments LLC.

The project, when built, will consist of a four-story structure over a fully-below-grade-parking garage. There will be approximately 3,750 square feet retail space and podium parking on the ground floor and 35 units of family housing above. Thirteen of the units will be designated for developmentally disabled adults who are also at risk of homelessness. The commercial space will be a separate parcel and will be sold at project completion. It will be leased to 7-Eleven.

LOAN TERMS

Construction

First Mortgage	$9,910,000
Interest Rate	Variable
Term	21 months, interest only
Financing	$9,485,000 Tax-exempt & $425,000 Taxable

CalHFA construction financing is subject to assignment by the borrower of tax credit equity and all rights under non-CalHFA financing commitments. The borrower may request a bridge loan to the tax credits at a future time.

Permanent

First Mortgage	$2,685,000
Interest Rate	3.00 %
Term	30-year fixed, fully amortized
Financing	Tax-exempt
Insurance	No

SPECIAL NEEDS LOAN TERMS

The interest rate on the permanent will be reduced by the Agency from 5.40% to 3.00% using available federal funds. The cost of the subsidy to the Agency is approximately $894,049.

OTHER FINANCING

Source	Type	Loan Amount	Term	Interest Rate	Repayment
MHP	Loan	$3,876,497	55	3.00%	Residual Receipts
City of San Jose	Loan	$2,275,000	55	3.00%	Residual Receipts
Sobrato Foundation	Loan	$1,000,000	2	0.00%	Due at Maturity

The HCD MHP loan will restrict 13 of the units for the use of developmentally disabled adults who are also at risk of homelessness. The Agency will require that HCD and the borrower enter into a triparty agreement with the Agency at construction loan closing, and that all of HCD's supportive housing conditions be satisfied at that time, or that the HCD commitment be assigned to the Agency.

The City of San Jose funds will be available at construction loan closing and will stay in at permanent loan closing. The Sobrato Foundation will make a $1,000,000 interest free construction loan, and will be used to construct the retail space.

LAND PURCHASE AND SALE OF COMMERCIAL PROPERTY

The borrower will purchase the property for $600,000. The property was appraised for $1,220,000. The estimated value of the below market purchase is $620,000. The seller is MICRO, LLC, which is owned by Barry Mirkin.

As part of the purchase agreement, the borrower agreed to obtain commercial entitlements for the ground floor for commercial shell and commercial parking, build out the commercial shell and parking, and upon completion, split the property into housing and retail parcels and sell the retail parcel back to the seller for $200,000. The borrower will retain the land and the residential parcel. The cost of the commercial shell is estimated to be $523,000.

PROJECT DESCRIPTION

Project Location

- The project is located on North First Street at the northern end of downtown San Jose. North First Street is a "jobs rich" corridor with dozens of hotels, restaurants, service stations, office parks, car rental agencies, trucking companies and governmental agencies within a mile of the property. The site is ¾ of a mile from the San Jose Civic Center, and ½ mile east of the San Jose Airport. There are 2 major freeways, I-880 and I-80, within 1/3 mile of the site.
- The property is on the northeast corner of the intersection of North First Street and Gish Road. North First Street is a significant transportation corridor that carries vehicular traffic to and from the civic center, airport, office parks and hotels. The Valley Light Rail (VTA) runs down the median strip on North First Street and has a stop immediately north

of Gish Road. The VTA operates 24/7. Gish road is a two-lane road that serves as a residential feeder.

- The neighborhood is primarily commercial with some residential. There is a Best Western Hotel immediately north of the property, a Moroccan restaurant to the east, the Wyndham Hotel to the south, and the VTA stop to the west. There are older single-family residences on the west side of First Street.
- When the project is completed, there will be a 7-Eleven market on the ground floor of the site. There are two convenience markets, an elementary school and a public park within ½ mile of the site. The San Jose Civic Center and the public library are ¾ mile from the site. The closest hospital is 2.5 miles from the site.

Site

- The site is 0.42 acres. It is rectangular and level. There are no permanent structures on the site.
- Full utilities, including curb, gutter, sidewalks, crosswalks, streetlights and utilities, are in place.
- The site is located in flood zone A0-1. Flood insurance will be required.
- The site is zoned (A)PD, Planned Development, which allows for a density of 83.3 units per acre. The (A)PD designation supersedes the density permitted in the general plan. The proposed project will be legally conforming.

Improvements

- The proposed structure will consist of one four-story building over a subterranean garage. It will be built to a density of 83.3 units per acre. The garage will be built out to the lot line. The ground floor will consist of a 3,775-square-foot retail shell and a podium-parking garage. The top three stories will be built out into 35 units of affordable housing.
- The building will have one elevator, a 1,035 square foot community room with a computer/business center kitchen and lounge, a manager's office, supportive services space and a laundry room.
- There will be 47 parking spaces in the subterranean garage and 7 parking spaces on the ground floor for a total of 54 residential parking spaces. The 54 residential parking spaces will be part of the residential parcel. There will also be 16 parking spaces on the ground floor to serve the commercial tenant that will be part of the retail parcel. The parking garage will be served by an elevator and will be gated. A reciprocal easement agreement will be executed between the borrower and the owner of the commercial parcel.
- All units are flats. They will be air-conditioned. The two-bedroom and three-bedroom units will have balconies. All of the units will be wired for high-speed Internet access.
- The building will have a mat foundation for the on-grade enclosed parking structure. Two sides of the building with retail units on grade will sit post tensioned. The parking garage will be topped with a post-tension steel-reinforced concrete podium slab, on which the three residential floors will be built. The exterior walls will be metal siding with an exterior plaster finish. The roof will be built up with a metal trellis structure. The building will be sprinklered.

Costs

The cost of the project is approximately $400,000 per unit (excluding the costs of the commercial space build out). The reasons for the high costs are listed below.

- This is a very dense development, which requires subterranean structured parking and other expensive design constraints.
- There are few economies of scale with a 35-unit project.
- The project requires an elevator and supportive services space to serve the developmentally disabled tenants.
- The water table is very high. The site will need continuous dewatering while the podium is under construction. In addition, the mat foundation must be heavy enough to keep the structure from rising in a high water table. The waterproofing of the garage is particularly expensive because the building is being engineered to avoid the high operating costs associated with running sump pumps for the life of the building.
- The site is adjacent to existing structures, which necessitates the use of tiebacks under existing structures.
- The upper structure is tightly constrained. It must meet required MHP unit configuration, and meet open space/supportive service space requirements while maintaining clearances from adjacent high-voltage lines on Gish Street, a major transit artery along First Street, and the building must be built Fire Department-required access ways along the side of the building. This necessitated a more complicated framing, structural alignment, and unique unit layouts, which add significantly to cost.
- The project is subject to expensive glazing to meet required soundproofing.
- The City has required expensive architectural detailing in order to fit in the urban context. The project has also undergone extensive design review to meet acoustical and fire department plan check comments, resulting in upgraded glazing, structural design and fire system design.
- The project's mechanical system has high initial up-front costs in order to cross-connect domestic water heating, exhaust fans in a centralized system that is highly energy efficient, resulting a lower life cycle cost.

Off-site improvements

- There are no off-site improvements required.

SPECIAL NEEDS SERVICES

- Thirteen (13) of the units will be reserved for households that include at least one adult with a developmental disability. Additionally, the households must be at risk of homelessness.
- Developmental disabilities are those disabilities that originate before the individual reaches the age of 18, are expected to continue indefinitely, and constitute a substantial disability for the individual. They include mental retardation, cerebral palsy, epilepsy and

autism. The definition does not include handicapping conditions that are solely of a physical nature.

- It is anticipated that 10 of the developmentally disabled households will require a live-in attendant. Three studio units, five 2-bedroom units, and five 3-bedroom units have been set aside for the special needs residents. Because the residents typically only have SSI for income, the rent levels on the special needs units have been set at 20% AMI by the borrower and service provider. The attendant's income is not counted by the IRS when determining qualifying income for a handicapped resident but is treated as an accommodation to allow the disabled resident to live independently.
- Developmentally disabled persons that occupy community housing have a variety of service needs depending on their level of independence. Residents will have their service needs evaluated, and will have an individual service plan developed for them. They will be connected with agencies approved by the Department of Developmental Services to provide appropriate services. Services for developmentally disabled residents will be paid for by the San Andreas Regional Center.
- The service provider will be Housing Choices Coalition (HCC), a non-profit corporation that provides services to developmentally disabled persons in Santa Clara, Monterey and Santa Cruz counties. HCC was founded in 1997 with the support of the San Andreas Regional Center, and currently has a staff of three. HCC is the supportive services provider for 3 housing developments with 63 developmentally disabled residents. They also provide services for developmentally disabled adults living in market rate housing. HCC receives funding from the San Andreas Regional Center, the Department of Developmental Services, and various foundations in the Bay Area.
- HCC will provide housing services to the residents of Gish Apartments, including:
    - A part-time resident services coordinator on site, who will be responsible for tenant outreach and engagement for on-site activities. The coordinator will be at the site 10-12 hours per week.
    - Two to three weekly social activities for the residents.
    - Staffing for a local chapter of People First, a self-advocacy group for people with developmental disabilities.
    - A meeting with each resident at least once a month to check in on issues related to housing including assistance with lease renewals, compliance with lease terms and Section 8 issues.
    - Interface between tenants and property management on issues such as punctual payment of rent and behavioral issues.
    - Working with residents to ensure that appropriate services are being supplied to residents by Regional Center vendors.

The borrower will be required to lease 13 units to special needs tenants for 10 years and enter into a 10-year agreement with HCC to provide supportive services. These requirements will be incorporated into the Agency's regulatory agreement.

MARKET

Market Overview

- The Primary Market Area (PMA) for the 22 family rental units is bounded by Guadalupe River on the west, by Montague Expressway on the north, by Taylor Street on the south,

and by Interstate 880 on the east. The secondary market area consists of all areas within a 10-minute drive time of the property. 56.5% of the residents of the PMA of the family units are owners and 39.5% are renters.

- The PMA for the 13 units targeted to the developmentally disabled is the city of San Jose, and the secondary market area is Santa Clara County. 60.9% of the residents of the PMA of the DD units are owners and 26.9% renters.
- The largest employers in San Jose are Santa Clara County, Cisco Systems, the City of San Jose, IBM, San Jose State University, and the San Jose Unified School District. The largest employment sector is High Technology.

Housing Supply and Demand

- The occupancy rate in the PMA is 98.4%. There is a current demand for 391 units of family housing at the 40% and 50% AMI level in the PMA, with only 225 units available.
- One of the LIHTC projects in the PMA has a waiting list of 106 persons.
- Gish Apartments is the only known family LIHTC bond project in the near-term development pipeline. The only other near-term apartment complex is a 26-unit market rate project that may be developed as condominiums rather than rentals.
- There is an estimated demand of 2,078 developmentally disabled persons with incomes at 20% AMI who are capable of living independently in Santa Clara County and only 191 units of existing units of housing designed for the developmentally disabled.
- HCC maintains a waiting list of 500 developmentally households seeking affordable housing in Santa Clara County.

PROJECT FEASIBILITY

Estimated Lease-up Period

It is estimated that the project will rent up within two months from construction completion to stabilized occupancy. This estimate is based on absorption of 21 family units per month and 6 developmentally disabled units per month.

ENVIRONMENTAL

A Phase I report was conducted on November 18, 2004. It concludes that there are no adverse environmental conditions that warrant further investigation or remedial action. Of note is that the property is the former site of a gas station. The underground storage tanks were removed in 1991 and the Santa Clara Water Quality Control Board issued a "Closure Letter" dated June, 29 2000.

A Design-Level Geotechnical Report was prepared for this project on February 10, 2005. The findings and remediation requirements are listed below.

- The site is one foot below FEMA design flood elevation. The project design should include surface protection from floodwaters intruding into the garage and retail areas.
- Free ground water was encountered at depths of 6.5 to 12 feet above the anticipated garage excavation (10 to 16 feet), and potentially wet and unstable soils are anticipated

during construction. This will require the contractor to de-water down to two to three feet below the excavation level and provide for additional stabilization during excavation. The project will require a mat foundation and basement walls designed to resist hydrostatic pressures for the full wall height.

- The site is located in a seismic hazard zone for liquefaction and borings identified a shallow silty sand layer that has potential for liquefaction and ground surface rupture during strong seismic shaking. Mitigation measures required include compaction grouting, soil-cement mixtures and/or removal of the sand layer and replacement with engineered fill.
- Undocumented fill was found. The report recommends that this fill be removed down to native soil and replaced with engineered fill.
- The project is in proximity to city streets and adjacent building. This will require additional shoring during the construction period.

All of the findings and proposed mitigations have been incorporated into the project design.

A noise study was prepared for the project on July 30, 2004. It found high levels of noise on the exterior and interior of the building on the North First Street face of the building. It recommended 42" noise protective balcony railings for exterior noise and sound transmission glass for the interior noise levels.

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

Sponsor and Borrower

Gish Apartments L.P./Gish Apartments LLC./First Community Housing Corporation (FCH)

The project is to be owned by Gish Apartments, L.P. a California limited partnership, and Gish Apartments, LLC. will be the managing general partner. The sponsor, First Community Housing Corporation, a California nonprofit public benefit corporation, will be the sole member of Gish Apartments LLC.

First Community Housing Corporation, a California nonprofit public benefit corporation (FCH) will be the general partner. FCH has been developing affordable housing in California for over 15 years and has completed 12 projects containing 778 units. Currently, 3 projects with 148 units are under construction. CalHFA financed loans for two of those properties, 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 Agency has also issued a final commitment on Villa Montgomery, a 58-unit family housing project located in Redwood City.

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

Management Agent
The John Stewart Company

The John Stewart Company 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. They have significant experience managing special needs and supportive housing projects.

Architect

OJK Architects, Inc. (formerly the Office of Jerome King)

OJK Architects, Inc. was formed in 1981. The firm has extensive experience in historic restoration and adaptive reuse, commercial development, and affordable housing. They have designed eight affordable housing complexes, including two projects, Craig Gardens and Betty Ann Gardens, for First Community Housing. Craig Gardens, a senior project, won a "Best in Seniors Housing" award from the National Association of Home Builders and Betty Ann Gardens which was featured in a case study on best-practices on green-building by the Green Affordable Housing Coalition. This is the first property they have designed for CalHFA.

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. They are also the contractor on Villa Montgomery

PROJECT SUMMARY

PROJECT NUMBER: 05-006

Final Commitment

Project:	**Gish Apartments**		
Location:	1410 North First St	***Developer:***	**First Community Housing, Inc.**
City:	San Jose	***Partner:***	
County:	San Jose	***Investor:***	Apollo Housing Capital, LLC
Zip Code:	95112		

		No. of Buildings:	1	
Project Type:	New Construction	*No. of Stories:*	5	
Occupancy:	Family	*Residential Space*	34,402	sq. ft.
Total Units:	35	*Office Space*	0	sq. ft.
Style Units:	Flats	*Commercial Space*	3,775	sq. ft.
Elevators:	yes	*Gross Area*	38,177	sq. ft.
Total Parking	70	*Land Area*	18,144	sq. ft.
Covered	23	*Units per acre*	83	
Covered Commercial	16			

CalHFA Construction Financing	Amount	Rate	Term (Mths)
CalHFA Construction Financing	**$9,910,000**	**5.125%**	**21**

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	**$2,685,000**	**3.00%**	**30**
CalHFA Bridge Loan	**$0**	**3.00%**	**3**
CalHFA Second Mortgage	**$0**	**0.00%**	**0**
MHP	$3,876,497	3.00%	55
City of San Jose	$2,275,000	3.00%	55
Sale proceeds from commercial parcel	$200,000	0.00%	0
Value of below market land - residential	$0	0.00%	0
Value of below market land - commercial	$0	0.00%	0
AHP	$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	$111,444		
Deferred Dev. Fee	$0		
Tax Credit Equity	$5,020,796		

Construction Valuation		Appraisal		Value Upon Completion	
Investment Value	$11,000,000	**Appraisal Date:**	**6/10/2005**	**Restricted Value**	$3,100,000
Loan / Cost	73%	**Cap Rate:**	**5.75%**	**Perm. Loan / Cost**	19%
Loan / Value	90%			**Perm. Loan / Value**	87%

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	**Amount**
CalHFA Construction Loan Fee	$99,100
CalHFA Permanent Loan Fees	$13,425
Other Fee	-

Required Reserves	**Amount**	
Other Reserve	$0	
Replacement Resv. Initial Deposit	$0	
Repl. Reserve - Per Unit/ Per Yr	$400	
CalHFA Operating Expense Reserve	$31,724	LOC
Rent Up Reserve	$0	
Other Reserve	$0	
LOC for Perm above 90% of value	$0	

Construction Loan - Guarantees and Fees	
Completion Guarantee LOC	$960,000
Contractors Payment Bond	$9,600,000
Contractors Performance Bond	$9,600,000

Date: 6/22/2005 **Senior Staff Date:** 6/21/2005

UNIT MIX AND RENT SUMMARY — Gish Apartments

05-006

Total Unit Mix

# of Units	Unit Type	# of Baths	Average Sq. Ft.
9	0 Bedroom Flat	1	354
0	1 Bedroom Flat	1	NA
14	2 Bedroom Flat	1	792
12	3 Bedroom Flat	2	1,041
35			

Number of Regulated Units By Agency

Agency	20%	40%	45%	50%	60%
CalHFA				13	
Tax Credits					34
City of San Jose	13	6	8	7	
HCD	13	6	8	7	
Sobrato Loan Fund					
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			$938		
20%	3	$371		$590	37%
40%	6	$743		$218	77%
45%	0	$0		$0	0%
50%	0	$0		$0	0%
80%	0	$0		$0	0%
One Bedroom			$0		
20%	0	$0		$0	0%
40%	0	$0		$0	0%
45%	0	$0		$0	0%
50%	0	$0		$0	0%
80%	0	$0		$0	0%
Two Bedroom			$1,420		
20%	5	$429		$991	30%
40%	0	$0		$0	0%
45%	4	$1,026		$394	72%
50%	4	$1,145		$275	81%
80%	0	$0		$0	0%
Three Bedroom			$1,840		
20%	5	$496		$1,344	27%
40%	0	$0		$0	0%
45%	4	$1,186		$654	64%
50%	3	$1,324		$516	72%
80%	0	$0		$0	0%
Four Bedroom			$0		
20%	0	$0		$0	0%
40%	0	$0		$0	0%
45%	0	$0		$0	0%
50%	0	$0		$0	0%
80%	0	$0		$0	0%

Sources and Uses of Funds — Gish Apartments

05-006

Final Commitment

SOURCES OF FUNDS:	Funds in during Construction ($)	Funds in at Permanent ($)
CalHFA Construction Financing	9,910,000	
Sobrato Foundation	1,000,000	
Construction Only Source 3	-	
CalHFA First Mortgage		2,685,000
CalHFA Second Mortgage		-
MHP	-	3,876,497
City of San Jose	2,275,000	-
Sale proceeds from commercial parcel	-	200,000
AHP	-	-
Source 8	-	-
Source 9	-	-
Source 10	-	-
Source 11	-	-
Source 12	-	-
Income from Operations	-	-
Developer Contribution	-	111,444
Deferred Developer Fee	-	-
Tax Credit Equity	315,156	4,705,640
Total Sources	13,500,156	11,578,581
(Gap)/Surplus	-	-

Total Development Sources

Total Sources of Funds ($)	Sources per Unit	%
2,685,000	76,714	19%
-	-	0%
3,876,497	110,757	27%
2,275,000	65,000	16%
200,000	5,714	1%
-	-	0%
-	-	0%
-	-	0%
-	-	0%
-	-	0%
-	-	0%
-	-	0%
-	-	0%
111,444	3,184	1%
-	-	0%
5,020,796	143,451	35%
14,168,737	404,821	100%
-		

USES OF FUNDS:	Construction ($)	Permanent ($)
LOAN PAYOFFS & ROLLOVERS		
Construction Loan payoffs		$10,910,000
ACQUISITION		
Lesser of Land Cost or Value	600,000	-
Demolition	-	-
Legal - Acquisition Related Fees	5,000	-
Subtotal - Land Cost / Value	605,000	-
Existing Improvements Value	-	-
Off-Site Improvements	-	-
Other	-	-
Total Acquisition	**605,000**	**-**
REHABILITATION		
Site Work	-	-
Rehab to Structures	-	-
General Requirements	-	-
Contractors Overhead	-	-
Contractors Profit	-	-
Contractor's Bond	-	-
General Liability Insurance	-	-
Environmental Mitigation Expense	-	-
Other	-	-
Other	-	-
Total Rehabilitation	**-**	**-**
RELOCATION EXPENSES		
Relocation Expense	-	-
Relocation Compliance Monitoring	-	-
Total Relocation	**-**	**-**

Total Development Costs

Total Uses of Funds ($)	Cost per Unit	%
600,000	17,143	4%
-	-	0%
5,000	143	0%
605,000		
-	-	0%
-	-	0%
-	-	0%
605,000	**17,286**	**4%**
-	-	0%
-	-	0%
-	-	0%
-	-	0%
-	-	0%
-	-	0%
-	-	0%
-	-	0%
-	-	0%
-	-	0%
-	**-**	**0%**
-	-	0%
-	-	0%
-	**-**	**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	931,965	-	931,965	26,628	7%
Structures (Hard Costs)	7,031,191	-	7,031,191	200,891	50%
General Requirements	616,374	-	616,374	17,611	4%
Contractors Overhead	263,677	-	263,677	7,534	2%
Contractors Profit	233,668	-	233,668	6,676	2%
Contractor's Perf. & Pymt Bond	75,000	-	75,000	2,143	1%
General Liability Insurance	-	-	-	-	0%
commercial Shell	523,125	-	523,125	14,946	4%
Other	-	-	-	-	0%
Total New Construction	**9,675,000**	**-**	**9,675,000**	**276,429**	**68%**
ARCHITECTURAL & ENGINEERING					
Architectural Design	432,000	-	432,000	12,343	3%
Architect's Supv during Construction	108,000	-	108,000	3,086	1%
Total Architectural	**540,000**	**-**	**540,000**	**15,429**	**4%**
Engineering Expense	-	-	-	-	0%
Engineers Supv. during Construction	100,000	-	100,000	2,857	1%
ALTA Survey	-	-	-	-	0%
Total Engineering & Survey	**100,000**	**-**	**100,000**	**2,857**	**1%**
CONSTRUCTION LOAN COSTS					
Construction Loan Interest	665,000		665,000	19,000	5%
CalHFA Construction Loan Fee	99,100		99,100	2,831	1%
Other Construction Loan Fees	-			-	0%
CalHFA Outside Legal Counsel Fees	20,000		20,000	571	0%
Other Lender Req'd Legal Fees	-		-	-	0%
Title and Recording fees	20,000		20,000	571	0%
CalHFA Req'd Inspection Fees	27,000		27,000	771	0%
Other Req'd Inspection Fees	-		-	-	0%
Prevailing Wage Monitoring Expense	-		-	-	0%
Taxes & Insurance during construction	42,250		42,250	1,207	0%
Predevelopment Interest	-		-	-	0%
Cost for Completion Guarantee	-		-	-	0%
Other	-		-	-	0%
Total Construction Loan Expense	**873,350**	**-**	**873,350**	**24,953**	**6%**
PERMANENT LOAN COSTS					
CalHFA Perm Loan Fees	13,425	-	13,425	384	0%
CalHFA Bridge Loan Fees	-	-	-	-	0%
CalHFA Loan Application Fee	500	-	500	14	0%
Other Lender Perm. Loan Fees	-	-	-	-	0%
Title and Recording	10,000	-	10,000	286	0%
Perm. Bridge Loan Interest Expense		-	-	-	0%
Bond Origination Guarantee Fee	-	-	-	-	0%
Tax Exempt Bond Allocation Fee	600	-	600	17	0%
Other	-	-	-	-	0%
Total Permanent Loan Expense	**24,525**	**-**	**24,525**	**701**	**0%**
LEGAL FEES					
Borrower Legal Fee	30,000	-	30,000	857	0%
Syndication	-	35,000	35,000	1,000	0%
Total Attorney Expense	**30,000**	**35,000**	**65,000**	**1,857**	**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	286	0%
Market Study	7,500	-	7,500	214	0%
Physical Needs Assessment	-	-	-	-	0%
HUD Risk Share Environ. Review	-	-	-	-	0%
CalHFA EQ Waiver Seismic Review Fee	10,000	-	10,000	286	0%
Environmental Phase I / II Reports	10,000	-	10,000	286	0%
Soils / Geotech Reports	10,000	-	10,000	286	0%
Asbestos / Lead-based Paint Report	-	-	-	-	0%
Noise/Acoustical/Traffic Study Report	-	-	-	-	0%
testing		-	-	-	0%
Other	-	-	-	-	0%
Total Contract Costs	**47,500**	**-**	**47,500**	**1,357**	**0%**
CONTINGENCY					
Hard Cost Contingency	768,000	-	768,000	21,943	5%
Soft Cost Contingency	50,000	-	50,000	1,429	0%
Total Contingency	**818,000**	**-**	**818,000**	**23,371**	**6%**
RESERVES					
CalHFA Operating Expense Reserve	-	-		-	0%
Construction Defects Reserve	-	-	-	-	0%
Rent-Up Reserve	-	67,008	67,008	1,915	0%
Capitalized Investor Req'd Reserve	-	-	-	-	0%
Other	-	-	-	-	0%
Total Reserves	**-**	**67,008**	**67,008**	**1,915**	**0%**
OTHER					
CTCAC App/Alloc/Monitor Fees	34,281	-	34,281	979	0%
Local Permit Fees	100,000	-	100,000	2,857	1%
Local Development Impact Fees	300,000	-	300,000	8,571	2%
Other Local Fees	100,000	-	100,000	2,857	1%
Advertising & Marketing Expenses	30,000	-	30,000	857	0%
1st Year Taxes & Insurance	-	-	-	-	0%
Furnishings	-		-	-	0%
Final Cost Audit Expense	-	30,000	30,000	857	0%
Miscellaneous Admin Fees	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Other Expenses	**564,281**	**30,000**	**594,281**	**16,979**	**4%**
SUBTOTAL PROJECT COSTS	**13,277,656**	**11,042,008**	**13,409,664**	**383,133**	**95%**
DEVELOPER COSTS					
Developer Overhead/Profit (5% Acq.)	200,000	514,073	714,073	20,402	5%
Developer Overhead/Profit (NC/Rehab)	-	-	-	-	0%
Consultant / Processing Agent	22,500	22,500	45,000	1,286	0%
Project Administration	-	-	-	-	0%
Broker Fees to a related party	-	-	-	-	0%
Construction Mgmt. Oversight	-	-	-	-	0%
Other	-	-	-	-	0%
Total Developer Fee / Costs	**222,500**	**536,573**	**759,073**	**21,688**	**5%**
Total Costs	**13,500,156**	**11,578,581**	**14,168,737**	**416,728**	**100%**

Annual Operating Budget			Gish Apartments
Final Commitment			
INCOME:	**$ Amount**	**Per Unit**	**% of Total**
Total Rental Income	$328,682	$9,391	99.18%
Laundry	$2,730	$78	0.82%
Other Income	$0	$0	0.00%
Gross Potential Income (GPI)	**$331,412**	**$9,469**	100.00%
Less:			
Vacancy Loss	$14,173	$405	4.47%
Effective Gross Income	**$317,238**	**$9,064**	
EXPENSES:	**Total Cost**	**Per Unit**	**% of Total**
Payroll	$52,000	$1,486	34.55%
Administrative	$15,000	$429	9.97%
Management fee	$17,793	$508	11.82%
Utilities	$17,000	$486	11.30%
Operating and Maintenance	$26,000	$743	17.28%
Insurance and Business Taxes	$8,700	$249	5.78%
Locality Compliance Monitoring Fee	$0	$0	0.00%
Other	$0	$0	0.00%
Subtotal Expenses	**$136,493**	$3,900	90.70%
Replacement Reserves	$14,000	$400	9.30%
Taxes & Assessments	$0	$0	0.00%
Total Expenses	$150,493	$4,300	100.00%
Financial Expenses			
CalHFA First Mortgage	$135,841	$3,881	
CalHFA Second Mortgage	$0	$0	
Other Required Debt Service	$16,281	$465	
NET OPERATING INCOME	**$14,623**	**$418**	

Cash Flow	Final Commitment			CalHFA Project Number: 05-006					Gish 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	328,682	335,255	341,960	348,799	355,775	362,891	370,149	377,552	385,103	392,805
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	328,682	335,255	341,960	348,799	355,775	362,891	370,149	377,552	385,103	392,805
OTHER INCOME										
Laundry	2,730	2,785	2,840	2,897	2,955	3,014	3,074	3,136	3,199	3,263
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	2,730	2,785	2,840	2,897	2,955	3,014	3,074	3,136	3,199	3,263
GROSS POTENTIAL INCOME	331,412	338,040	344,801	351,697	358,730	365,905	373,223	380,688	388,301	396,067
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	*4.27%*	*4.27%*	*4.27%*	*4.27%*	*4.27%*	*4.27%*	*4.27%*	*4.27%*	*4.27%*	*4.27%*
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	14,173	14,457	14,746	15,041	15,342	15,648	15,961	16,281	16,606	16,938
EFFECTIVE GROSS INCOME	317,238	323,583	330,055	336,656	343,389	350,257	357,262	364,407	371,695	379,129
OPERATING EXPENSES										
Expenses	136,493	141,270	146,215	151,332	156,629	162,111	167,785	173,657	179,735	186,026
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	14,000	14,000	14,000	14,000	14,000	14,700	14,700	14,700	14,700	14,700
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	150,493	155,270	160,215	165,332	170,629	176,811	182,485	188,357	194,435	200,726
NET OPERATING INCOME	166,745	168,313	169,840	171,324	172,760	173,446	174,777	176,050	177,260	178,403
DEBT SERVICE										
CalHFA - 1st Mortgage	135,841	135,841	135,841	135,841	135,841	135,841	135,841	135,841	135,841	135,841
CalHFA - Bridge Loan	0	0	0	0	0					
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
MHP	16,281	16,281	16,281	16,281	16,281	16,281	16,281	16,281	16,281	16,281
None	0	0	0	0	0	0	0	0	0	0
CASH FLOW after all debt service	14,623	32,472	33,999	35,483	36,919	37,605	38,936	40,209	41,419	42,562
DEBT COVERAGE RATIO	1.10	1.11	1.12	1.13	1.14	1.14	1.15	1.16	1.17	1.17

Cash Flow	CalHFA Project Number: 05-006									Gish Apartments
RENTAL INCOME	**Year 11**	**Year 12**	**Year 13**	**Year 14**	**Year 15**	**Year 16**	**Year 17**	**Year 18**	**Year 19**	**Year 20**
Affordable Rents	**400,661**	**408,674**	**416,848**	**425,185**	**433,688**	**442,362**	**451,209**	**460,233**	**469,438**	**478,827**
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	**400,661**	**408,674**	**416,848**	**425,185**	**433,688**	**442,362**	**451,209**	**460,233**	**469,438**	**478,827**
OTHER INCOME										
Laundry	**3,328**	**3,394**	**3,462**	**3,532**	**3,602**	**3,674**	**3,748**	**3,823**	**3,899**	**3,977**
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	**3,328**	**3,394**	**3,462**	**3,532**	**3,602**	**3,674**	**3,748**	**3,823**	**3,899**	**3,977**
GROSS POTENTIAL INCOME	**403,989**	**412,069**	**420,310**	**428,716**	**437,290**	**446,036**	**454,957**	**464,056**	**473,337**	**482,804**
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	*4.27%*	*4.27%*	*4.27%*	*4.27%*	*4.27%*	*4.27%*	*4.27%*	*4.27%*	*4.27%*	*4.27%*
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	**17,277**	**17,623**	**17,975**	**18,335**	**18,701**	**19,075**	**19,457**	**19,846**	**20,243**	**20,648**
EFFECTIVE GROSS INCOME	**386,712**	**394,446**	**402,335**	**410,382**	**418,589**	**426,961**	**435,500**	**444,210**	**453,094**	**462,156**
OPERATING EXPENSES										
Expenses	192,537	199,276	206,250	213,469	220,940	228,673	236,677	244,961	253,534	262,408
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	15,435	15,435	15,435	15,435	15,435	16,207	16,207	16,207	16,207	16,207
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	**207,972**	**214,711**	**221,685**	**228,904**	**236,375**	**244,880**	**252,884**	**261,167**	**269,741**	**278,615**
NET OPERATING INCOME	**178,740**	**179,735**	**180,650**	**181,477**	**182,214**	**182,081**	**182,616**	**183,043**	**183,353**	**183,542**
DEBT SERVICE										
CalHFA - 1st Mortgage	135,841	135,841	135,841	135,841	135,841	135,841	135,841	135,841	135,841	135,841
CalHFA - Bridge Loan										
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
MHP	16,281	16,281	16,281	16,281	16,281	16,281	16,281	16,281	16,281	16,281
None	0	0	0	0	0	0	0	0	0	0
CASH FLOW after all debt service	**42,899**	**43,894**	**44,809**	**45,637**	**46,373**	**46,240**	**46,776**	**47,202**	**47,513**	**47,701**
DEBT COVERAGE RATIO	**1.17**	**1.18**	**1.19**	**1.19**	**1.20**	**1.20**	**1.20**	**1.20**	**1.21**	**1.21**

Cash Flow	CalHFA Project Number: 05-006									Gish Apartments
RENTAL INCOME	**Year 21**	**Year 22**	**Year 23**	**Year 24**	**Year 25**	**Year 26**	**Year 27**	**Year 28**	**Year 29**	**Year 30**
Affordable Rents	**488,403**	**498,171**	**508,135**	**518,298**	**528,664**	**539,237**	**550,022**	**561,022**	**572,242**	**583,687**
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	**488,403**	**498,171**	**508,135**	**518,298**	**528,664**	**539,237**	**550,022**	**561,022**	**572,242**	**583,687**
OTHER INCOME										
Laundry	**4,057**	**4,138**	**4,221**	**4,305**	**4,391**	**4,479**	**4,568**	**4,660**	**4,753**	**4,848**
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	**4,057**	**4,138**	**4,221**	**4,305**	**4,391**	**4,479**	**4,568**	**4,660**	**4,753**	**4,848**
GROSS POTENTIAL INCOME	**492,460**	**502,309**	**512,355**	**522,603**	**533,055**	**543,716**	**554,590**	**565,682**	**576,995**	**588,535**
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	*4.27%*	*4.27%*	*4.27%*	*4.27%*	*4.27%*	*4.27%*	*4.27%*	*4.27%*	*4.27%*	*4.27%*
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	**21,061**	**21,482**	**21,912**	**22,350**	**22,797**	**23,253**	**23,718**	**24,192**	**24,676**	**25,169**
EFFECTIVE GROSS INCOME	**471,399**	**480,827**	**490,444**	**500,253**	**510,258**	**520,463**	**530,872**	**541,490**	**552,320**	**563,366**
OPERATING EXPENSES										
Expenses	271,592	281,098	290,936	301,119	311,658	322,566	333,856	345,541	357,635	370,152
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	17,017	17,017	17,017	17,017	17,017	17,868	17,868	17,868	17,868	17,868
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	**288,609**	**298,115**	**307,953**	**318,136**	**328,675**	**340,434**	**351,724**	**363,409**	**375,503**	**388,020**
NET OPERATING INCOME	**182,790**	**182,712**	**182,490**	**182,117**	**181,582**	**180,029**	**179,148**	**178,081**	**176,816**	**175,346**
DEBT SERVICE										
CalHFA - 1st Mortgage	135,841	135,841	135,841	135,841	135,841	135,841	135,841	135,841	135,841	135,841
CalHFA - Bridge Loan										
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
MHP	16,281	16,281	16,281	16,281	16,281	16,281	16,281	16,281	16,281	16,281
None	0	0	0	0	0	0	0	0	0	0
CASH FLOW after all debt service	**46,949**	**46,872**	**46,650**	**46,276**	**45,742**	**44,188**	**43,307**	**42,240**	**40,976**	**39,505**
DEBT COVERAGE RATIO	**1.20**	**1.20**	**1.20**	**1.20**	**1.19**	**1.18**	**1.18**	**1.17**	**1.16**	**1.15**

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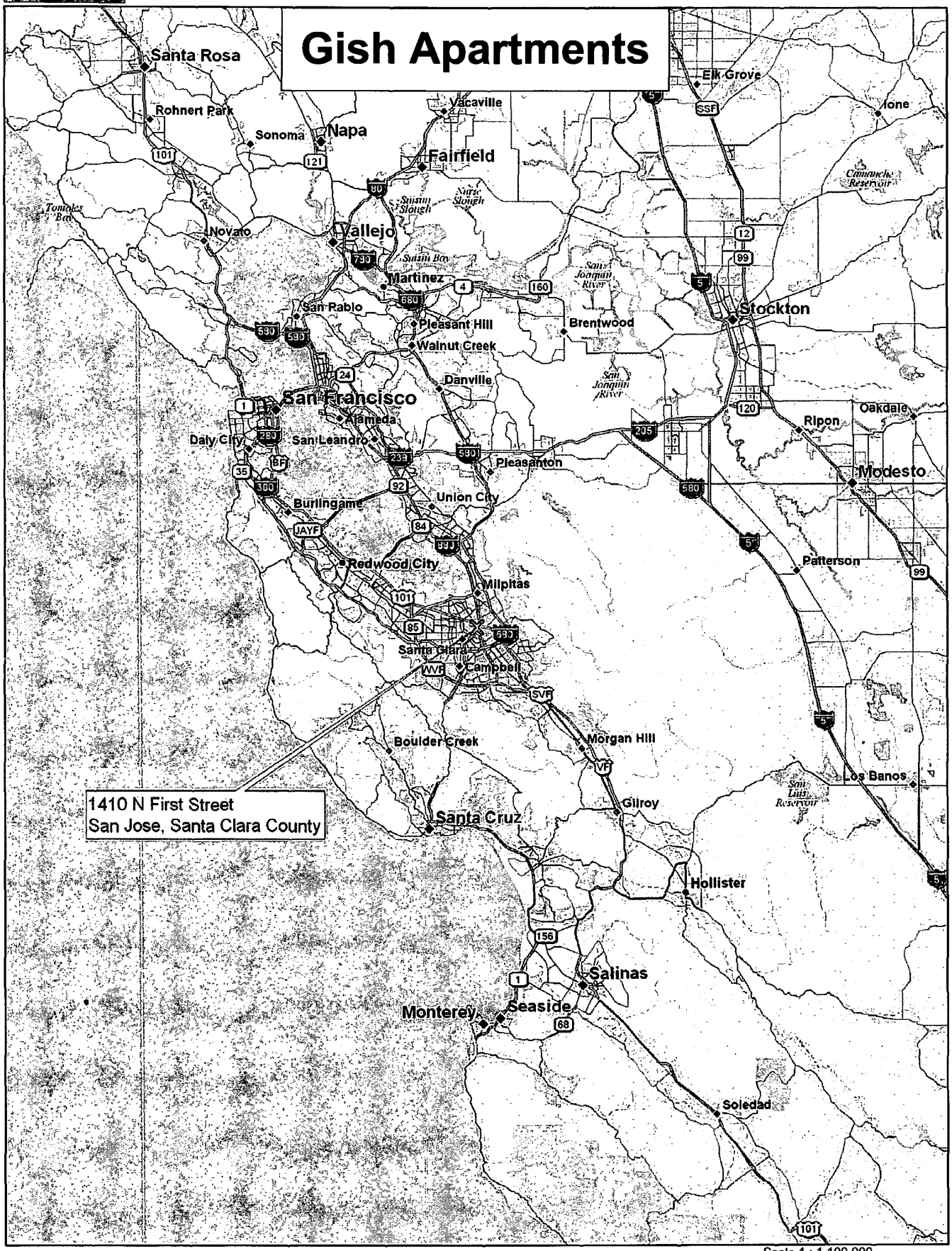
Gish Apartments



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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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DELORME

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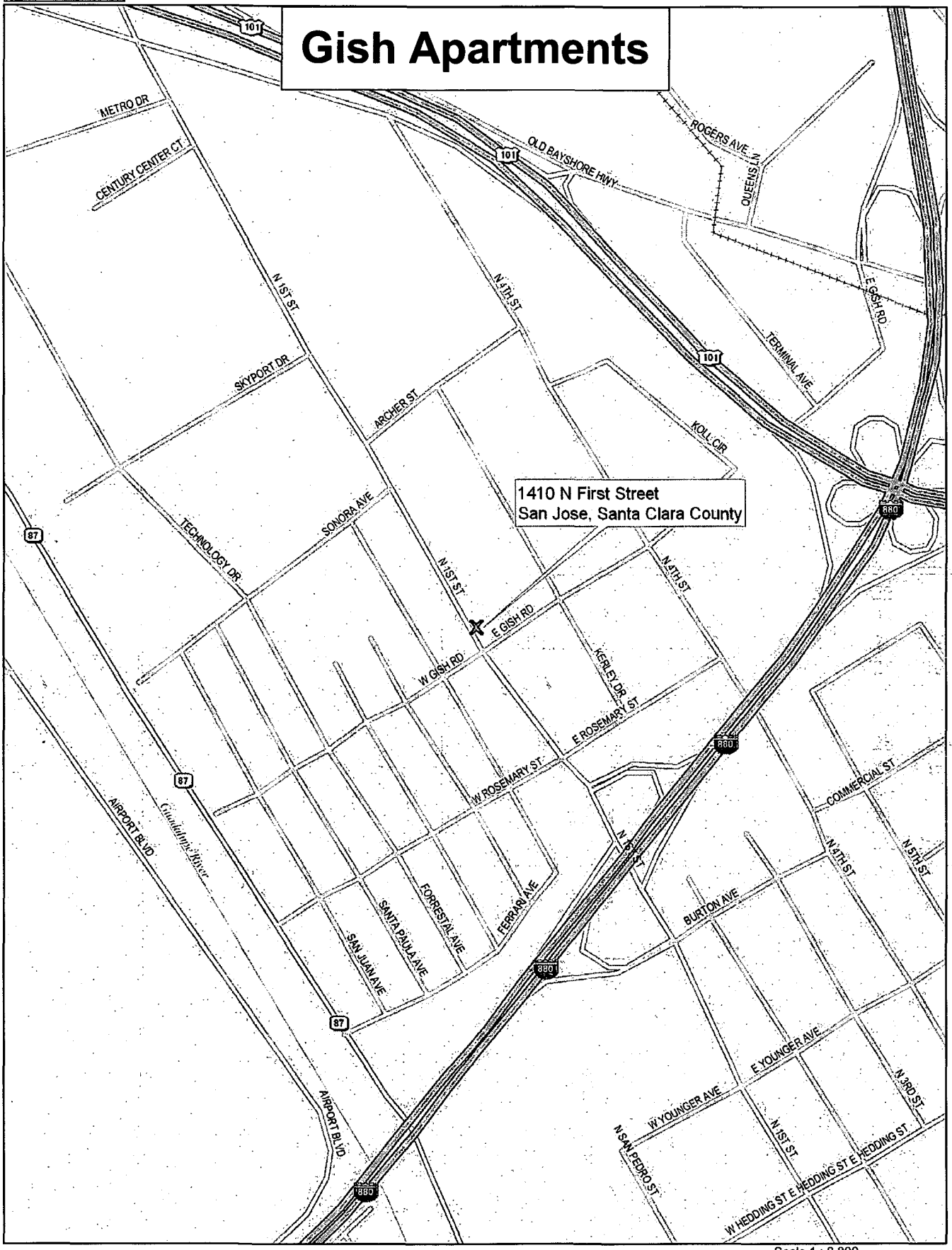
Gish Apartments



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TN
MN (14.6°E)

Scale 1 : 8,800

1" = 733.3 ft Data Zoom 14-5

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RESOLUTION 05-27

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Gish Apartments, L.P., a California limited partnership (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in San Jose, California, to be known as Gish Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which prepared a report presented to the Board on the meeting date recited below (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 May 18, 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;

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, in a form acceptable to the Agency, and subject to recommended terms and conditions set forth in the Staff Report, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	MORTGAGE AMOUNT	
05-006-C/N	Gish Apartments San Jose, California	Construction: First Permanent:	$9,910,000 $2,685,000

2. The Executive Director may modify the terms and conditions of the loans or loans as described in the Staff Report, provided that major modifications, as defined below, must be submitted to this Board for approval. "Major modifications" as used herein means modifications which either (i) increase the total aggregate amount of any loans made pursuant to the Resolution by more than 7%; or (ii) modifications which in the judgment of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency, adversely change the financial or public purpose aspects of the final commitment in a substantial way.

I hereby certify that this is a true and correct copy of Resolution 05-27 adopted at a duly constituted meeting of the Board of the Agency held on July 7, 2005 at Sacramento, California.

ATTEST: _____
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Woodland Terrace
North Hills, Los Angeles County, CA
CalHFA # 04-024

SUMMARY

This is a final commitment request. Security for the loans will be a 31-unit apartment complex located at 15538 West Nordhoff Street. The property will be owned by Woodland Terrace, L.P., a California limited partnership, whose general partner is A Community of Friends, a California nonprofit public benefit corporation.

Woodland Terrace is a new construction special needs project that will serve 30 low-income families that include at least one adult with mental illness who is homeless or at risk of homelessness. The rents will be subsidized with a five-year Shelter Plus Care grant.

The Agency will provide a construction loan, a permanent first mortgage, and a bridge loan.

LOAN TERMS

Construction

Loan Amount	$7,100,000
Interest Rate	Variable
Term	18 months, interest only
Financing	Tax-exempt

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

Permanent

First Mortgage	$685,000
Interest Rate	1%
Term	5-year fixed, fully amortized
Financing	Tax-exempt

Bridge Loan	$2,970,000
Interest Rate	1%
Term	3-year fixed, fully amortized, payments due annually
Financing	Tax-Exempt

SPECIAL NEEDS LOAN TERMS

The Agency will make two reduced interest rate permanent loans, requiring two interest rate subsidies. The interest rate on the permanent and bridge loans will be reduced from 5.40% and 4.50%, respectively, to 1.00%. The cost of the subsidy is approximately $265,646 and will be financed with taxable FAF funds.

OTHER FINANCING

Source	Type	Loan Amount	Term	Interest Rate	Repayment
HCD-MHP	Loan	$2,941,475	55	3.00%	Residual Receipts
HCD-NSSS	Loan	$169,725	55	0.00%	Forgivable
LAHD Housing Trust Fund	Loan	$1,758,184	40	3.00%	Residual Receipts
LAHSA SHP	Grant	$400,000	NA	0.00%	None

The project is scheduled to start construction in fall 2005.

SHELTER PLUS CARE CONTRACT

The Housing Authority of the City of Los Angeles (HACLA) has awarded the project a five-year HUD Shelter Plus Care (S+C) rental assistance contract. This assistance, anticipated to be $2,060,580 based on current Fair Market Rents (FMRs), will be budgeted over the five-year period and will provide rental subsidies for 30 units. All of these units are targeted to special needs families where one adult member has a mental illness. S+C covers 100% of the Fair Market Rents (FMRs).

The S+C contract will be issued by HACLA at the completion of construction and the first mortgage has been underwritten to the S+C contract. The CalHFA loan terms and conditions may be modified if the S+C contract, when issued, varies from the assumptions in this final commitment. The Agency will require collateral assignment of the contract.

The borrower will be required to seek and accept any renewals of the S+C Contract for 10 years.

PROJECT DESCRIPTION

Project Location

- The property is located in North Hills in the northern portion of the San Fernando Valley in the City of Los Angeles. The neighborhood is bounded by Devonshire Street and Lassen Street to the north, Rosco Boulevard on the south, Pacoima Wash flood control channel to the east and Balboa Boulevard to the west. The project site is just north of the Sepulveda, Panorama City and Van Nuys areas, approximately 17 miles northwest of downtown Los Angeles.
- The project is located on the south side of Nordhoff Street just west of Sepulveda Boulevard and east of Interstate 405. Major traffic arteries in the neighborhood are

Sepulveda Boulevard, Nordhoff Street, Van Nuys Boulevard and Plummer Street. Interstate 5 is several blocks to the east.

- Development immediately surrounding the site consists of two-story apartments adjacent to the property to the west and across Nordhoff Street to the north. Condominium developments are located to the east and south. Most of the apartment complexes in the neighborhood were built 25 to 30 years ago, with a few as new as 10-15 years old.
- A wide range of retail stores and community services are located within a mile of the site, including two commercial/retail centers, one new and one under construction, with convenience stores, retail stores, fast food restaurants, sit-down restaurants, grocery stores and a pharmacy. A full range of schools, a library, two medical clinics, a family treatment center, a church and two public parks with recreation facilities are also located within a mile of the site. A bus stop is located within 500 feet of the site.

Site

- The.6-acre site consists of two adjacent parcels that are flat in topography. This infill site is zoned R3 by the City of Los Angeles. The proposed residential use conforms to the current zoning.
- The site is currently vacant. A long-abandoned single family residence that formerly stood on the site was demolished in February 2005. Asbestos and lead paint abatement were included as part of the demolition process.

Improvements

- The proposed improvements will consist of one three-story apartment building containing 31 units.
- The building will be wood frame and stucco. The roof will be flat and will be covered with a hot mop. Heat pumps and air conditioning will be electric and individually metered. The water will be heated by gas and will be master metered.
- Amenities will include a community room with a kitchen, a computer room, a manager's office, two case management offices, a laundry, and two landscaped courtyards, one of which includes a tot lot.
- There will be 32 subterranean parking spaces, in accordance with City of Los Angeles parking ratio requirements. The parking area will be secured by gates, and will include one space for a handicapped van.
- All 31 units will be flats. The one- and two-bedroom units have a full bath and the three-bedroom units have two full baths.

Off-site improvements

- There will be $30,000 in off-site improvements, including replacing the existing sidewalk, driveway, curbs and gutters.

SPECIAL NEEDS SERVICES

- The target population will be homeless families with an adult member with serious mental illness.
- The San Fernando Valley Community Mental Health Center, Inc. (SFVCMHC) will be the primary service provider. A case manager will be on site daily between the hours of 10

a.m. and 6 p.m. and will have daily contact with the special needs residents. Other part-time case management and clinical staff will also provide services to the residents. In total, 2.2 full-time equivalent staff will be devoted to this project.

- On-site services to be provided by SFVCMHC will include needs evaluation, case management, emergency response, referral to necessary services, group programs, life skills training, and socialization and recreation activities. Tenants will be referred to mental health services, employment services, health care providers, legal services and other supportive services as necessary. Services will also be provided by Shelter Partnership, Inc. (personal supplies and materials for the residents) and Mental Health Advocacy Services, Inc. (legal services).
- Residents will use transportation vouchers, SFVCMHC vans and personal vehicles to access off-site services.

MARKET

Market Overview

The primary market area (PMA) is the North Hills PMA, which includes neighborhoods located within a five-mile radius of the site. However, given the unique and highly specialized needs of the target population and the absence of other housing that targets formerly homeless tenants with mental illness, the market study projects that the project will attract a significant number of tenants from outside the PMA. Therefore, a secondary market area (SMA) was also defined, which includes the geographic area located between five and ten miles from the project site. The combined area is bounded by Placita Canyon Road and Santa Clarita on the north. The City of Burbank marks the eastern edge of the combined area, with Franklin Canyon Reservoir and Topanga State Park to the south and the Chatsworth Reservoir to the west.

The North Hills PMA is composed primarily of densely populated suburban neighborhoods. Approximately 43% of the housing in the PMA is multi-family housing and 49% of the residents are renters. There are 208,542 households in the PMA with a population of 715,179. The average household size is 3.39 persons. This household size is larger than the countywide figure of 3.0 persons due to a larger-than-average number of households with children and a smaller-than-average number of seniors.

The median family income in the PMA is $42,967, nine percent lower than the countywide median income of $47,275. The population of the SMA totals 809,043 persons in 306,447 households. The households in the SMA are more affluent, with a median family income of $56,236.

The unemployment rate in Los Angeles County, as of February 2005, was 6.1 percent, compared to a rate of 6.6 percent statewide. The project site is located in a highly urban area of the county so employment trends for the county are the best indicator of employment conditions in the PMA. There are more than one million jobs located within a 40-mile commute time of the site. This job base offers numerous jobs in virtually every type of job category and wage level.

Housing Supply and Demand

- The need for housing for homeless persons was estimated from data published by the Los Angeles Homeless Services Authority (LAHSA), which is providing funding for this project. The most recent available data indicates that there are more than 10,000

homeless persons living in the Service Planning Area of Los Angeles County in which the site is located. The PMA and SMA combined account for approximately 65 percent of this Service Planning Area.

- About 50 percent of homeless persons are estimated to have chronic mental illness, including those with serious mental illness as well as those with chronic substance abuse issues. It is estimated that 2,952 persons living in the PMA and the SMA are homeless and have chronic mental illness.
- There are no subsidized projects located in the vicinity of North Hills that are targeted toward homeless persons with mental illness and their families, and no such projects are currently proposed.

PROJECT FEASIBILITY

Estimated Lease-up Period

The estimated number lease-up period after completion is three months.

ENVIRONMENTAL

A Phase I Environmental Assessment report was completed on July 24, 2003, and was updated on May 2, 2005. The report concludes that there are no adverse environmental conditions that warrant further investigation or remedial action. There was formerly a vacant house on the site but it has been demolished by order of the City of Los Angeles. Phase I called for asbestos and lead-based paint abatement prior to demolition. Clearances will be required from the sponsor prior to construction loan closing.

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 that the earthquake insurance premium can be paid.

DEVELOPMENT TEAM

Borrower

A Community of Friends

- ACOF has been providing service-enriched, affordable housing for homeless persons with chronic mental illness in Southern California since they were founded in 1988. They have built 1,071 units in 27 developments, and have another 303 units in 9 projects in development. They currently provide service-enriched housing for the homeless mentally ill in 21 of their developments, and housing for 767 formerly homeless persons.

Management Agent

The John Stewart Company

- The John Stewart Company was founded in 1978. They currently manage 22,500 units with regional offices in Los Angeles, San Diego, San Francisco, Santa Cruz and Sacramento. They have a staff of 1,000 in California. They manage 83 affordable housing projects in Southern California, including several CalHFA-financed projects. They have six years of experience in managing projects that house tenants with special needs, including formerly homeless tenants with mental illness.

Architect

Richard Barron,/Architects, Inc.

- Richard Barron, a registered architect, is principal and founder of Richard Barron/Architects, Inc. He has been a practicing architect in Los Angeles for 28 years, and has been associated with various nationally recognized architectural firms. His firm has designed 17 affordable housing projects with 582 units in Los Angeles County. These projects include Washington Court, a 1998 Gold Nugget Award Winner for Affordable Housing, and the St. George Hotel Rehab, a 2004 Gold Nugget Award Winner for Housing/Rehab. The St. George project also was named the SCANPH REHAB Project of the Year in 2004 and received the Angeles Conservancy 2005 Preservation Award.

Contractor

- The contractor has not yet been selected. The borrower has obtained preliminary cost estimates from John Francesco, a cost estimator in the Los Angeles area. He is a licensed structural engineer and has 22 years of estimating experience with several major construction firms. A negotiated bid process is being undertaken. The Agency will review costs for reasonableness and adequacy.

PROJECT SUMMARY

PROJECT NUMBER: 04-024

Final Commitment

Project:	**Woodland Terrace**		
Location:	15538 West Nordhoff Street	***Developer:***	**A Community of Friends**
City:	North Hills	***Partner:***	None
County:	Los Angeles	***Investor:***	Enterprise Social Investment Corp.
Zip Code:	91343		

		No. of Buildings:	1	
Project Type:	New Construction	*No. of Stories:*	3	
Occupancy:	Family	*Residential Space*	43,500	sq. ft.
Total Units:	31	*Office Space*	0	sq. ft.
Style Units:	Flats	*Commercial Space*	0	sq. ft.
Elevators:	Yes	*Gross Area*	43,500	sq. ft.
Total Parking	32	*Land Area*	26,250	sq. ft.
Covered	32	*Units per acre*	51	

CalHFA Construction Financing	Amount	Rate	Term (Mths)
CalHFA Construction Financing	$7,100,000	5.125%	18

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	**$685,000**	**1.00%**	**5**
CalHFA Bridge Loan	**$2,970,000**	**1.00%**	**0**
CalHFA Second Mortgage	**$0**	**5.90%**	**0**
HCD-MHP	$2,941,475	3.00%	55
HCD-MHP-NSSS	$169,725	0.00%	55
LAHD Housing Trust Fund	$1,758,184	3.00%	40
LAHSA-SHP Grant	$400,000	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
AHP	$0	0.00%	0
Income from Operations	$0		
Developer Contribution	$0		
Deferred Dev. Fee	$959,721		
Tax Credit Equity	$3,775,701		

Construction Valuation		Appraisal		Value Upon Completion	
Investment Value	$7,800,000	**Appraisal Date:**	**May 6, 2005**	**Market Value**	$4,300,000
Loan / Cost	77%	**Cap Rate:**	**6.00%**	**Perm. Loan / Cost**	6%
Loan / Value	91%			**Bridge&Perm/Value**	85%

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	Amount
CalHFA Construction Loan Fee	$71,000
CalHFA Permanent Loan Fees	$3,425
Bridge Loan Fee	$14,850

Construction Loan - Guarantees and Fees	
Sponsor's Completion Guarante	$5,891,849
Contractors Payment Bond	$5,891,849
Contractors Performance Bond	$5,891,849

Required Reserves	Amount
LTV LOC	$71,000
Replacement Resv. Initial Deposit	$0
Repl. Reserve - Per Unit/ Per Yr	$1,016
CalHFA Operating Expense Reserve	$43,038
Other: Rental Subsidy Reserve	$280,000
Other Reserve	$0
HCD Required Reserve	$37,540

Date: 6/22/2005 **Senior Staff Date:** 6/15/2005

UNIT MIX AND RENT SUMMARY — Woodland Terrace

04-024

Total Unit Mix

# of Units	Unit Type	# of Baths	Average Sq. Ft.
1	1 Bedroom Flat	1	590
19	2 Bedroom Flat	1	837
	2 Bedroom Townhome	1.5	
	2 Bedroom Townhome	2	
11	3 Bedroom Flat	2	1,347
	4 Bedroom Townhome	2.5	
31			

Number of Regulated Units By Agency

Agency	30%	35%	40%	50%	60%
CalHFA				30	
Tax Credits					30
LAHD	4	12	14		
HCD	30				1
SHP	30				

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			$800		
30%	1	$336		$464	42%
35%	0	$0		$0	0%
40%	0	$0		$0	0%
50%	0	$0		$0	0%
60%	0	$0		$0	0%
Two Bedroom			$950		
30%	18	$399		$551	42%
35%	0	$0		$0	0%
40%	0	$0		$0	0%
50%	0	$0		$0	0%
60%	0	$0		$0	0%
Three Bedroom			$1,350		
30%	11	$458		$892	34%
35%	0	$0		$0	0%
40%	0	$0		$0	0%
50%	0	$0		$0	0%
60%	0	$0		$0	0%
Four Bedroom			$0		
30%	0	$0		$0	0%
35%	0	$0		$0	0%
40%	0	$0		$0	0%
50%	0	$0		$0	0%
60%	0	$0		$0	0%

Sources and Uses of Funds — Woodland Terrace

04-024

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	7,100,000				
Construction Only Source 2	-				
Construction Only Source 3	-				
CalHFA First Mortgage		685,000	685,000	22,097	6%
CalHFA Second Mortgage		-	-	-	0%
HCD-MHP	-	2,941,475	2,941,475	94,886	28%
HCD-MHP-NSSS	-	169,725	169,725	5,475	2%
LAHD Housing Trust Fund	1,758,184	-	1,758,184	56,716	16%
LAHSA-SHP Grant	400,000	-	400,000	12,903	4%
Source 6	-	-	-	-	0%
Source 7	-	-	-	-	0%
Source 8	-	-	-	-	0%
Source 9	-	-	-	-	0%
Source 10	-	-	-	-	0%
Source 11	-	-	-	-	0%
AHP	-	-	-	-	0%
Income from Operations	-	-	-	-	0%
Developer Contribution	-	-	-	-	0%
Deferred Developer Fee	-	959,721	959,721	30,959	9%
Tax Credit Equity	15,944	3,759,757	3,775,701	121,797	35%
Total Sources	9,274,128	8,515,678	10,689,806	344,832	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		**$7,100,000**			
ACQUISITION					
Lesser of Land Cost or Value	600,000	-	600,000	19,355	6%
Demolition	51,907	-	51,907	1,674	0%
Legal - Acquisition Related Fees	10,000	-	10,000	323	0%
Subtotal - Land Cost / Value	661,907	-	661,907		
Existing Improvements Value	-	-	-	-	0%
Off-Site Improvements	30,000	-	30,000	968	0%
Other: Acqu.Title/Recording&Holding/Closing	23,000	-	23,000	742	0%
Total Acquisition	**714,907**	**-**	**714,907**	**23,062**	**7%**
REHABILITATION					
Site Work	-	-	-	-	0%
Rehab to Structures	-	-	-	-	0%
General Requirements	-	-	-	-	0%
Contractors Overhead	-	-	-	-	0%
Contractors Profit	-	-	-	-	0%
Contractor's Bond	-	-	-	-	0%
General Liability Insurance	-	-	-	-	0%
Environmental Mitigation Expense	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Rehabilitation	**-**	**-**	**-**	**-**	**0%**
RELOCATION EXPENSES					
Relocation Expense	-	-	-	-	0%
Relocation Compliance Monitoring	-	-	-	-	0%
Total Relocation	**-**	**-**	**-**	**-**	**0%**

(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	476,286	-	476,286	15,364	4%
Structures (Hard Costs)	4,775,257	-	4,775,257	154,041	45%
General Requirements	358,056	-	358,056	11,550	3%
Contractors Overhead	126,125	-	126,125	4,069	1%
Contractors Profit	126,125	-	126,125	4,069	1%
Contractor's Perf. & Pymt Bond	64,436	-	64,436	2,079	1%
General Liability Insurance	82,009	-	82,009	2,645	1%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total New Construction	**6,008,294**	**-**	**6,008,294**	**193,816**	**56%**
ARCHITECTURAL & ENGINEERING					
Architectural Design	220,000	-	220,000	7,097	2%
Architect's Supv during Construction	55,000	-	55,000	1,774	1%
Total Architectural	**275,000**	**-**	**275,000**	**8,871**	**3%**
Engineering Expense	15,000	-	15,000	484	0%
Engineers Supv. during Construction	52,600	-	52,600	1,697	0%
ALTA Survey	10,000	-	10,000	323	0%
Total Engineering & Survey	**77,600**	**-**	**77,600**	**2,503**	**1%**
CONSTRUCTION LOAN COSTS					
Construction Loan Interest	365,070		365,070	11,776	3%
CalHFA Construction Loan Fee	71,000		71,000	2,290	1%
Other Construction Loan Fees	-		-	-	0%
CalHFA Outside Legal Counsel Fees	20,000		20,000	645	0%
Other Lender Req'd Legal Fees	22,000		22,000	710	0%
Title and Recording fees	18,000		18,000	581	0%
CalHFA Req'd Inspection Fees	22,500		22,500	726	0%
Other Req'd Inspection Fees	-		-	-	0%
Prevailing Wage Monitoring Expense	-		-	-	0%
Taxes & Insurance during construction	50,000		50,000	1,613	0%
Predevelopment Interest	114,371		114,371	3,689	1%
Cost for LTV Letter of Credit	5,000		5,000	161	0%
Other: Preconstruction Estimating Svcs	12,000		12,000	387	0%
Total Construction Loan Expense	**699,941**	**-**	**699,941**	**22,579**	**7%**
PERMANENT LOAN COSTS					
CalHFA Perm Loan Fees	3,425	-	3,425	110	0%
CalHFA Bridge Loan Fees	-	-	-	-	0%
CalHFA Loan Application Fee	500	-	500	16	0%
Other Lender Perm. Loan Fees	-	-	-	-	0%
Title and Recording	-	10,000	10,000	323	0%
Perm. Bridge Loan Interest Expense	59,597	-	59,597	1,922	1%
Bond Origination Guarantee Fee	-	-	-	-	0%
Tax Exempt Bond Allocation Fee	600	-	600	19	0%
Other	-	-	-	-	0%
Total Permanent Loan Expense	**64,122**	**10,000**	**74,122**	**2,391**	**1%**
LEGAL FEES					
Borrower Legal Fee	35,000	-	35,000	1,129	0%
Other: Partnership/Syndication	35,000	-	35,000	1,129	0%
Total Attorney Expense	**70,000**	**-**	**70,000**	**2,258**	**1%**

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	323	0%
Market Study	10,000	-	10,000	323	0%
Physical Needs Assessment	-	-	-	-	0%
HUD Risk Share Environ. Review	-	-	-	-	0%
CalHFA EQ Waiver Seismic Review Fee	10,000	-	10,000	323	0%
Environmental Phase I / II Reports	2,600	-	2,600	84	0%
Soils / Geotech Reports	5,200	-	5,200	168	0%
Asbestos / Lead-based Paint Report	15,000	-	15,000	484	0%
Noise/Acoustical/Traffic Study Report	750	-	750	24	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Contract Costs	**53,550**	**-**	**53,550**	**1,727**	**1%**
CONTINGENCY					
Hard Cost Contingency	600,829	-	600,829	19,382	6%
Soft Cost Contingency	44,562	-	44,562	1,437	0%
Total Contingency	**645,391**	**-**	**645,391**	**20,819**	**6%**
RESERVES					
CalHFA Operating Expense Reserve	-	43,038	43,038	1,388	0%
Construction Defects Reserve	-	-	-	-	0%
Rent-Up Reserve	-	-	-	-	0%
HCD Req'd Reserve	-	37,540	37,540	1,211	0%
Other: Rental Subsidy Reserve	-	280,000	280,000	9,032	3%
Total Reserves	**-**	**360,578**	**360,578**	**11,632**	**3%**
OTHER					
CTCAC App/Alloc/Monitor Fees	33,974	-	33,974	1,096	0%
Local Permit Fees	-	-	-	-	0%
Local Development Impact Fees	195,310	-	195,310	6,300	2%
Other Local Fees	-	-	-	-	0%
Advertising & Marketing Expenses	48,090	-	48,090	1,551	0%
1st Year Taxes & Insurance	-	-	-	-	0%
Furnishings	75,000	-	75,000	2,419	1%
Final Cost Audit Expense	9,000	-	9,000	290	0%
Miscellaneous Admin Fees	-	-	-	-	0%
Other: Planning Approvals-Variance	25,000	-	25,000	806	0%
Other: Construction Mgmt Services	60,000	-	60,000	1,935	1%
Other: Owner's Liability Insurance	25,000	-	25,000	806	0%
Total Other Expenses	**471,374**	**-**	**471,374**	**15,206**	**4%**
SUBTOTAL PROJECT COSTS	**9,080,179**	**7,470,578**	**9,450,757**	**304,863**	**88%**
DEVELOPER COSTS					
Developer Overhead/Profit (5% Acq.)	-	-	-	-	0%
Developer Overhead/Profit (NC/Rehab)	118,949	1,045,100	1,164,049	37,550	11%
Consultant / Processing Agent	75,000	-	75,000	2,419	1%
Project Administration	-	-	-	-	0%
Broker Fees to a related party	-	-	-	-	0%
Construction Mgmt. Oversight	-	-	-	-	0%
Other	-	-	-	-	0%
Total Developer Fee / Costs	**193,949**	**1,045,100**	**1,239,049**	**39,969**	**12%**
				-	
Total Costs	**9,274,128**	**8,515,678**	**10,689,806**	**344,832**	**100%**

Annual Operating Budget			Woodland Terrace
Final Commitment			
INCOME:	**$ Amount**	**Per Unit**	**% of Total**
Total Rental Income	$457,692	$14,764	99.00%
Laundry	$4,626	$149	1.00%
Other Income	$0	$0	0.00%
Gross Potential Income (GPI)	**$462,318**	**$14,913**	100.00%
Less:			
Vacancy Loss	$31,935	$1,030	7.42%
Effective Gross Income	**$430,384**	**$13,883**	
EXPENSES:	**Total Cost**	**Per Unit**	**% of Total**
Payroll	$40,219	$1,297	15.85%
Administrative	$31,788	$1,025	12.53%
Management fee	$13,020	$420	5.13%
Utilities	$24,338	$785	9.59%
Operating and Maintenance	$58,315	$1,881	22.98%
Insurance and Business Taxes	$15,328	$494	6.04%
Locality Compliance Monitoring Fee	$0	$0	0.00%
Other: Rent Subsidy Reserve	$32,000	$1,032	12.61%
Subtotal Expenses	**$215,008**	$6,936	84.75%
Replacement Reserves	$31,496	$1,016	12.41%
Taxes & Assessments	$7,205	$232	2.84%
Total Expenses	$253,709	$8,184	100.00%
Financial Expenses			
CalHFA First Mortgage	$140,511	$4,533	
CalHFA Second Mortgage	$0	$0	
Other Required Debt Service	$12,354	$399	
NET OPERATING INCOME	**$23,810**	**$768**	

Cash Flow	Final Commitment			CalHFA Project	
RENTAL INCOME	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Affordable Rents	**150,672**	**153,685**	**156,759**	**159,894**	**163,092**
Affordable Rent Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Rental Subsidies	**302,232**	**308,277**	**314,442**	**320,731**	**327,146**
Rental Subsidy Increases	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Unrestricted Units	**4,788**	**4,884**	**4,981**	**5,081**	**5,183**
Unrestricted Unit Increases	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
TOTAL RENTAL INCOME	**457,692**	**466,846**	**476,183**	**485,706**	**495,421**
OTHER INCOME					
Laundry	**4,626**	**4,719**	**4,813**	**4,910**	**5,008**
Other Income	**0**	**0**	**0**	**0**	**0**
Other Income Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
TOTAL OTHER INCOME	**4,626**	**4,719**	**4,813**	**4,910**	**5,008**
GROSS POTENTIAL INCOME	**462,318**	**471,565**	**480,996**	**490,616**	**500,428**
VACANCY ASSUMPTIONS					
Affordable (Blended Average)	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*
Rental Subsidy Income	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*
Unrestricted Units	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Laundry & Other Income	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
LESS: VACANCY LOSS	**31,935**	**32,573**	**33,225**	**33,889**	**34,567**
EFFECTIVE GROSS INCOME	**430,384**	**438,992**	**447,771**	**456,727**	**465,861**
OPERATING EXPENSES					
Expenses	217,634	225,251	233,135	241,295	249,740
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Taxes and Assessments	7,205	7,349	7,496	7,646	7,799
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Replacement Reserve	31,496	31,496	31,496	31,496	31,496
Percentage Increase Yearly	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
TOTAL EXPENSES	**256,335**	**264,096**	**272,127**	**280,437**	**289,035**
NET OPERATING INCOME	**174,049**	**174,895**	**175,644**	**176,290**	**176,826**
DEBT SERVICE					
CalHFA - 1st Mortgage	140,511	140,511	140,511	140,511	140,511
CalHFA - Bridge Loan	1,009,866	1,009,866	1,009,866	0	0
CalHFA - 2nd Mortgage	0	0	0	0	0
HCD-MHP	12,354	12,354	12,354	12,354	12,354
CASH FLOW after all debt service	**21,184**	**34,385**	**35,134**	**35,779**	**36,316**
DEBT COVERAGE RATIO	**1.14**	**1.14**	**1.15**	**1.15**	**1.16**

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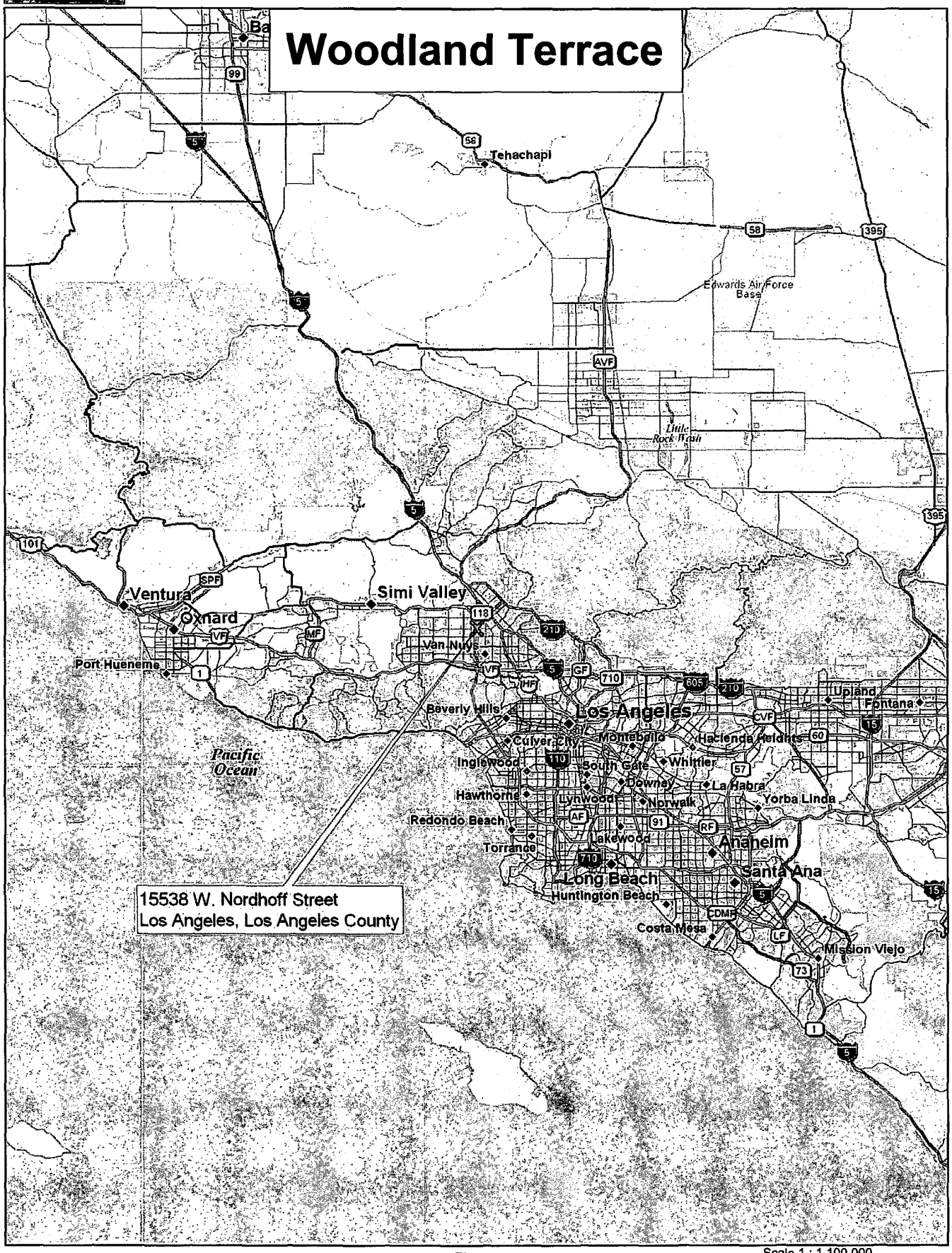

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TN

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Scale 1 : 1,100,000

1" = 17.36 mi

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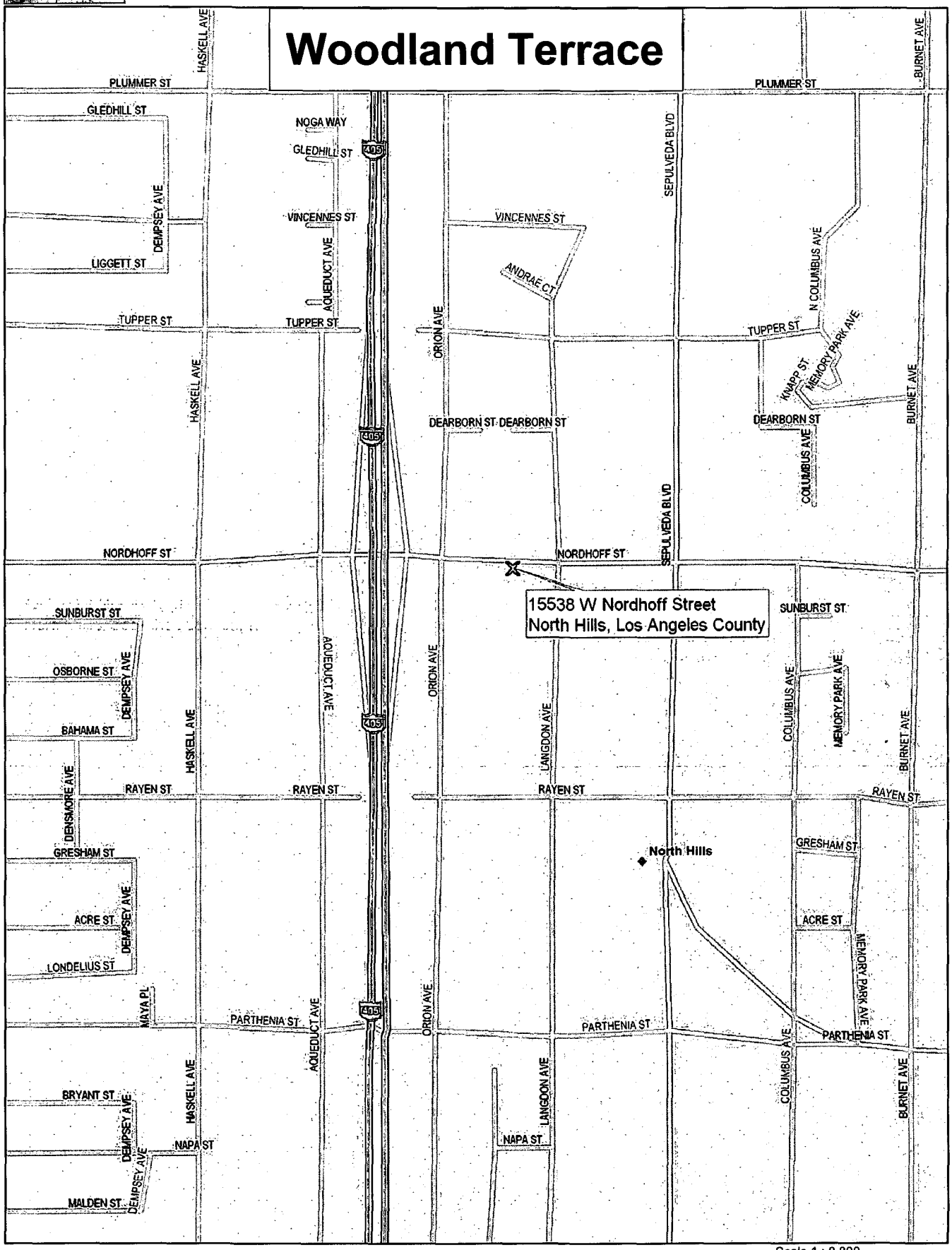

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1" = 733.3 ft

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RESOLUTION 05-28

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Woodland Terrace, L.P., a California limited partnership (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in Los Angeles, California, to be known as Woodland Terrace (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which prepared a report presented to the Board on the meeting date recited below (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 May 18, 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;

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, in a form acceptable to the Agency, and subject to recommended terms and conditions set forth in the Staff Report, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	MORTGAGE AMOUNT	
04-024-C/S	Woodland Terrace North Hills, California	Construction: First Permanent: Bridge Loan:	$7,100,000 $ 685,000 $3,700,000

2. The Executive Director may modify the terms and conditions of the loans or loans as described in the Staff Report, provided that major modifications, as defined below, must be submitted to this Board for approval. "Major modifications" as used herein means modifications which either (i) increase the total aggregate amount of any loans made pursuant to the Resolution by more than 7%; or (ii) modifications which in the judgment of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency, adversely change the financial or public purpose aspects of the final commitment in a substantial way.

I hereby certify that this is a true and correct copy of Resolution 05-28 adopted at a duly constituted meeting of the Board of the Agency held on July 7, 2005 at Sacramento, California.

ATTEST:_____
Secretary

RESOLUTION 05-28

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Secretary

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

SUMMARY

In September 2004, the board approved construction and permanent loans for a project being jointly developed as two separate developments by the Housing Authority of the County of Santa Clara ("HACSC") and ROEM Development Inc. ("ROEM") located at 500 Tully Road in San Jose.

This Loan Modification is to request approval to transfer HACSC's loan commitment to ROEM and approve of Fairgrounds Luxury Family Apartments, L.P., an affiliate of ROEM, as the single developer of this 300-unit family project. FPI Management Inc. will remain as the property manager. The combined original commitments, as attached and revised terms are as follows:

	ORIGINAL		
LOAN TERMS	**HACSC**	**ROEM**	**REVISED**
First Mortgage Amount	$8,605,000	$14,630,000	$24,235,000
Interest Rate:	5.70%	5.70%	Same
Term:	40 year amortized	40 year amortized	Same
Financing:	Tax-Exempt	Tax-Exempt	Same
Construction Loan	$17,240,000	$23,165,000	$40,405,000
Interest Rate:	Variable	Variable	Same,
Interest rate terms:	50 basis point Adjustment every 3 months, max. of 200 basis points	Same	Monthly interest rate adjustment. Maximum of 200 basis points
Term:	30 months, simple interest	Same	Same
City of San Jose	$8,378,205	$10,856,767	$19,235,050
Tax Credit Equity	$10,834,313	$16,511,090	$33,099,514
Rental Income	$288,881	$0	$221,445
Deferred Developer Fee	$902,307	$0	$0

The rents remain the same as presented in September 2004 and the operating expense budget has increased by 2%.

UNDERWRITING REQUIREMENTS:

1. Guarantee of completion from ROEM Development Inc. for 100% of construction contract.
2. Construction performance secured by a letter of credit issued by ROEM Development Inc.

insuring construction performance of ROEM Builders. The letter of credit will be in the amount of 5% of the construction contract.

3. Construction performance by the general contractor secured also by a personal guarantee by Robert Emami, the president of ROEM Development Inc. and ROEM Builders.
4. Payment bonds for subcontractors with contracts exceeding $200,000.
5. HUD Risk Share on the permanent loan.
6. Agreement to pay extension fees on the construction loan to offset any Agency costs incurred through delayed permanent loan close.
7. Approval by CDLAC and TCAC of transfer of HACSC interest to Fairgrounds Luxury Family Apartments.
8. Pinmore HDC to be added to the limited partnership.

BACKGROUND FOR MODIFICATION

The project was put out to bid on plans that were 90% complete in February and plans were submitted for plan check in April. The plan check and bidding process were delayed due to delays in the design process and submittal of the PD Permit application.

The bidding process revealed much higher construction costs for HACSC's residential project than had been anticipated. In addition, HACSC had not allocated correctly for their share of podium costs, resulting in a $1,400,000 cost increase for the HACSC project. ROEM was able to absorb much of the podium cost increase and in turn received a higher percentage of the tenancy-in-common ownership for the podium..

ROEM Builders bid on the HACSC project, resulting in an elimination of the funding gap due to economies of scale achievable with one general contractor bidding on a single 300-unit project. HACSC concluded that the complexities of developing a construction contract acceptable to the owner, lenders and investor on a joint development in which ROEM is the developer/contractor and also the contractor would further delay the construction start date.

The investor on this project, Hudson Housing Capital, concurred with this decision.

The developers concluded that a single ownership entity would substantially improve the financial outlook, risk, rent-up efficiencies and construction start date. It was decided that ROEM would buy HACSC's interest in the joint venture, since ROEM was already developing the larger project and owned a larger portion of the podium.

A single ownership will improve the risk outlook for the following reasons:

1. The total LP equity pay-in has increased by $5,754,000. During construction, the investor is increasing their capital contribution by $5,534,000 ($3,200,000 construction-period bridge loan plus $2,353,000 in construction-period capital contributions).
2. The City of San Jose's $19,235,050 loan will be fully disbursed prior to commencement of CalHFA construction disbursements. It is anticipated that the City funds will pay all of the costs to build the podium and the first two draws for building construction.
3. Construction-period interest rate risk has been reduced by revising the rate adjustment from quarterly to monthly.
4. Risk share will be required for the permanent loans.
5. ROEM will improve the design of the former HACSC project by adding two elevators for better access.

CALIFORNIA HOUSING FINANCE AGENCY
Modified Final Commitment
Corde Terra Family Apartments
Formerly Fairgrounds Family Housing
San Jose, Santa Clara County, CA
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3. Construction-period interest rate risk has been reduced by revising the rate adjustment from quarterly to monthly.
4. Risk share will be required for the permanent loans.
5. ROEM will improve the design of the former HACSC project by adding two elevators for better access.

6. Deferred developer fee has been eliminated, allowing the developer fee to be used as an additional contingency fund if necessary.
7. Prior to disbursing CalHFA funds for construction, funds from the City and up-front LP equity totaling 28% of the construction costs and are to be disbursed.

Approval of the transfer of interest of the ground lease is scheduled to go before the County Board of Supervisor's board on August 3, 2005. The City of San Jose's Housing Department is in the process of seeking approval of the transfer and the investor is in the process of issuing a revised letter of interest for the project.

The plan check process is nearing completion and grading and building permits will be available for issuance around the middle of July. Assuming the approval of the transfer, construction and syndication closing is expected to close by the end of July and the construction start date is estimated for the first of August.

PROJECT SUMMARY

PROJECT NUMBER: 3-064
Loan Modification

Project:	**Corde Terra Family Housing**		
	Formerly Fairgrounds Family Housing		
Location:	500 Tully Road	***Borrower:***	Fairgrounds Luxury Family Apts.
City:	San Jose	***Partner:***	ROEM Development Corp
County:	Santa Clara	***Investor:***	JR Hudson
Zip Code:			
		No. of Buildings:	6
Project Type:	New Construction	*No. of Stories:*	3 & 4
Occupancy:	Family	*Residential Space*	255,165 sq. ft.
Total Units:	300	*Common Area Sq*	88,100 sq. ft.
Style Units:	Townhomes & Flats	*Podium Parking*	161,550 sq. ft.
Elevators:	Yes	*Gross Area*	504,815 sq. ft.
Total Parking	519	*Land Area*	256,133 sq. ft.
Covered	451	*Units per acre*	51

CalHFA Construction Financing	Approved 9-04	Revised 7-05	Change	Rate	Term (Mths)
CalHFA Construction Financing	$40,405,000	$40,405,000	$0	5.35%	30

Permanent Sources of Funds	Approved 9-04	Revised 7-05	Change	Rate	Years
CalHFA First Mortgage	**$24,525,000**	**$24,235,000**	-$290,000	**5.70%**	**40**
CalHFA Bridge Loan	**$0**	**$0**		**0.00%**	**0**
CalHFA Second Mortgage	**$0**	**$0**		**0.00%**	**0**
City of San Jose Principal	$19,235,050	$19,235,050	$0	4.00%	55
City of San Jose Construction Interest	$1,643,890	$2,140,143	$496,253	0.00%	0
Construction-period rental income	$288,881	$221,445	-$67,436	0.00%	0
LP Bridge Loan	$0	$0	$0	0.00%	0
Source 6	$0	$0	$0	0.00%	0
Source 7	$0	$0	$0	0.00%	0
Source 8	$0	$0	$0	0.00%	0
Source 9	$0	$0	$0	0.00%	0
Source 10	$0	$0	$0	0.00%	0
Source 11	$0	$0	$0	0.00%	0
Source 12	$0	$0	$0	0.00%	0
Income from Operations	$0	$0	$0		
Developer Contribution	$0	$0	$0		
Deferred Dev. Fee	$902,307	$0	-$902,307		
Tax Credit Equity	$27,345,327	$33,099,514	$5,754,187		

Construction Valuation		Appraisal		Value Upon Completion	
Investment Value	$53,720,000	**Appraisal Date:**	**June 11, 2004**	**Restricted Value**	$28,230,000
Loan / Cost	55%	**Cap Rate:**	**6.25%**	**Perm. Loan / Cost**	31%
Loan / Value	75%			**Perm. Loan / Value**	87%

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	Amount
CalHFA Construction Loan Fee	$404,050
CalHFA Permanent Loan Fees	$121,175
Other Fee	$0

Required Reserves	Amount
Other Reserve	$0
Replacement Resv. Initial Deposit	$0
Replacement Reserve	$350

Construction Loan - Guarantees and Fees			CalHFA Operating Expense Reserve	$368,772
Completion Guarantee	$57,885,810		Rent Up Reserve	$553,527
Sub-Contractors Payment Bond	$57,885,810		Other Reserve	$0
Performance L/C	$2,894,291	5%	Tax-Exempt Bond Test (Min. 50%)	54.00%

Date: 6/21/2005 **Senior Staff Date** 6/21/2005

UNIT MIX AND RENT SUMMARY — Corde Terra Family Housing

03-064

Total Unit Mix

# of Units	Unit Type	# of Baths	Average Sq. Ft.
115	1 Bedroom Flat	1	
157	2 Bedroom Flat	1	
28	2 Bedroom Townhome	1.5	
	2 Bedroom Townhome	2	
	3 Bedroom Townhome	2	
	4 Bedroom Townhome	2.5	
300			

Number of Regulated Units By Agency

Agency	35%	45%	50%	60%	80%	Unrestricted	Total
CalHFA							
Tax Credits							
Locality		138	133	29			300
HCD							
AHP							
Zoning							
County of SC		138	133	29			300

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			$1,059		
35%	0	$0		$0	0%
45%	115	$851		$208	80%
50%	0	$0		$0	0%
60%	0	$0		$0	0%
80%	0	$0		$0	0%
Two Bedroom			$1,348		
35%	0	$0		$0	0%
45%	22	$1,011		$337	75%
50%	133	$1,085		$263	80%
60%	0	$0		$0	0%
80%	0	$0		$0	0%
Three Bedroom			$1,679		
35%	0	$0		$0	0%
45%	0	$0		$0	0%
50%	3	$1,255		$424	75%
60%	12	$1,325		$354	79%
80%	0	$0		$0	0%
Four Bedroom			$0		
35%	0	$0		$0	0%
45%	0	$0		$0	0%
50%	0	$0		$0	0%
60%	13	$1,346		$333	80%
80%	0	$0		$0	0%

Sources and Uses of Funds — Corde Terra Family Housing

03-064

SOURCES OF FUNDS:	Approved Sept. 04	Revised 7-05 Const. Funds	Revised 7-05 Perm. Funds
CalHFA Construction Financing	40,405,000	40,405,000	
Construction Only Source 2		-	
Construction Only Source 3		-	
CalHFA First Mortgage	24,525,000		24,235,000
CalHFA Second Mortgage			-
City of San Jose Principal	19,235,050	19,235,050	-
City of San Jose Construction Interest	1,643,890	-	2,140,143
Construction-period rental income	288,881	221,445	-
LP Bridge Loan		3,200,000	
Source 6		-	-
Source 7		-	-
Source 8		-	-
Source 9		-	-
Source 10		-	-
Source 11		-	-
Source 12		-	-
Income from Operations		-	-
Developer Contribution		-	-
Deferred Developer Fee	902,307	-	-
Tax Credit Equity	27,345,327	10,584,480	22,568,635
Total Sources	**73,940,455**	**73,645,975**	**48,943,778**
(Gap)/Surplus	0	-	

Total Development Sources		
Total Sources of Funds ($)	Sources per Unit	%
24,235,000	80,783	31%
-	-	0%
19,235,050	64,117	24%
2,140,143	7,134	3%
221,445	738	0%
-	-	0%
-	-	0%
-	-	0%
-	-	0%
-	-	0%
-	-	0%
-	-	0%
-	-	0%
-	-	0%
-	-	0%
38,355	128	0%
33,099,514	110,332	42%
78,969,507	263,232	100%
-		

USES OF FUNDS:		Construction ($)	Permanent ($)
LOAN PAYOFFS & ROLLOVERS			
Construction Loan payoffs			**$19,370,000**
ACQUISITION			
Prepaid Ground Rent	399,998	-	-
Demolition	0	150,000	-
Legal - Acquisition Related Fees		-	-
Subtotal - Land Cost / Value		150,000	-
Existing Improvements Value		-	-
Off-Site Improvements	1,267,846	690,302	-
Other		-	-
Total Acquisition	**1,667,844**	**840,302**	**-**
REHABILITATION			
Site Work		-	-
Rehab to Structures		-	-
General Requirements		-	-
Contractors Overhead		-	-
Contractors Profit		-	-
Contractor's Bond		-	-
General Liability Insurance		-	-
Environmental Mitigation Expense		-	-
Other		-	-
Other		-	-
Total Rehabilitation		**-**	**-**
RELOCATION EXPENSES			
Relocation Expense		-	-
Relocation Compliance Monitoring		-	-
Total Relocation		**-**	**-**

Total Development Costs		
Total Uses of Funds ($)	Cost per Unit	%
-	-	0%
150,000	500	0%
-	-	0%
150,000		
-	-	0%
690,302	2,301	1%
-	-	0%
840,302	**2,801**	**1%**
-	-	0%
-	-	0%
-	-	0%
-	-	0%
-	-	0%
-	-	0%
-	-	0%
-	-	0%
-	-	0%
-	-	0%
-	**-**	**0%**
-	-	0%
-	-	0%
-	**-**	**0%**

USES OF FUNDS (Cont'd):		Construction ($)	Permanent ($)	Total Development Costs		
				Total Uses of Funds ($)	ost per Unit per Unit	%
NEW CONSTRUCTION						
Site Work	2,058,217	3,362,291	-	3,362,291	11,208	4%
Structures (Hard Costs)	35,865,652	38,910,570	-	38,910,570	129,702	49%
Podium	6,632,000	6,905,154	-	6,905,154		
General Requirements	1,924,969	2,905,042	-	2,905,042	9,683	4%
Contractors Overhead	1,681,137	1,026,448	-	1,026,448	3,421	1%
Contractors Profit	986,637	3,079,344	-	3,079,344	10,264	4%
Contractor's Perf. & Pymt Bond		856,659	-	856,659	2,856	1%
General Liability Insurance	1,413,000	-	-	-	-	0%
Other		-	-	-	-	0%
Total New Construction	**50,561,612**	**57,045,508**	**-**	**57,045,508**	**190,152**	**72%**
ARCHITECTURAL & ENGINEERING						
Architectural Design	1,254,900	1,247,754	-	1,247,754	4,159	2%
Architect's Supv during Construction	118,175	70,000	-	70,000	233	0%
Total Architectural	**1,373,075**	**1,317,754**	**-**	**1,317,754**	**4,393**	**2%**
Engineering Expense	384,796	762,618	-	762,618	2,542	1%
Engineers Supv. during Construction		-	-	-	-	0%
ALTA Survey		-	-	-	-	0%
Total Engineering & Survey	**384,796**	**762,618**	**-**	**762,618**	**2,542**	**1%**
CONSTRUCTION LOAN COSTS						
Construction Loan Interest	3,176,155	3,646,863		3,646,863	12,156	5%
CalHFA Construction Loan Fee	404,050	404,050		404,050	1,347	1%
Other Construction Loan Fees	41,479	-			-	0%
CalHFA Outside Legal Counsel Fees	20,000	30,000		30,000	100	0%
Other Lender Req'd Legal Fees		-		-	-	0%
Title and Recording fees	149,022	221,966		221,966	740	0%
CalHFA Req'd Inspection Fees	73,500	50,000		50,000	167	0%
Other Req'd Inspection Fees		26,500		26,500	88	0%
Prevailing Wage Monitoring Expense		-			-	0%
Taxes & Insurance during construction	529,074	2,175,000		2,175,000	7,250	3%
City of San Jose Interest	1,643,890	-	2,140,143	2,140,143	7,134	3%
Cost for Completion Guarantee		-		-	-	0%
Other - predevelopment interest & fees		49,530		49,530	165	0%
Total Construction Loan Expense	**6,037,170**	**6,603,909**	**2,140,143**	**8,744,052**	**29,147**	**11%**
PERMANENT LOAN COSTS						
CalHFA Perm Loan Fees	122,625	121,175	-	121,175	404	0%
CalHFA Bridge Loan Fees		-	-	-	-	0%
CalHFA Loan Application Fee	1,000	500	-	500	2	0%
Other Lender Perm. Loan Fees		-	-	-	-	0%
Title and Recording	38,750	-	50,000	50,000	167	0%
Perm. Bridge Loan Interest Expense		-	-	-	-	0%
Bond Origination Guarantee Fee		-	-	-	-	0%
Tax Exempt Bond Allocation Fee		600	-	600	2	0%
Other		-	-	-	-	0%
Total Permanent Loan Expense	**162,375**	**122,275**	**50,000**	**172,275**	**574**	**0%**
LEGAL FEES						
Borrower Legal Fee	384,000	400,000	-	400,000	1,333	1%
Other		-	-	-	-	0%
Total Attorney Expense	**384,000**	**400,000**	**-**	**400,000**	**1,333**	**1%**

USES OF FUNDS (Cont'd):		Construction ($)	Permanent ($)	Total Development Costs of Funds ($)	per Unit	
CONTRACT / REPORT COSTS						
Appraisal	25,000	40,000	-	40,000	133	0%
Market Study	5,000	-	-	-	-	0%
Physical Needs Assessment		-	-	-	-	0%
HUD Risk Share Environ. Review	0	20,000	-	20,000	67	0%
CalHFA EQ Waiver Seismic Review	10,000	15,000	-	15,000	50	0%
Environmental Phase I / II Reports	21,840	-	-	-	-	0%
Soils/Geotech Reports & Inspections	100,000	171,397	-	171,397	571	0%
Asbestos / Lead-based Paint Report		-	-	-	-	0%
Noise/Acoustical/Traffic Study Report		-	-	-	-	0%
Other		-	-	-	-	0%
Other		-	-	-	-	0%
Total Contract Costs	**161,840**	**246,397**	**-**	**246,397**	**821**	**0%**
CONTINGENCY						
Hard Cost Contingency	3,437,195	2,830,712	-	2,830,712	9,436	4%
Soft Cost Contingency	217,565	377,214	-	377,214	1,257	0%
Total Contingency	**3,654,760**	**3,207,926**	**-**	**3,207,926**	**10,693**	**4%**
RESERVES						
CalHFA Operating Expense Reserve	368,643	-	368,772	368,772	1,229	0%
Construction Defects Reserve		-	-	-	-	0%
Rent-Up Reserve	797,598	-	553,527	553,527	1,845	1%
Capitalized Investor Req'd Reserve		-	-	-	-	0%
Other- L/C Costs	12,288	23,929	-	23,929	80	0%
Total Reserves	**1,178,529**	**23,929**	**922,299**	**946,228**	**3,154**	**1%**
OTHER						
CTCAC App/Alloc/Monitor Fees	174,627	97,919	61,090	159,009	530	0%
Local Permit Fees	2,415,857	1,198,192	-	1,198,192	3,994	2%
Local Development Impact Fees	1,479,727	922,728	-	922,728	3,076	1%
Other Local Fees		-	-	-	-	0%
Advertising & Marketing Expenses	409,243	369,018	-	369,018	1,230	0%
1st Year Taxes & Insurance		-	-	-	-	0%
Furnishings	100,000	-	-	-	-	0%
Final Cost Audit Expense	55,000	40,000	-	40,000	133	0%
Miscellaneous Admin Fees		-	-	-	-	0%
Other		-	-	-	-	0%
Other		-	-	-	-	0%
Total Other Expenses	**4,634,454**	**2,627,857**	**61,090**	**2,688,947**	**8,963**	**3%**
SUBTOTAL PROJECT COSTS	**70,200,455**	**73,198,475**	**22,543,532**	**76,372,007**	**254,573**	**97%**
DEVELOPER COSTS						
Developer Overhead/Profit (5% Acq.)	3,700,000	250,000	2,150,000	2,400,000	8,000	3%
Developer Overhead/Profit (NC/Rehab)		-	-	-	-	0%
Consultant / Processing Agent	40,000	40,000	-	40,000	133	0%
Project Administration		-	-	-	-	0%
Broker Fees to a related party		-	-	-	-	0%
Construction Mgmt. Oversight		-	-	-	-	0%
Site Security		157,500	-	157,500	525	0%
Total Developer Fee / Costs	**3,740,000**	**447,500**	**2,150,000**	**2,597,500**	**8,658**	**3%**
Total Costs	**73,940,455**	**73,645,975**	**24,693,532**	**78,969,507**	**263,232**	**100%**

Annual Operating Budget			Corde Terra Family Housing	
Loan Modification				
INCOME:	**Approved 9-04**	**Update 7-05**	**Rev.% of total**	**$ Per Unit**
Total Rental Income	3,650,544	3,657,300	99.2%	12,191
Laundry	35,880	30,420	0.8%	101
Other Income			0.0%	0
Gross Potential Income (GPI)	**3,686,424**	**3,687,720**	**100.0%**	**12,292**
Less:				
Vacancy Loss	184,581	184,386	5.0%	
Effective Gross Income	**3,501,843**	**3,503,334**	**105.0%**	
EXPENSES:	**Approved 9-04**	**Update 7-05**	**Rev.% of total**	**$ Per Unit**
Payroll	383,574	404,538	22.2%	1,348
Administrative	109,524	129,768	7.1%	433
Management fee	158,683	140,227	7.7%	467
Utilities	181,899	185,000	10.2%	617
Operating and Maintenance	405,537	397,946	21.9%	1,326
Insurance and Business Taxes	71,912	83,000	4.6%	277
Locality Compliance Monitoring Fee	0	0	0.0%	0
Ground Lease Payments	364,650	364,650	20.0%	1,216
Subtotal Expenses	**1,675,779**	**1,705,129**	**93.7%**	**5,684**
Replacement Reserves	104,650	105,000	5.8%	350
			0.0%	0
Taxes & Assessments	7,300	10,300	0.6%	34
Total Expenses	**1,787,729**	**1,820,429**	**100.0%**	**6,068**
Financial Expenses				
CalHFA First Mortgage	1,558,163	1,539,738		
CalHFA Second Mortgage	0	0		
Other Required Debt Service	0	0		
	1,558,163	**1,539,738**		
NET OPERATING INCOME	**229,566**	**280,691**		

Cash Flow	Loan Modification			CalHFA Project Number: 03-064			Corde Terra Family Housing			
RENTAL INCOME	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Affordable Rents	3,618,900	3,709,373	3,802,107	3,897,159	3,994,588	4,094,453	4,196,815	4,301,735	4,409,278	4,519,510
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%*
Market Rate Units	38,400	38,400	38,400	38,400	38,400	38,400	38,400	38,400	38,400	38,400
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	3,657,300	3,747,773	3,840,507	3,935,559	4,032,988	4,132,853	4,235,215	4,340,135	4,447,678	4,557,910
OTHER INCOME										
Laundry	30,420	31,181	31,960	32,759	33,578	34,417	35,278	36,160	37,064	37,990
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	30,420	31,181	31,960	32,759	33,578	34,417	35,278	36,160	37,064	37,990
GROSS POTENTIAL INCOME	3,687,720	3,778,953	3,872,467	3,968,318	4,066,566	4,167,271	4,270,492	4,376,295	4,484,742	4,595,901
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	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
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	184,386	188,948	193,623	198,416	203,328	208,364	213,525	218,815	224,237	229,795
EFFECTIVE GROSS INCOME	3,503,334	3,590,005	3,678,843	3,769,903	3,863,238	3,958,907	4,056,968	4,157,480	4,260,505	4,366,106
OPERATING EXPENSES										
Expenses	1,350,279	1,404,290	1,460,462	1,518,880	1,579,635	1,642,821	1,708,534	1,776,875	1,847,950	1,921,868
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Ground Lease Payment	364,650	364,650	364,650	364,650	364,650	364,650	364,650	364,650	364,650	364,650
Taxes and Assessments	500	510	520	531	541	552	563	574	586	598
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	105,000	105,000	105,000	105,000	105,000	110,250	110,250	110,250	110,250	110,250
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	1,820,429	1,874,450	1,930,632	1,989,061	2,049,827	2,118,273	2,183,997	2,252,349	2,323,436	2,397,366
NET OPERATING INCOME	1,682,905	1,715,555	1,748,212	1,780,842	1,813,411	1,840,634	1,872,971	1,905,131	1,937,069	1,968,740
DEBT SERVICE										
CalHFA - 1st Mortgage	1,539,738	1,539,738	1,539,738	1,539,738	1,539,738	1,539,738	1,539,738	1,539,738	1,539,738	1,539,738
CalHFA - Bridge Loan	0	0	0	0	0					
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	1.09	1.11	1.14	1.16	1.18	1.20	1.22	1.24	1.26	1.28

Cash Flow	CalHFA Project Number: 03-064							Corde Terra Family Housing		
RENTAL INCOME	**Year 11**	**Year 12**	**Year 13**	**Year 14**	**Year 15**	**Year 16**	**Year 17**	**Year 18**	**Year 19**	**Year 20**
Affordable Rents	4,632,498	4,748,310	4,867,018	4,988,694	5,113,411	5,241,246	5,372,277	5,506,584	5,644,249	5,785,355
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%*
Market Rate Units	38,400	38,400	38,400	38,400	38,400	38,400	38,400	38,400	38,400	38,400
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	4,670,898	4,786,710	4,905,418	5,027,094	5,151,811	5,279,646	5,410,677	5,544,984	5,682,649	5,823,755
OTHER INCOME										
Laundry	38,940	39,914	40,912	41,934	42,983	44,057	45,159	46,288	47,445	48,631
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	38,940	39,914	40,912	41,934	42,983	44,057	45,159	46,288	47,445	48,631
GROSS POTENTIAL INCOME	4,709,838	4,826,624	4,946,330	5,069,028	5,194,794	5,323,703	5,455,836	5,591,272	5,730,094	5,872,386
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	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
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	235,492	241,331	247,316	253,451	259,740	266,185	272,792	279,564	286,505	293,619
EFFECTIVE GROSS INCOME	4,474,346	4,585,293	4,699,013	4,815,577	4,935,054	5,057,518	5,183,044	5,311,708	5,443,589	5,578,767
OPERATING EXPENSES										
Expenses	1,998,743	2,078,692	2,161,840	2,248,314	2,338,246	2,431,776	2,529,047	2,630,209	2,735,417	2,844,834
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Ground Lease Payment	364,650	364,650	364,650	364,650	364,650	364,650	364,650	364,650	364,650	364,650
Taxes and Assessments	609	622	634	647	660	673	686	700	714	728
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	115,763	115,763	115,763	115,763	115,763	121,551	121,551	121,551	121,551	121,551
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	2,479,765	2,559,727	2,642,887	2,729,373	2,819,319	2,918,650	3,015,934	3,117,110	3,222,332	3,331,763
NET OPERATING INCOME	1,994,581	2,025,566	2,056,126	2,086,203	2,115,735	2,138,869	2,167,110	2,194,598	2,221,257	2,247,004
DEBT SERVICE										
CalHFA - 1st Mortgage	1,539,738	1,539,738	1,539,738	1,539,738	1,539,738	1,539,738	1,539,738	1,539,738	1,539,738	1,539,738
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	**1.30**	**1.32**	**1.34**	**1.35**	**1.37**	**1.39**	**1.41**	**1.43**	**1.44**	**1.46**

Cash Flow	CalHFA Project Number: 03-064							Corde Terra Family Housing		
RENTAL INCOME	**Year 21**	**Year 22**	**Year 23**	**Year 24**	**Year 25**	**Year 26**	**Year 27**	**Year 28**	**Year 29**	**Year 30**
Affordable Rents	5,929,989	6,078,239	6,230,195	6,385,950	6,545,598	6,709,238	6,876,969	7,048,893	7,225,116	7,405,744
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%*
Market Rate Units	38,400	38,400	38,400	38,400	38,400	38,400	38,400	38,400	38,400	38,400
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	5,968,389	6,116,639	6,268,595	6,424,350	6,583,998	6,747,638	6,915,369	7,087,293	7,263,516	7,444,144
OTHER INCOME										
Laundry	49,847	51,093	52,370	53,679	55,021	56,397	57,807	59,252	60,733	62,252
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	49,847	51,093	52,370	53,679	55,021	56,397	57,807	59,252	60,733	62,252
GROSS POTENTIAL INCOME	6,018,236	6,167,732	6,320,965	6,478,029	6,639,020	6,804,035	6,973,176	7,146,546	7,324,249	7,506,395
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	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
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	300,912	308,387	316,048	323,901	331,951	340,202	348,659	357,327	366,212	375,320
EFFECTIVE GROSS INCOME	5,717,324	5,859,345	6,004,917	6,154,128	6,307,069	6,463,834	6,624,517	6,789,218	6,958,037	7,131,076
OPERATING EXPENSES										
Expenses	2,958,628	3,076,973	3,200,052	3,328,054	3,461,176	3,599,623	3,743,608	3,893,352	4,049,086	4,211,050
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Ground Lease Payment	364,650	364,650	364,650	364,650	364,650	364,650	364,650	364,650	364,650	364,650
Taxes and Assessments	743	758	773	788	804	820	837	853	871	888
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	127,628	127,628	127,628	127,628	127,628	134,010	134,010	134,010	134,010	134,010
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	3,451,649	3,570,009	3,693,103	3,821,120	3,954,258	4,099,103	4,243,104	4,392,865	4,548,616	4,710,597
NET OPERATING INCOME	2,265,675	2,289,336	2,311,814	2,333,007	2,352,811	2,364,731	2,381,413	2,396,353	2,409,421	2,420,479
DEBT SERVICE										
CalHFA - 1st Mortgage	1,539,738	1,539,738	1,539,738	1,539,738	1,539,738	1,539,738	1,539,738	1,539,738	1,539,738	1,539,738
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	1.47	1.49	1.50	1.52	1.53	1.54	1.55	1.56	1.56	1.57

Cash Flow	CalHFA Project Number: 03-064								Corde Terra Family Housing	
RENTAL INCOME	**Year 31**	**Year 32**	**Year 33**	**Year 34**	**Year 35**	**Year 36**	**Year 37**	**Year 38**	**Year 39**	**Year 40**
Affordable Rents	7,590,887	7,780,659	7,975,176	8,174,555	8,378,919	8,588,392	8,803,102	9,023,180	9,248,759	9,479,978
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%*
Market Rate Units	38,400	38,400	38,400	38,400	38,400	38,400	38,400	38,400	38,400	38,400
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	7,629,287	7,819,059	8,013,576	8,212,955	8,417,319	8,626,792	8,841,502	9,061,580	9,287,159	9,518,378
OTHER INCOME										
Laundry	63,808	65,403	67,038	68,714	70,432	72,193	73,998	75,848	77,744	79,687
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	63,808	65,403	67,038	68,714	70,432	72,193	73,998	75,848	77,744	79,687
GROSS POTENTIAL INCOME	7,693,095	7,884,463	8,080,614	8,281,670	8,487,751	8,698,985	8,915,500	9,137,427	9,364,903	9,598,066
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	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
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	384,655	394,223	404,031	414,083	424,388	434,949	445,775	456,871	468,245	479,903
EFFECTIVE GROSS INCOME	7,308,441	7,490,240	7,676,584	7,867,586	8,063,364	8,264,036	8,469,725	8,680,556	8,896,658	9,118,162
OPERATING EXPENSES										
Expenses	4,379,492	4,554,671	4,736,858	4,926,332	5,123,386	5,328,321	5,541,454	5,763,112	5,993,637	6,233,382
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Ground Lease Payment	364,650	364,650	364,650	364,650	364,650	364,650	364,650	364,650	364,650	364,650
Taxes and Assessments	906	924	942	961	980	1,000	1,020	1,040	1,061	1,082
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	140,710	140,710	140,710	140,710	140,710	147,746	147,746	147,746	147,746	147,746
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	4,885,757	5,060,955	5,243,160	5,432,654	5,629,726	5,841,717	6,054,869	6,276,548	6,507,093	6,746,860
NET OPERATING INCOME	2,422,683	2,429,285	2,433,423	2,434,933	2,433,638	2,422,319	2,414,855	2,404,008	2,389,565	2,371,302
DEBT SERVICE										
CalHFA - 1st Mortgage	1,539,738	1,539,738	1,539,738	1,539,738	1,539,738	1,539,738	1,539,738	1,539,738	1,539,738	1,539,738
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	1.57	1.58	1.58	1.58	1.58	1.57	1.57	1.56	1.55	1.54

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

SUMMARY

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

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

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

LOAN TERMS

Construction

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

Permanent

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

OTHER FINANCING

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

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

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

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

PROJECT DESCRIPTION

Project Location

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

Site/Common Improvements

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

Residential Improvements

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

Off-site improvements

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

MARKET

Market Overview

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

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

Housing Supply and Demand

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

PROJECT FEASIBILITY

Estimated Lease-up Period

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

ENVIRONMENTAL

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

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

Geotechnical report

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

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

DEVELOPMENT TEAM

Borrower

HACSC Fairgrounds Family Housing Associates LP

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

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

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

Management Agent

FPI Management Inc.

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

Architect

The Steinberg Group/MIRO Design

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

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

MIRO Design

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

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

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

Contractor

ROEM Builders Inc./L & D Construction

- There will be two construction contracts for this project. The contractor for the onsite improvements, the community center and garage/podium structure (up to top of podium slab, including utility stub-ins) is ROEM Builders Inc. (RBI). The contractor for the residential improvements is L & D Construction Company (L & D).
- RBI is the general contracting firm for ROEM Development Corporation and has been in business for over 20 years. During that time, RBI has built high-end single family tract homes, townhomes, condominiums and multifamily apartments in Santa Clara County. In addition, RBI has built ROEM's affordable projects, also of a similar quality, which include 6 completed family and senior projects and five projects currently under construction totaling 401 units and 2,500 square feet of retail. ROEM also has five projects in predevelopment totaling an estimated 1,227 units and 33,600 square feet of office/retail which will be built by RBI.
- L & D was incorporated in 1979 and their primary focus of on multifamily rental units. Their client list includes projects for ten non-profit developers. L & D has completed 11 affordable housing projects with over 1,250 units during the past twenty years and has over 452 units in three projects currently under construction, one of which is Murphy Ranch Phase II in Morgan Hill.
- The contract between HACSC and RBI will be in an amount that is not to exceed 45% of the cost of the improvements noted above plus the cost of constructing the community area. Both ROEM Builders Inc. and L & D Construction will post performance and payment bonds in a format acceptable to CalHFA.

Project Summary

Date: 20-Aug-04

Project Profile:

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

Project Description:

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

Financing Summary:

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

Unit Mix:

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

PERMANENT LOAN			
Fees	**Basis of Requirements**	**Amount**	**Security**
CalHFA Permanent Loan	0.50% Permanent Loan	$43,025	Cash
CalHFA Bridge Loan	0.50% Bridge Loan	0	Cash
Escrows			
Construction Defect	2.50% of Hard Costs	$461,656	LOC
Reserves			
Operating Expense Reserve	10.00% of Gross Income	$157,342	Cash
Rent Up Reserve		$483,734	Cash
Annual Replacement Reserve	$350 per unit, years 1-5	$45,150	Operations
	$450 per unit years 5-40	$58,500	
	10% increase every five years		
CONSTRUCTION LOAN			
Fees			
CalHFA Construction Loan	1.00% Total Construction Loan	$172,400	Cash
Inspection fee	$1,500 21 mos Of construction	$31,500	Cash
Guarantees			
Completion Guarantee-Borrower	100% of Construction Contract	$18,466,226	guarantee
Performance Bond-contractor	100% of Total Hard Costs	$18,466,226	Bond
Payment Bond-contractor	100% of Total Hard Costs	$18,466,226	Bond

UNIT MIX AND RENT SUMMARY

Unit Mix

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

Occupancy Restrictions

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

Rent Differential (Market versus Restricted Rents)

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

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

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

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

Annual Operating Budget Fairgrounds Family Housing-HACSC

		$ per unit	% of Total
INCOME:			
Total Rental Income	1,557,936	11,984	99.02%
Laundry	15,480	119	0.98%
Other Income	0	-	
Gross Potential Income (GPI)	**1,573,416**	**12,103**	**100.00%**
Less:			
Vacancy Loss	78,931	607	
Total Net Revenue	**1,494,485**	**11,496**	
EXPENSES:			
		$ Per Unit	% of Total
Payroll	158,874	1,222	11.03%
Administrative	126,485	973	8.78%
Utilities	82,399	634	5.72%
Operating and Maintenance	201,420	1,549	13.99%
Insurance and Business Taxes	36,912	284	2.56%
Taxes and Assessments	242,050	1,862	16.81%
Reserve for Replacement Deposits	45,150	347	3.14%
Subtotal Operating Expenses	**893,290**	**6,871**	**62.03%**
Financial Expenses			
Mortgage Payments (1st loan)	546,707	4,205	
Total Financial	**546,707**	**4,205**	**37.97%**
Total Project Expenses	**1,439,997**	**11,077**	**100%**

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

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Market Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Market Rents	13,020	13,346	13,679	14,021	14,372	14,731	15,099	15,477	15,864	16,260
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	1,544,916	1,583,539	1,623,127	1,663,706	1,705,298	1,747,931	1,791,629	1,836,420	1,882,330	1,929,388
TOTAL RENTAL INCOME	**1,557,936**	**1,596,884**	**1,636,807**	**1,677,727**	**1,719,670**	**1,762,662**	**1,806,728**	**1,851,896**	**1,898,194**	**1,945,649**
OTHER INCOME										
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	15,480	15,867	16,264	16,670	17,087	17,514	17,952	18,401	18,861	19,332
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**15,480**	**15,867**	**16,264**	**16,670**	**17,087**	**17,514**	**17,952**	**18,401**	**18,861**	**19,332**
GROSS INCOME	**1,573,416**	**1,612,751**	**1,653,070**	**1,694,397**	**1,736,757**	**1,780,176**	**1,824,680**	**1,870,297**	**1,917,055**	**1,964,981**
Vacancy Rate : Market	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*	*7.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	78,931	80,904	82,927	85,000	87,125	89,303	91,536	93,824	96,170	98,574
EFFECTIVE GROSS INCOME	**1,494,485**	**1,531,847**	**1,570,143**	**1,609,397**	**1,649,632**	**1,690,872**	**1,733,144**	**1,776,473**	**1,820,885**	**1,866,407**
OPERATING EXPENSES										
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	609,978	634,377	659,752	686,142	713,588	742,132	771,817	802,689	834,797	868,189
Replacement Reserve	45,150	45,150	45,150	45,150	45,150	58,500	58,500	58,500	58,500	58,500
Ground Lease Payment	236,250	236,250	236,250	236,250	236,250	236,250	236,250	236,250	236,250	236,250
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	1,912	1,950	1,989	2,029	2,070	2,111	2,153	2,196	2,240	2,285
TOTAL EXPENSES	**893,290**	**917,727**	**943,141**	**969,571**	**997,058**	**1,038,993**	**1,068,720**	**1,099,636**	**1,131,787**	**1,165,224**
NET OPERATING INCOME	**601,195**	**614,120**	**627,002**	**639,825**	**652,574**	**651,880**	**664,424**	**676,837**	**689,097**	**701,183**
DEBT SERVICE										
CalHFA - 1st Mortgage	546,707	546,707	546,707	546,707	546,707	546,707	546,707	546,707	546,707	546,707
CASH FLOW after 1st Mortgage	**54,488**	**67,412**	**80,294**	**93,118**	**105,867**	**105,173**	**117,717**	**130,130**	**142,390**	**154,476**
DEBT COVERAGE RATIO	**1.10**	**1.12**	**1.15**	**1.17**	**1.19**	**1.19**	**1.22**	**1.24**	**1.26**	**1.28**

Cash Flow

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

Cash Flow

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

Cash Flow

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

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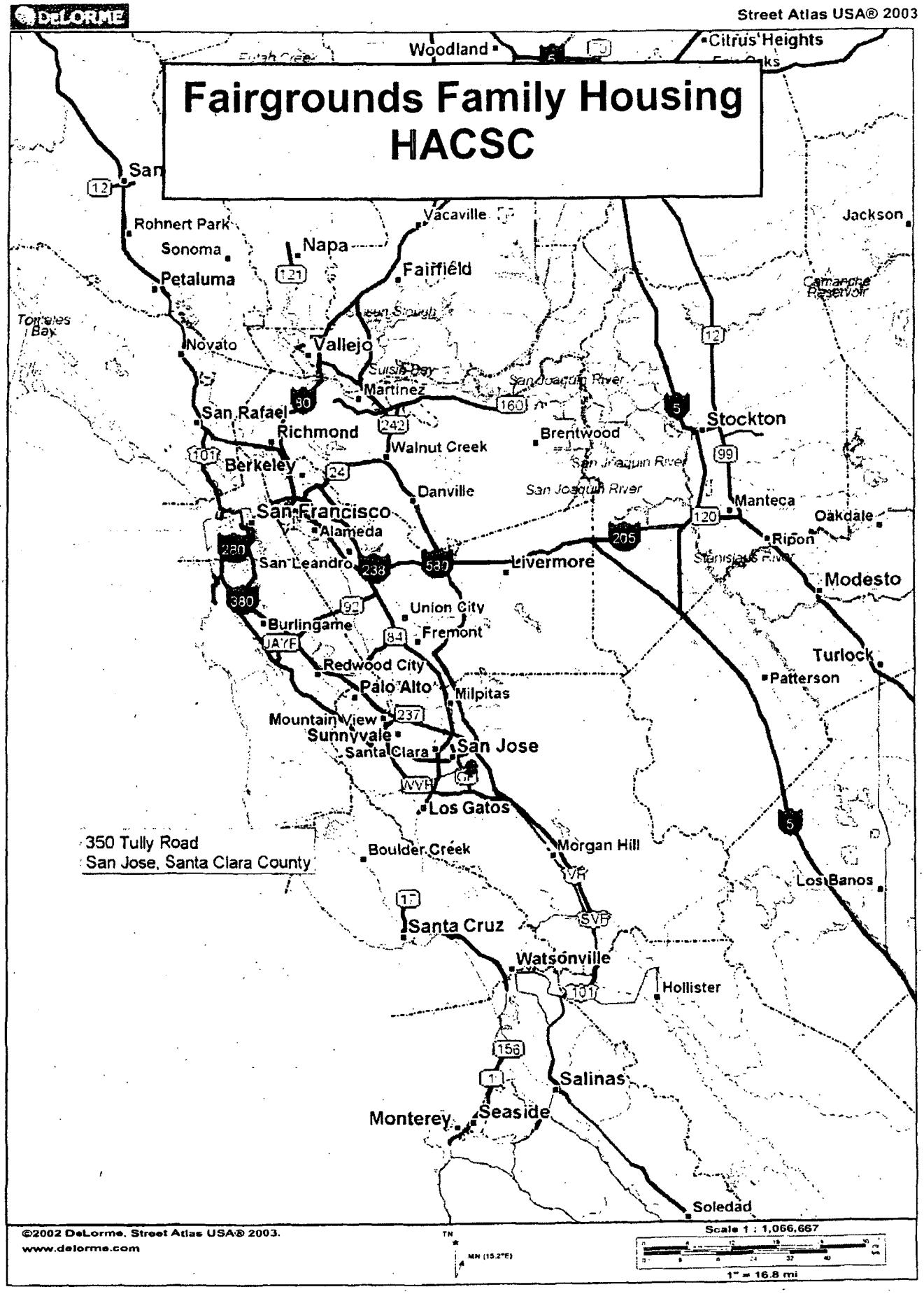
DeLORME
Street Atlas USA® 2003
Fairgrounds Family Housing
HACSC
350 Tully Road
San Jose, Santa Clara County
Woodland
Citrus Heights
Vacaville
Jackson
Rohnert Park
Sonoma
Napa
Petaluma
Fairfield
Novato
Vallejo
Martinez
San Rafael
Richmond
Walnut Creek
Brentwood
Stockton
Berkeley
Danville
San Francisco
Alameda
San Leandro
Livermore
Manteca
Oakdale
Ripon
Modesto
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Santa Clara
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1" = 16.8 mi

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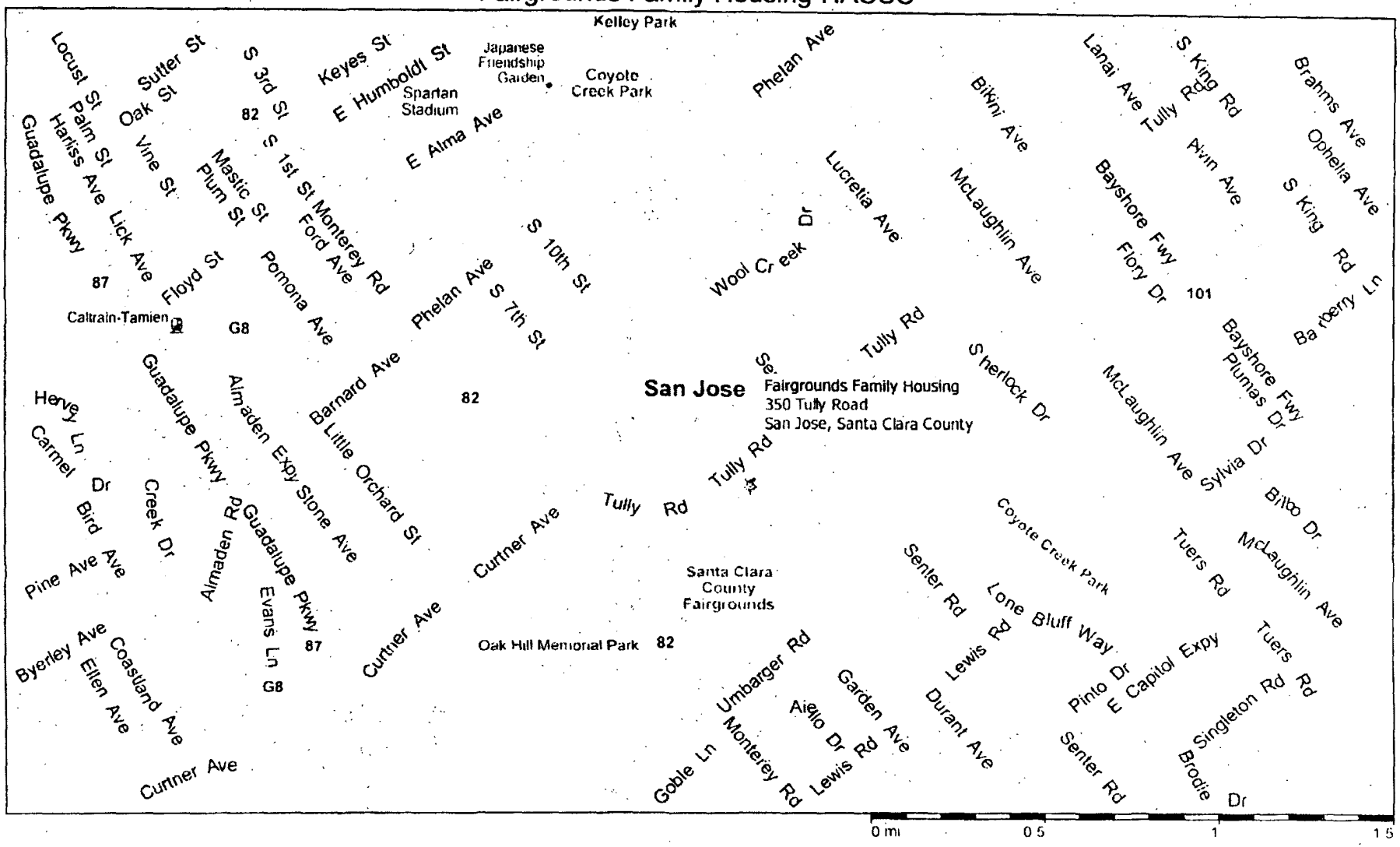
Fairgrounds Family Housing-HACSC



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RESOLUTION 04-24

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

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

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated August 20, 2004 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

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

WHEREAS, on July 1, 2004, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

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

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNT
03-064-C/N	Fairgrounds Family Housing - HACSC San Jose/Santa Clara	130	Construction First Mortgage: $17,240,000 Permanent First Mortgage: $ 8,605,000

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

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

I hereby certify that this is a true and correct copy of Resolution 04-24 adopted at a duly constituted meeting of the Board of the Agency held on September 8, 2004, at Burbank, California.

ATTEST: _____
Secretary

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

SUMMARY

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

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

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

LOAN TERMS

Construction

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

Permanent

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

OTHER FINANCING

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

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

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

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

PROJECT DESCRIPTION

Project Location

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

Site/Common Improvements

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

Residential Improvements

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

Off-site improvements

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

MARKET

Market Overview

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

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

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

Housing Supply and Demand

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

PROJECT FEASIBILITY

Estimated Lease-up Period

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

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

ENVIRONMENTAL

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

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

Geotechnical report

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

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

DEVELOPMENT TEAM

Borrower

Fairgrounds Luxury Family Apartments, L.P.

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

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

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

Management Agent

FPI Management Inc.

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

Architect

MIRO Design

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

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

Contractor

ROEM Builders Inc./L & D Construction

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

performance and payment bonds or other acceptable performance and payment guarantees in a format that is acceptable to CalHFA.

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

Project Summary

Date: 20-Aug-04

Project Profile:

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

Project Description:

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

Financing Summary:

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

Unit Mix:

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

* net rent

Fees, Escrows, and Reserves:

PERMANENT LOAN

Fees	Basis of Requirements	Amount	Security
CalHFA Permanent Loan	0.50% Permanent Loan	$79,600	Cash
CalHFA Bridge Loan	0.50% Bridge Loan	0	Cash
Escrows			
Construction Defect-revised	2.50% of Hard Costs	$767,060	Letter of Credit
Reserves			
Operating Expense Reserve	10.00% of Gross Income	$211,301	Cash
Rent Up Reserve		$313,864	Cash
Annual Replacement Reserve Deposit - New Co	$350 per unit	$59,500	Operations

CONSTRUCTION LOAN

Fees			
CalHFA Construction Loan	1.00% Total Construction Loan	$231,650	Cash
Inspection fee	$1,500 x 28 months of construction	$42,000	Cash
Guarantees			
Completion Guarantee-Borrower	100.00% of Construction Contract	31,467,086	Corporate Guarantee
Performance Bond-contractor (revised)	100.00% of Total Hard Costs	31,467,086	
Payment Bond-contractor (revised)	100.00% of Total Hard Costs	31,467,086	

UNIT MIX AND RENT SUMMARY — Fairgrounds Family Apts.-ROEM

04-014 C/N

Total Unit Mix

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

Occupancy Restrictions by Agency

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

Restricted Rents Compared to Market Area Rents

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

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

SOURCES:

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

USES:

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

Application Fee	500	500	3	0.0%
Title and Recording	23,750	0	140	0.1%
Other lender fees		0	-	0.0%
Total Perm. Financing Costs	**103,850**	**80,100**	**611**	**0.2%**

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

Annual Operating Budget — Fairgrounds Family Apts.-ROEM

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

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

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Market Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Market Rents-mgr.unit	19,200	19,680	20,172	20,676	21,193	21,723	22,266	22,823	23,393	23,978
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	2,073,408	2,125,243	2,178,374	2,232,834	2,288,654	2,345,871	2,404,518	2,464,631	2,526,246	2,589,402
TOTAL RENTAL INCOME	**2,092,608**	**2,144,923**	**2,198,546**	**2,253,510**	**2,309,848**	**2,367,594**	**2,426,784**	**2,487,453**	**2,549,640**	**2,613,381**
OTHER INCOME										
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry	20,400	20,910	21,433	21,969	22,518	23,081	23,658	24,249	24,855	25,477
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**20,400**	**20,910**	**21,433**	**21,969**	**22,518**	**23,081**	**23,658**	**24,249**	**24,855**	**25,477**
GROSS INCOME	**2,113,008**	**2,165,833**	**2,219,979**	**2,275,479**	**2,332,365**	**2,390,675**	**2,450,441**	**2,511,703**	**2,574,495**	**2,638,857**
Vacancy Rate : Market	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	105,650	108,292	110,999	113,774	116,618	119,534	122,522	125,585	128,725	131,943
EFFECTIVE GROSS INCOME	**2,007,358**	**2,057,542**	**2,108,980**	**2,161,705**	**2,215,747**	**2,271,141**	**2,327,919**	**2,386,117**	**2,445,770**	**2,506,915**
OPERATING EXPENSES										
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	706,539	734,801	764,193	794,760	826,551	859,613	893,997	929,757	966,947	1,005,625
Replacement Reserve	59,500	59,500	59,500	59,500	59,500	62,475	62,475	62,475	62,475	65,599
Ground Lease	128,400	128,400	128,400	128,400	128,400	128,400	128,400	128,400	128,400	128,400
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	**894,439**	**922,701**	**952,093**	**982,660**	**1,014,451**	**1,050,488**	**1,084,872**	**1,120,632**	**1,157,822**	**1,199,624**
NET OPERATING INCOME	**1,112,919**	**1,134,841**	**1,156,887**	**1,179,044**	**1,201,296**	**1,220,653**	**1,243,047**	**1,265,485**	**1,287,948**	**1,307,291**
DEBT SERVICE										
CalHFA - 1st Mortgage	1,011,456	1,011,456	1,011,456	1,011,456	1,011,456	1,011,456	1,011,456	1,011,456	1,011,456	1,011,456
CalHFA - Bridge Loan	0	0	0							
CASH FLOW after 1st Mortgage & Lease	**101,463**	**123,385**	**145,432**	**167,588**	**189,841**	**209,197**	**231,591**	**254,029**	**276,492**	**295,835**
DEBT COVERAGE RATIO	**1.10**	**1.12**	**1.14**	**1.17**	**1.19**	**1.21**	**1.23**	**1.25**	**1.27**	**1.29**

Cash Flow

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

Cash Flow

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

Cash Flow

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

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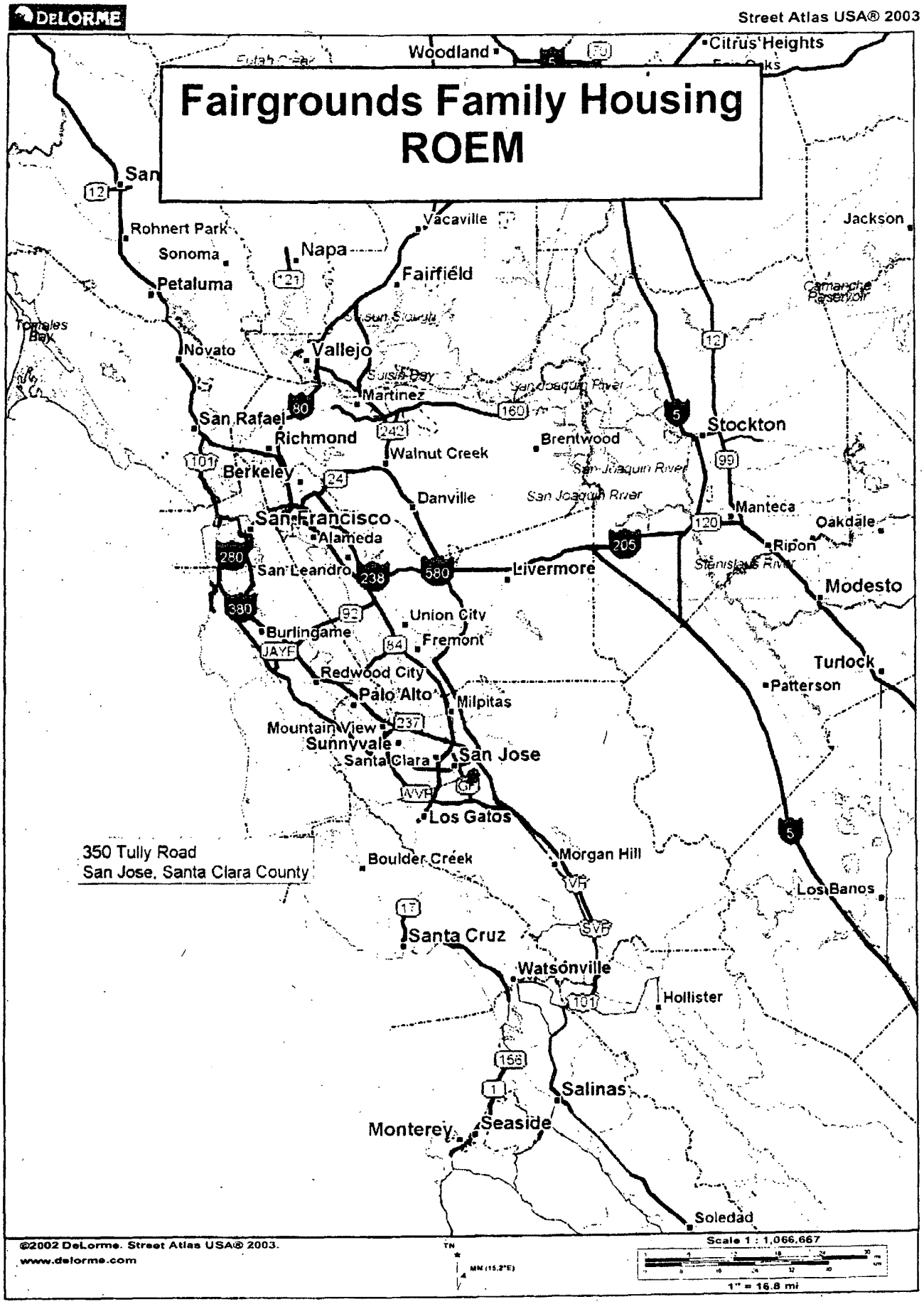
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Vallejo
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Danville
San Francisco
Alameda
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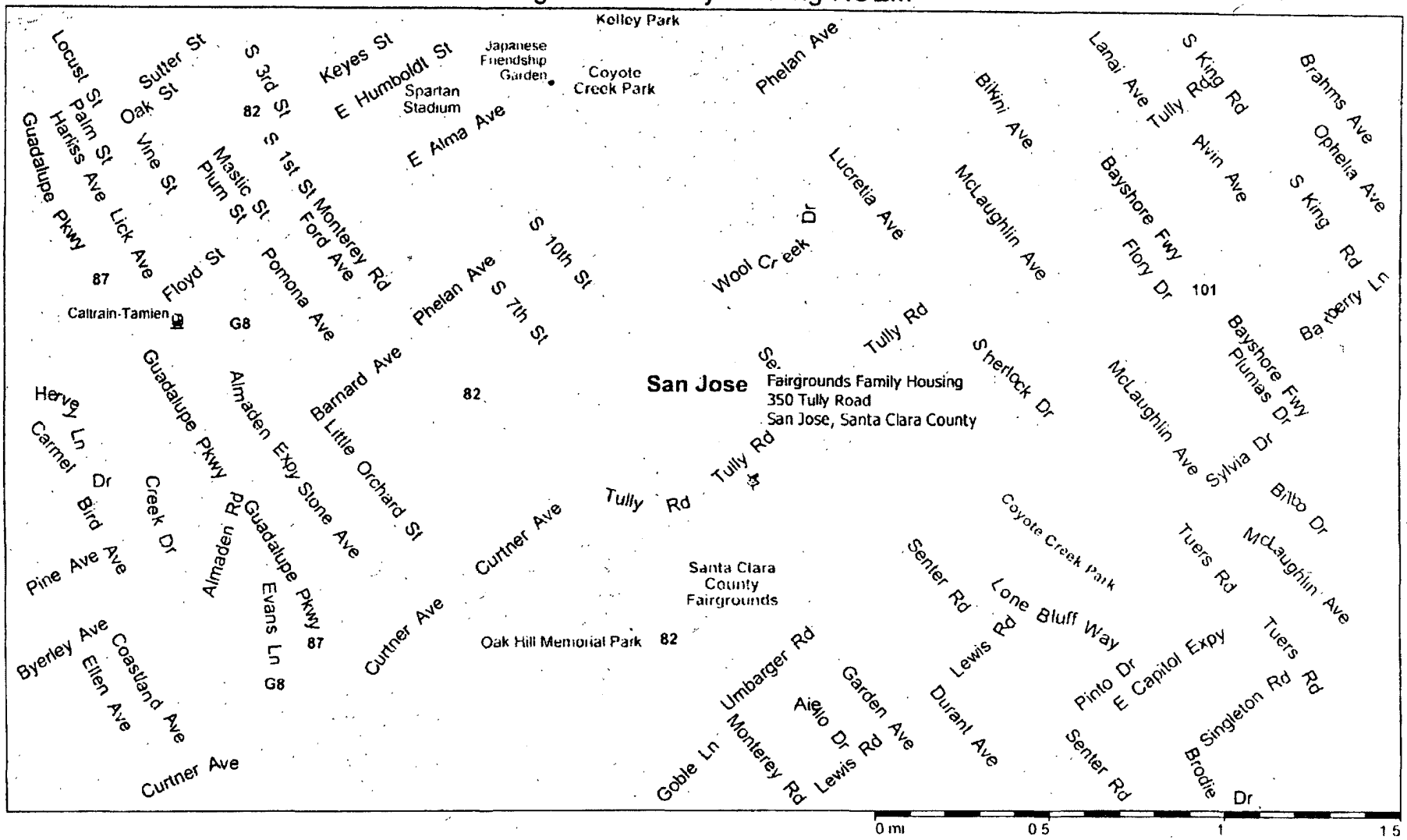
Fairgrounds Family Housing-ROEM



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RESOLUTION 04-25

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

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

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated August 20, 2004 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

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

WHEREAS, on June 28, 2004, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

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

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNT
04-014-C/N	Fairgrounds Family Housing - ROEM San Jose/Santa Clara	170	Construction First Mortgage: $23,165,000 Permanent First Mortgage: $15,920,000

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

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

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

ATTEST: _____
Secretary

RESOLUTION 05-29

RESOLUTION AUTHORIZING A MODIFIED FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Fairgrounds Luxury Family Apartments, L.P., a California limited partnership (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in San Jose, California, to be known as Corde Terra Family Housing (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which prepared a report presented to the Board on the meeting date recited below (the "Staff Report"), recommending Board approval subject to certain recommended terms and conditions; and

WHEREAS, previously the Board approved two financings of the Fairgrounds Family Housing pursuant to Resolutions 04-24 and 04-25. Resolution 04-24 considered HACSC Fairgrounds Family Associates, L.P., a California limited partnership, as the borrowing entity of one financing. Resolution 04-25 considered Fairgrounds Luxury Family Apartments, L.P., a California limited partnership, as the borrowing entity of the second financing; and

WHEREAS, Fairgrounds Luxury Family Apartments, L.P. will now be the borrowing entity for the financing authorized in Resolution 04-24; and

WHEREAS, the request for Loan Modification to Final Commitment dated June 21, 2005, now reflects the revised loan terms; and

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

WHEREAS, on July 1, 2004, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

1. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to execute and deliver a modified final commitment letter, in a form acceptable to the Agency,

and subject to recommended terms and conditions set forth in the Staff Report, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	MORTGAGE AMOUNT	
03-064-C/N	Corde Terra Family Housing San Jose, California	Construction: First Permanent:	$17,240,000 $ 8,605,000

2. The Executive Director may modify the terms and conditions of the loans or loans as described in the Staff Report, provided that major modifications, as defined below, must be submitted to this Board for approval. "Major modifications" as used herein means modifications which either (i) increase the total aggregate amount of any loans made pursuant to the Resolution by more than 7%; or (ii) modifications which in the judgment of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency, adversely change the financial or public purpose aspects of the final commitment in a substantial way.

I hereby certify that this is a true and correct copy of Resolution 05-29 adopted at a duly constituted meeting of the Board of the Agency held on July 7, 2005 at Sacramento, California.

ATTEST:_____
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Loan Modification to Final Commitment
Villa Victoria Apartments
Oxnard, Ventura County, CA
CalHFA # 03-045-L/S

SUMMARY

This loan modification is a request for approval of a $2,575,000 increase to the Silicon Valley Bank tax-exempt Loan to Lender financing and an increase of $585,000 to the tax-exempt first mortgage. The CalHFA Board of Directors previously approved the project financing at its August 29, 2003 meeting, a copy of which is attached. Total development costs have increased 16% from $12,692,517 to $15,090,676, since CalHFA board approval nearly 2 years ago.

The Villa Victoria Apartment complex will provide 54 town home units to low-income families in northwest Oxnard, CA. The Development will be owned by Villa Victoria Associates, L.P., a California limited partnership, whose managing general partner will be Cabrillo Economic Development Corporation, a California non-profit public benefit corporation based out of Thousand Oaks, CA.

LOAN TERMS	ORIGINAL APPROVAL	MODIFIED PROPOSAL
Loan to Lender Loan	$7,100,000	$9,675,000
Interest Rate	3.0%, fixed	4.0%, fixed
Term	24 Months, interest only	24 Months, interest only
Financing	Tax-exempt	Tax-exempt
First Mortgage Amount	$3,525,000	$4,110,000
Interest Rate	5.50%, fixed	5.30%, fixed
Term	30 year fixed, fully amortized	30 year fixed, fully amortized
Financing	Tax-exempt	Tax-exempt
Second Mortgage Amount	$ 400,000	$ 400,000
Interest Rate	5.50%, fixed	5.25%, fixed
Term	10 year fixed, fully amortized	10 year fixed, fully amortized
Financing	Tax-exempt	Tax-exempt

BACKGROUND FOR LOAN INCREASE

Originally, the Borrower had anticipated utilizing USDA Rural Development funds during construction, but onerous guarantee requirements preclude the use of these funds during construction. Since approval of this loan in 2003, both hard and soft costs have escalated significantly. Material cost increases for lumber, steel and concrete have affected development costs industry wide and increased City of Oxnard water connection fees and additional off-site traffic mitigation requirements by the County of Ventura have compounded the problem and delaying the start of construction.

To cover the increased construction and development costs the Borrower has requested, and received approval for, a $2,575,000 increase to their Wells Fargo construction loan. This in turn increases the amount of funds needed for the Loan to Lender loan. The borrower has also requested a $585,000 increase in the first mortgage, which is supported by increased rent projections and results in a 1.13 debt service coverage ratio in year one of operations.

Tax-exempt bonds have been sold for the original Loan to Lender loan amount. Based on the Agency's cost of funds at the time of the bond sale, we were able to reduce the interest rates on the first and second mortgages originally approved by the Board, to 5.25%. The blended rate for the proposed first mortgage will be 5.30%. Interest rates for the Loan to Lender program have risen from 3% to 4% so the current rate is applicable for the entire Loan to Lender loan being requested.

OTHER INCREASED FINANCING

In addition to the $585,000 increase in CalHFA permanent financing, the City of Oxnard's loan will increase by $236,350 and the tax credit equity contributions have increased by $1,636,400. Although the Developer fee has increased by $159,200, the developer's deferred developer fee has increased by a total of $301,963.

CURRENT STATUS OF THE PROJECT

The developer anticipates a construction loan closing on August, 1, 2005 and start of construction immediately thereafter. The project has received all local approvals and CalHFA is currently reviewing the final plans and specifications.

Project Summary — Villa Victoria

Senior Staff Review: 6/13/2005
Loan Modification Request

Project Profile:

Project : Villa Victoria
Location: Just north of Victoria & Gonzalez Intersection

City Oxnard 93033
County: Ventura
Borrower: Villa Victoria Associates, L.P.
GP: Cabrillo Economic Devlpmt Corp
LP: TBD

Program: Tax-Exempt Bond
CalHFA # : 03-045-L & S

Cap Rate: 7.50%
Market: $7,850,000
Income: $7,650,000
Final Value: $7,750,000

LTC/LTV:	*Construction*	*Permanent*
Loan/Cost	N/A	34.71%
Loan/Value	N/A	58.19%

Project Description:

Units	54
Handicap Units	2
Bldge Type	New Construction
Buildings	11
Stories	1 & 2
Gross Sq Ft	72,879
Land Sq Ft	134,600
Units/Acre	17
Total Parking	108
Enclosed Parking Spaces	87

Perm. Financing Summary:

	Amount	Per Unit	Rate	Term
CalHFA First Mortgage	$4,110,000	$76,111	5.30%	30
CalHFA 2nd Mortgage	$400,000	$7,407	5.25%	10
Rural Development Section 514	$1,100,000	$20,370	1.00%	33
Joe Serna Jr. Farmworker Loan	$2,977,367	$55,136	3.00%	40
City of Oxnard	$1,101,500	$20,398	4.00%	33
Deferred Developer Fee	$549,858	$10,183		-
General Partner Contribution	$255,900	$4,739		
Tax Credit Equity	$5,256,800	$97,348		
CalHFA Loan to Lender	$9,675,000		4.00%	2

Unit Mix

Type	Manager		40% AMI		50% AMI		60% AMI		Market		Total
	number	rent	number	rent*	number	rent*	number	rent*	number	rent*	
1 bedroom			1	$552	0	$0	0	$0	0	0	1
2 bedroom	1	0	1	$660	0	$0	0	$0	0	0	2
3 bedroom			17	$754	3	$884	13	$1,172	0	0	33
4 bedroom			8	$831	2	$942	8	$1,299	0	0	18
subtotal	1		27		5		21		0		
											54

*Underwriting assumptions for first mortgage.

Fees, Escrows, and Reserves:

	Basis of Requirements	Amount	Security
Fees			
Commitment Fee	1.00% of Loan to Lender Loan	$96,750	Prior to Board Approval
Loan Fee	0.50% of Perm. Loan	$22,550	Cash
Escrows			
Bond Origination Guarantee	1.00% of Tax Exempt Loans	$0	waived
Inspection fee	$1,500 x months of construction	$27,000	Cash at Construction Loan Close
Construction Defect Reserve	2.50% of Hard Costs for 12 mths	$0	waived
Reserves			
Operating Expense Reserve	10.00% of Gross Income	$108,000	Cash
Annual Replacement Reserve	$500 per unit per year	$27,000	From Operations

SOURCES AND USES WORKSHEET					Villa Victoria
SOURCES:					
	Construction Period	Revised Constr. $'s	Permanent Dollars	Revised Perm $'s	
CalHFA Loan to Lender	$7,100,000	9,675,000			
CalHFA First Mortgage			$3,525,000	$4,110,000	
CalHFA 2nd Mortgage			$400,000	$400,000	
Rural Development Section 514	$1,100,000	0	$1,100,000	$1,100,000	
Joe Serna Jr. Farmworker Loan	$2,977,367	2,977,367	$2,977,367	$2,977,367	
City of Oxnard	$865,150	1,101,500	$865,150	$1,101,500	
Deferred Developer Fee	250,000	530,958	$495,395	$549,858	
General Partner Contribution	-	255,900	$0	$255,900	
Tax Credit Equity	400,000	549,951	$3,620,400	$5,256,800	
Total Sources	$12,692,517	15,090,676	$12,983,312	$15,751,425	$2,768,113 difference.
(Gap)/Surplus				0	
USES:					
	Original Construction Costs	Current Construction Costs	**Original Total Development Cost**	**Current Projected TDC**	**Total Cost per unit**	**% of total**
ACQUISITION					
Total Land Cost or Value			-		-	0%
Legal/Broker Fees			-			0%
Demolition			-		-	0%
Off-Site Improvements	0	474,750	-	474,750	8,792	3%
Existing Improvements Value			-		-	0%
Holding costs			-		-	0%
Total Acquisition Cost		474,750	-	474,750	8,792	3%
REHABILITATION						
Site Work			-		-	0%
Structures					-	0%
General Requirements			-		-	0%
Contractor Overhead			-		-	0%
Contractor Profit			-		-	0%
Other			-		-	0%
Other			-		-	0%
Total Rehab. Costs			-		-	0%
NEW CONSTRUCTION						
Site Work & Landscaping		1,920,250	1,055,000	1,920,250	35,560	12%
Structures		5,648,394	5,344,118	5,648,394	104,600	36%
General Reqmts/Wrap Insurance		886,000	650,400	886,000	16,407	6%
Contractor Overhead/Supervision		490,404	498,981	490,404	9,082	3%
Contractor Profit		525,000	527,961	525,000	9,722	3%
Other		0	-	-	-	0%
Other		0	-	-	-	0%
Other		0	-	-	-	0%
Total New Const. Costs		9,470,048	8,076,460	9,470,048	175,371	60%
ARCHITECTURAL FEES						
Design & Supervision		386,000	300,000	386,000	7,148	2%
Other			-	-	-	0%
Total Architectural Costs		386,000	300,000	386,000	7,148	2%
			-		-	
SURVEY & ENGINEERING		53,500	40,000	53,500	991	0%
CONST. INTEREST & FEES						
Wells/Loan to Lender Interest		507,900	284,000	507,900	9,406	3%
Wells Fargo Loan Fee		96,740	70,990	96,740	1,791	1%
Legal		25,000	25,000	25,000	463	0%
Payment & Performance Bond		0	-	-	-	0%
Insurance		0	-	-	-	0%
Title and Recording		15,000	15,000	15,000	278	0%
Wells Fargo Review Fees		20,000	20,000	20,000	370	0%
Other		0	-	-	-	0%
Taxes		10,000	10,000	10,000	185	0%
CalHFA Inspection Fees		27,000	27,000	27,000	500	0%
Pre-Development Interest		5,000	5,000	5,000	93	0%
Total Const. Interest & Fees		706,640	456,990	706,640	13,086	4%

SOURCES AND USES WORKSHEET				Villa Victoria	
PERMANENT FINANCING					
Commitment Fee	96,740	71,000	96,740	1,791	1%
Finance Fee	20,550	22,550	20,550	381	0%
Application Fee	500	500	500	9	0%
Title and Recording	0	5,000	5,000	93	0%
Other	0	-	-	-	0%
HAT Bridge Loan	0	-	-	-	0%
HUD Risk Share Environ. Review	0	-	-	-	0%
Other	0	-	-	-	0%
Total Perm. Financing Costs	117,790	99,050	122,790	2,274	1%
LEGAL FEES				-	
Borrower Legal Fee	35,000	63,000	35,000	648	0%
Organizational	3,000	-	3,000	56	0%
Other	-	-	-	-	0%
Total Attorney Costs	38,000	63,000	38,000	704	0%
				-	
RESERVES				-	
Operating Expense Reserve	-	115,000	108,000	2,000	1%
Bond Origination Guarantee	-	-	-	-	0%
Fees for LOC's	-	11,300	-	-	0%
Golf Ball Mitigation Contingency	-	232,000	-	-	0%
Total Reserve Costs	0	358,300	108,000	2,000	1%
				-	
CONTRACT COSTS				-	
Appraisal	11,000	5,000	11,000	204	0%
Market Study	10,500	6,000	10,500	194	0%
PNA		-	-	-	0%
Total Contract Costs	21,500	11,000	21,500	398	0%
				-	
CONTINGENCY				-	
Hard Cost Contingency	490,404	652,599	490,404	9,082	3%
Soft Cost Contingency	75,000	75,000	75,000	1,389	0%
Total Contingency Costs	565,404	727,599	565,404	10,470	4%
				-	
OTHER				-	
TCAC App/Alloc/Monitor Fees		28,038	28,834	534	0%
Environmental Audit	10,000	10,000	10,000	185	0%
Soils Report Expense	5,000	5,000	5,000	93	0%
Asbestos/Lead-based Paint Report	0	-	-	-	0%
Level IV Seismic Study Expense	10,000	10,000	10,000	185	0%
Permit Processing Fees	680,473	100,000	680,473	12,601	4%
Impact Fees	1,006,486	1,000,000	1,006,486	18,639	6%
Noise Study - (new reqmnt)	3,000	-	3,000	56	0%
Marketing Budget	40,000	20,000	40,000	741	0%
Cost Certification	0	7,500	7,500	139	0%
Furnishings	140,000	10,000	140,000	2,593	1%
Total Other Costs	1,894,959	1,190,538	1,931,293	35,765	12%
				-	0%
PROJECT COSTS	13,728,591	11,322,937	13,877,925	256,999	88%
				-	
DEVELOPER COSTS				-	
Developer Overhead/Profit	1,277,085	1,629,300	1,788,500	33,120	11%
Consultant/Processing Agent	40,000	40,000	40,000	741	0%
Project Administration		-	-	-	0%
Legal - Syndication	45,000		45,000	833	0%
Consultant/Processing Agent		-	-	-	0%
Total Developer Costs	1,362,085	1,669,300	1,873,500	34,694	12%
				-	0%
TOTAL PROJECT COST	15,090,676	12,992,237	15,751,425	291,693	100%

Annual Operating Budget — Villa Victoria

INCOME:	Total	$ per unit
Total Rental Income	610,104	$11,298
Laundry	0	$0
Rental Subsid Income	69,167	$1,281
Gross Potential Income (GPI)	**679,271**	**$12,579**
Less:		
Vacancy Loss	33,964	$629
Total Net Revenue	**645,307**	**$11,950**
EXPENSES:		
Payroll	65,000	$1,204
Administrative	22,000	$407
Management fee	22,680	$420
Utilities	26,000	$481
Operating and Maintenance	54,000	$1,000
Insurance and Business Taxes	11,000	$204
Taxes and Assessments	5,000	$93
Reserve for Replacement Deposits	27,000	$500
Subtotal Operating Expenses	**232,680**	**$4,309**
Financial Expenses		
CalHFA 1st Mortgage	273,876	$5,072
CalHFA 2nd Mortgage	51,500	$954
RD Section 514 Loan	39,700	$735
Total Financial	**365,076**	**$6,761**
Total Project Expenses	**597,756**	**$11,070**

Cash Flow	Villa Victoria				CalHFA Development Number:					03-045-L & S
RENTAL INCOME	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
RD Rental Assistance Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
RD Rental Subsidy Income	69,167	70,896	72,668	74,485	76,347	78,256	80,212	82,217	84,273	86,379
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	610,104	625,357	640,991	657,015	673,441	690,277	707,534	725,222	743,352	761,936
TOTAL RENTAL INCOME	**679,271**	**696,252**	**713,659**	**731,500**	**749,788**	**768,532**	**787,746**	**807,439**	**827,625**	**848,316**
OTHER INCOME										
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry (Washers/Dryers in Units)	0	0	0	0	0	0	0	0	0	0
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
GROSS INCOME	**679,271**	**696,252**	**713,659**	**731,500**	**749,788**	**768,532**	**787,746**	**807,439**	**827,625**	**848,316**
Vacancy Rate : Rental Assistance	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	33,964	34,813	35,683	36,575	37,489	38,427	39,387	40,372	41,381	42,416
EFFECTIVE GROSS INCOME	**645,307**	**661,440**	**677,976**	**694,925**	**712,298**	**730,106**	**748,358**	**767,067**	**786,244**	**805,900**
OPERATING EXPENSES										
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	200,680	208,707	217,055	225,738	234,767	244,158	253,924	264,081	274,644	285,630
Replacement Reserve	27,000	27,000	27,000	27,000	27,000	28,350	28,350	28,350	28,350	28,350
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	5,000	5,100	5,202	5,306	5,412	5,520	5,631	5,743	5,858	5,975
TOTAL EXPENSES	**232,680**	**240,807**	**249,257**	**258,044**	**267,179**	**278,028**	**287,905**	**298,175**	**308,853**	**319,956**
NET OPERATING INCOME	**412,627**	**420,632**	**428,718**	**436,881**	**445,119**	**452,077**	**460,453**	**468,893**	**477,391**	**485,944**
DEBT SERVICE										
CalHFA - 1st Mortgage	273,876	273,876	273,876	273,876	273,876	273,876	273,876	273,876	273,876	273,876
CalHFA - 2nd Mortgage	51,500	52,093	52,093	52,093	52,093	52,093	52,093	52,093	52,093	52,093
RD Section 514 Loan	39,700	39,700	39,700	39,700	39,700	39,700	39,700	39,700	39,700	39,700
Total Required Debt Service	**365,076**	**365,669**	**365,669**	**365,669**	**365,669**	**365,669**	**365,669**	**365,669**	**365,669**	**365,669**
CASH FLOW after debt service	**47,551**	**107,056**	**154,842**	**163,005**	**171,243**	**178,201**	**186,577**	**195,016**	**203,515**	**212,068**
DEBT COVERAGE RATIO	**1.13**	**1.15**	**1.17**	**1.19**	**1.22**	**1.24**	**1.26**	**1.28**	**1.31**	**1.33**

Cash Flow

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
RD Rental Assistance Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
RD Rental Subsidy Income	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	780,985	800,509	820,522	841,035	862,061	883,613	905,703	928,345	951,554	975,343
TOTAL RENTAL INCOME	**780,985**	**800,509**	**820,522**	**841,035**	**862,061**	**883,613**	**905,703**	**928,345**	**951,554**	**975,343**
OTHER INCOME										
Other Income Increase	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Laundry (Washers/Dryers in Units)	0	0	0	0	0	0	0	0	0	0
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
GROSS INCOME	**780,985**	**800,509**	**820,522**	**841,035**	**862,061**	**883,613**	**905,703**	**928,345**	**951,554**	**975,343**
Vacancy Rate : Rental Assistance	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	39,049	40,025	41,026	42,052	43,103	44,181	45,285	46,417	47,578	48,767
EFFECTIVE GROSS INCOME	**741,935**	**760,484**	**779,496**	**798,983**	**818,958**	**839,432**	**860,418**	**881,928**	**903,976**	**926,576**
OPERATING EXPENSES										
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	297,055	308,938	321,295	334,147	347,513	361,413	375,870	390,905	406,541	422,802
Replacement Reserve	29,768	29,768	29,768	29,768	29,768	31,256	31,256	31,256	31,256	31,256
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	6,095	6,217	6,341	6,468	6,597	6,729	6,864	7,001	7,141	7,284
TOTAL EXPENSES	**332,918**	**344,922**	**357,404**	**370,382**	**383,878**	**399,399**	**413,990**	**429,162**	**444,938**	**461,342**
NET OPERATING INCOME	**409,018**	**415,562**	**422,092**	**428,601**	**435,080**	**440,033**	**446,428**	**452,766**	**459,038**	**465,233**
DEBT SERVICE										
CalHFA - 1st Mortgage	273,876	273,876	273,876	273,876	273,876	273,876	273,876	273,876	273,876	273,876
CalHFA - 2nd Mortgage										
RD Section 514 Loan	39,700	39,700	39,700	39,700	39,700	39,700	39,700	39,700	39,700	39,700
Total Required Debt Service	**313,576**	**313,576**	**313,576**	**313,576**	**313,576**	**313,576**	**313,576**	**313,576**	**313,576**	**313,576**
CASH FLOW after debt service	**135,141**	**141,686**	**148,216**	**154,725**	**161,204**	**166,157**	**172,552**	**178,890**	**185,162**	**191,357**
DEBT COVERAGE RATIO	**1.30**	**1.33**	**1.35**	**1.37**	**1.39**	**1.40**	**1.42**	**1.44**	**1.46**	**1.48**

Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
RD Rental Assistance Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
RD Rental Subsidy Income	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	999,726	1,024,720	1,050,338	1,076,596	1,103,511	1,131,099	1,159,376	1,188,361	1,218,070	1,248,521
TOTAL RENTAL INCOME	**999,726**	**1,024,720**	**1,050,338**	**1,076,596**	**1,103,511**	**1,131,099**	**1,159,376**	**1,188,361**	**1,218,070**	**1,248,521**
OTHER INCOME										
Other Income Increase	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Laundry (Washers/Dryers in Units)	0	0	0	0	0	0	0	0	0	0
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
GROSS INCOME	**999,726**	**1,024,720**	**1,050,338**	**1,076,596**	**1,103,511**	**1,131,099**	**1,159,376**	**1,188,361**	**1,218,070**	**1,248,521**
Vacancy Rate : Rental Assistance	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	49,986	51,236	52,517	53,830	55,176	56,555	57,969	59,418	60,903	62,426
EFFECTIVE GROSS INCOME	**949,740**	**973,484**	**997,821**	**1,022,766**	**1,048,335**	**1,074,544**	**1,101,407**	**1,128,943**	**1,157,166**	**1,186,095**
OPERATING EXPENSES										
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	439,715	457,303	475,595	494,619	514,404	534,980	556,379	578,634	601,780	625,851
Replacement Reserve	32,819	32,819	32,819	32,819	32,819	34,460	34,460	34,460	34,460	34,460
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	7,430	7,578	7,730	7,884	8,042	8,203	8,367	8,534	8,705	8,879
TOTAL EXPENSES	**479,963**	**497,700**	**516,144**	**535,322**	**555,265**	**577,643**	**599,206**	**621,628**	**644,945**	**669,190**
NET OPERATING INCOME	**469,777**	**475,783**	**481,677**	**487,444**	**493,071**	**496,901**	**502,201**	**507,314**	**512,222**	**516,905**
DEBT SERVICE										
CalHFA - 1st Mortgage	273,876	273,876	273,876	273,876	273,876	273,876	273,876	273,876	273,876	273,876
CalHFA - 2nd Mortgage										
RD Section 514 Loan	39,700	39,700	39,700	39,700	39,700	39,700	39,700	39,700	39,700	39,700
Total Required Debt Service	**313,576**	**313,576**	**313,576**	**313,576**	**313,576**	**313,576**	**313,576**	**313,576**	**313,576**	**313,576**
CASH FLOW after debt service	**195,901**	**201,907**	**207,801**	**213,568**	**219,194**	**223,025**	**228,325**	**233,438**	**238,345**	**243,029**
DEBT COVERAGE RATIO	**1.50**	**1.52**	**1.54**	**1.55**	**1.57**	**1.58**	**1.60**	**1.62**	**1.63**	**1.65**

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CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Villa Victoria
Oxnard, Ventura County, CA
CalHFA # 03-045-L/S

SUMMARY

This is a final commitment request for tax-exempt Loan to Lender financing in the amount of Seven Million One Hundred Thousand Dollars ($7,100,000.00), a tax-exempt first mortgage in the amount of Three Million Five Hundred Twenty-Five Thousand Dollars ($3,525,000.00), and a tax-exempt second mortgage in the amount of Four Hundred Thousand Dollars ($400,000.00). Security for the loans will be a 54-unit townhome development known as Villa Victoria, in Oxnard (the "Project"). The Project will be developed, constructed, owned, and managed by Cabrillo Economic Development Corporation or their subsidiary ("CEDC").

LOAN TERMS

Loan to Lender

Loan Amount	$7,100,000
Interest Rate	3.0%, fixed
Term	24 Months, interest only
Financing	Tax-exempt

Permanent

First Mortgage	$3,525,000
Interest Rate	5.50%, fixed
Term	30 year fixed, fully amortized
Financing	Tax-exempt
Second Mortgage	$400,000
Interest Rate	5.50%, fixed
Term	10 year fixed, fully amortized
Financing	Tax-exempt

LOCALITY INVOLVEMENT

The City of Oxnard (the "City") is providing a thirty-three year, $865,150, residual receipt loan (the "City Loan") for the development of the Project. An Affordable Housing and Loan Agreement between the Borrower and the City restricts occupancy of all tenants to low-income families earning less than sixty percent of median income and further restricts 27 of the units to farmworker families. All planning, zoning or City-mandated occupancy restrictions running with the land or tied to the Project will be subordinate to the CalHFA loan and regulatory agreement.

Villa Victoria is part of the Northwest Golf Course Community Specific Plan and is being developed as part of a court settlement dated November 14, 2000 involving the seller, the City of Oxnard, and the Guitierrez family as plaintiffs. Twenty-seven of the units will be restricted to eligible farmworker familes. The settlement requires the development of affordable housing on this, and other sites in Oxnard, with rental preference given to the Guitierrez family for two of the affordable farmworker units.

STATE INVOLVEMENT

The Department of Housing and Community Development ("HCD") has committed a $2,977,367 loan under the Joe Serna Jr. Farmworker Grant and Loan Program. This 40-year loan is at 3% simple interest with residual receipt repayment provisions. A 40-year Regulatory Agreement will restrict occupancy on 27 of the units to eligible farmworker families. Both the HCD loan and regulatory agreement will be subordinate to the CalHFA financing and regulatory provisions.

FEDERAL INVOLVEMENT

The USDA Department of Rural Development ("RD") is providing a $1,100,000 section 514 Farm Labor Housing Loan at 1%, amortized over 33-years at start of construction. Deed restrictions will require that 27 of the units be rented to low-income farmworker families. The section 514 program provides subsidized financing for the development of on or off-farm rental developments for very-low and low income farmworker families. At least one of the family members must receive a substantial portion of income from farm labor employment. The section 514 loan, deed restrictions and regulatory provisions will be subordinate to the CalHFA financing and regulatory agreement at permanent loan closing.

RD will provide project based rental subsidy with section 521 Rental Assistance (RA) for 27 farmworker restricted units for five years, with five year renewals anticipated thereafter. The Borrower is required to seek and accept renewals of RD Rental Assistance. Eligible families will pay 30% of their gross income (the "tenant portion") and Rental Assistance will subsidize the remainder to 50% of area median income. The CalHFA First Mortgage has been underwritten assuming that the 27 farmworker households can afford rents at 40% of area median income.

PROJECT DESCRIPTION

Project Location

Villa Victoria is situated in an area of Oxnard that was previously undeveloped farmland until the ground breaking in 2002 of the Northwest Golf Course Community, otherwise known as Victoria Estates. The River Ridge Golf course expansion abuts the east and south perimeters of the Project. Across the new golf fairway are 418 new single family residences with sales prices starting at $500,000. A women's shelter is on an adjoining site north of the Project. South of the Project, along Gonzales Road, is a new High School, elementary school, two new churches and a community park. A large regional shopping center with supermarkets, fast food, department stores and restaurants is two miles west of the Project. The Ventura 101 Freeway

is about three miles north of the Project and downtown Oxnard is about 5 miles southeast of the site.

Site

Villa Victoria is a level 3.09-acre triangular-shaped parcel located approximately 2 blocks north of Gonzales Road on the east side of Victoria Avenue. The site has a flood channel running along Victoria Avenue on the west side of the site, and the golf course has been graded so that hills separate the golf course fairways from the Property. The women's shelter has an access easement and shares the driveway off Victoria Avenue that crosses an open flood channel and runs between a row of 100-year old eucalyptus trees that border the west side of the Project site. Victoria Avenue is a major arterial road with two lanes of traffic in either direction. The site is zoned R-3 and allows for 17.5 units per acre. The Project will be bounded on the south, east and west by an eight to ten foot high perimeter wall and dense landscaping to minimize the likelihood of golf ball damage to the units and noise from vehicles traveling along Victoria Avenue.

Improvements

Villa Victoria will have 54 units in ten residential buildings. Construction is wood frame covered with stucco and prefabricated trusses with gable roofs covered with concrete tiles. There will be a central tot lot and a 740 square foot community building with a large community room, kitchen facilities, two bathrooms, and a rental office.

There are a total of three single story units consisting of 1 one-bedroom/one bath unit and 2 two-bedroom/one bath units. The remaining units are two-story town home units consisting of 33 three-bedroom/two bath units and 18 four-bedroom/two bath units. Each unit includes a refrigerator, garbage disposal, gas range/oven, dishwasher, stainless steel sink, gas forced heating, individual hot water heater and water meter, washer and dryer, and automatic fire sprinklers. All units have two-car garages with automatic roll-up garage doors, and there will be an additional twenty open parking spaces.

Unit Mix:

No. of Units	No. of Bedrooms	No. of Bathrooms	Unit Square Footage
1	1	1	622
2	2	1	849
33	3	2	1297
18	4	2	1501

MARKET

Market Overview

The primary market area ("PMA") is defined as a seven-mile radius from the Property and includes by the boundaries of the City of Oxnard which has a population of approximately 160,000 residents. The median income for the 46,054 households in Oxnard is estimated to be

$60,657. Recent demographic data indicates that 97,014 households live within seven miles of the Project, and an approximately 7,000 of these households have family members employed in the farming industry. Approximately 43% of the total households are renters and 25% of these are income eligible for the Project. This indicates a potential demand of 10,429 households and capture rate of 1%. Although there is no available data for estimating the number of income eligible households that are employed by the farming industry, an appraisal dated May 30, 2003 by Pacific Real Estate Appraisal estimates that the restricted farmworker rental units will require a 2.5% capture rate.

Market rate construction of high-end, single-family homes continues to occur at a rapid pace in Oxnard. In 2002, the median home price in Oxnard was $269,508. New homes within one-half mile of the Project start at $400,000.

Housing Supply and Demand

Realfacts indicates an overall vacancy rate of 4.6% for the City of Oxnard in the first quarter of 2003. Project rents are below the City average and a market study prepared by Kioren Moss in May 2003 ("the Study") concludes that the vacancy rate for the subject property is 1% or less. Three and four bedroom rentals are scarce, and most affordable rental units are rented prior to the move-out by tenants giving notice.

The closest farmworker family rental project is eight miles northeast of the Project and has 160 units with 74 targeted to low and moderate-income families. The Project maintains a waiting list and has minimal turnover. The Borrower is currently planning the development of a 52-unit affordable farmworker rental project called Villa Cesar Chavez in south Oxnard. These units will be available for rent at the same time as Villa Victoria in 2005. This project will not impact the demand for Villa Victoria given the level of need for affordable housing in Oxnard.

One luxury apartment development is in the planning stages in the northern part of Oxnard near the 101 Freeway, and three other affordable housing projects with a total of 214 units are in the planning stages. Two of the projects have 94 family units and the third project is a 120-unit senior project.

PROJECT FEASIBILITY

The unit sizes are considered average comparable to market, and the Project includes washer/dryers and garages similar to the newer high end rentals in close proximity to the subject. About half of the market rate apartment complexes in Oxnard include air conditioning; however, air conditioning is not considered a necessity as the Project is one mile from the ocean.

Market rate rents for comparable properties average $950 for a one-bedroom unit: $1197 for a two-bedroom unit; $1449 for a three-bedroom unit, and $1554 for a four-bedroom unit. The following chart depicts the maximum allowable rents for the project:

Rent Differentials (Market versus Underwriting)

Unit Type	Subject	Market Rate Average	$ Difference	% Market
One Bedroom		**$ 950**		
40%	$ 508		$ 442	53%
Two Bedroom		**$ 1,197**		
40%	$ 608		$ 589	51%
Three Bedroom		**$ 1,449**		
40%	$693		$ 756	48%
50%	$850		$ 599	59%
60%	$1,082		$ 367	75%
Four Bedroom		**$ 1,554**		
40%	$764		$790	49%
50%	$ 906		$ 648	58%
60%	$1,197		$ 357	77%

Estimated Lease-up Period

The Borrower intends to pre-qualify eligible households several months prior to completion of the Project. Based on the projected capture rates and desirable location of the Project, the units are expected to rent quickly. The appraiser estimates full occupancy within three months of completion.

OCCUPANCY RESTRICTIONS

CalHFA 20% (11) of the units will be restricted at 50% or less of AMI. The CalHFA Regulatory Agreement will be for a term of 32 years and recorded at construction loan close.

RD 50% (27) of the units will be restricted to farmworker households earning 50% or less of AMI. Rental Assistance will be provided to these households.

TCAC 100% (53) of the units will be restricted at 60% or less of AMI.

CITY 100% (53) of the units will be restricted at 60% or less of AMI for 55 years and 27 units are restricted to farmworker households earning 50% or less of AMI.

HCD 50% (27) of the units will be restricted to farmworker households earning 50% or less of AMI.

ENVIRONMENTAL

A Phase I Environmental Assessment report completed by Glenfos, Inc., on March 27, 2003 concludes that there are no adverse environmental conditions that warrant further investigation or remedial action.

The GeoTechnical Engineering Investigation Report dated July 7, 2003 by Gold Coast Geoservices, Inc., recommends removal of the top layer of loose artificial fill soils, replaced by three to four feet of engineered 90% compacted fill to bring the slab foundations above the 100-year flood level. Although there were no findings of soils contaminates, the soils compaction and foundation recommendations reflected in this report shall be incorporated in the final approval Plans and Specifications.

The City staff are analyzing the potential for golf ball damage to the Project and will include any additional mitigation measures in their final approved plans and specifications. Due to the Project's proximity to Victoria Avenue, an acoustical analysis has been ordered and any findings shall be incorporated in the final approved plans and specifications.

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

ARTICLE XXXIV

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

DEVELOPMENT TEAM

Borrower and Contractor

Cabrillo Economic Development Corporation

Cabrillo Economic Development Corporation (CEDC) is a private, nonprofit community economic development corporation that's been in existence for 22 years. CEDC has developed 16 projects and 823 units in southern California, and they currently own and manage 275 of these units. CEDC intends to be the developer, general partner and contractor for Villa Victoria. CalHFA has approved one project for financing with CEDC: Plaza Del Sol, a 70-unit project in Simi Valley.

Management Agent

Cabrillo Economic Development Corporation

CEDC has been managing affordable housing projects that they've developed since 1992. They currently own and manage 275 affordable rental units in Ventura and Santa Barbara Counties. CEDC plans to manage Villa Victoria upon completion.

Architect

Faulconer & Carawan, LLP

Faulconer & Carawan, have over forty-five years of combined experience in residential and commercial buildings designs. In 1996 they received the AIAVC Merit Award for the design of the 32-unit affordable Villa Solimar development in Oxnard. Some of their other designs include the 120-unit affordable Camino Del Sol senior development in Oxnard, the 38-unit affordable Oxnard Hotel for senior residents, the 24-unit Meta St. Farmworker Housing project in Oxnard, and the 104 market-rate, for-sale, senior housing development in Ventura. Mr. Faulconer has contracted to oversee the development of Villa Victoria through completion of construction.

Project Summary — Villa Victoria

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29-Aug-03

Project Profile:

Project: Villa Victoria
Location: Just north of Victoria & Gonzalez Intersection

City Oxnard 93033
County: Ventura
Borrower: A yet to be formed L.P.
GP: Cabrillo Economic Devlpmt Co
LP: TBD

Program: Tax-Exempt Bond
CalHFA #: 03-045-L & S

Cap Rate:	7.50%
Market:	$7,850,000
Income:	$7,650,000
Final Value:	$7,750,000

LTC/LTV:	*Construction*	*Permanent*
Loan/Cost	N/A	30.23%
Loan/Value	N/A	50.65%

Project Description:

Units	54
Handicap Units	2
Bldgs Type	New Construction
Buildings	11
Stories	1 & 2
Gross Sq Ft	72,879
Land Sq Ft	134,600
Units/Acre	17
Total Parking	108
Enclosed Parking Spaces	87

Financing Summary:	Amount	Per Unit	Rate	Term
CalHFA First Mortgage	$3,525,000	$65,278	5.50%	30
CalHFA 2nd Mortgage	$400,000	$7,407	5.50%	10
Rural Development Section 514	$1,100,000	$20,370	1.00%	33
Joe Serna Jr. Farmworker Loan	$2,977,367	$55,136	3.00%	40
City of Oxnard	$865,150	$16,021	4.00%	33
Deferred Developer Equity	$495,395	$9,174		-
Tax Credit Equity	$3,620,400	$67,044		
CalHFA Loan to Lender	$7,100,000	$131,481	3.00%	2

Unit Mix

Type	Manager		40% AMI		50% AMI		60% AMI		Market		Total
	number	rent	number	rent*	number	rent*	number	rent*	number	rent*	
1 bedroom			1	$508	0	$0	0	$0	0	0	1
2 bedroom	1	0	1	$608	0	$0	0	$0	0	0	2
3 bedroom			17	$693	3	$850	13	$1,082	0	0	33
4 bedroom			8	$764	2	$906	8	$1,197	0	0	18
subtotal	1		27		5		21		0		
											54

*Underwriting assumptions for first mortgage.

Fees, Escrows, and Reserves:

Fees	Basis of Requirements	Amount	Security
Commitment Fee	1.00% of Loan to Lender Loan	$71,000	Prior to Board Approval
Loan Fee	0.50% of Perm. Loan	$19,625	Cash
Escrows			
Bond Origination Guarantee	1.00% of Tax Exempt Loans	$71,000	Letter of Credit
Inspection fee	$1,500 x months of construction	$21,000	Cash at Construction Loan Close
Construction Defect Reserve	2.50% of Hard Costs for 12 mths	$133,603	Letter of Credit at Perm.
Reserves			
Operating Expense Reserve	10.00% of Gross Income	$62,811	Letter of Credit at Perm.
Annual Replacement Reserve	$500 per unit per year	$27,000	From Operations

Permanent Sources and Uses — Villa Victoria

SOURCES:

Name of Lender / Source	Amount	$ per unit	% of Total
CalHFA First Mortgage	3,525,000	65,278	27%
CalHFA 2nd Mortgage	400,000	7,407	3%
Rural Development Section 514	1,100,000	20,370	8%
Joe Serna Jr. Farmworker Loan	2,977,367	55,136	23%
City of Oxnard	865,150	16,021	7%
Total Institutional Financing	**8,867,517**	**164,213**	68%
Equity Financing			
Tax Credits	3,620,400	67,044	28%
Deferred Developer Equity	495,395	9,174	4%
Total Equity Financing	**4,115,795**	**76,218**	32%
TOTAL SOURCES	**12,983,312**	**240,432**	100%

USES:

Acquisition	0	0	0%
Rehabilitation	0	0	0%
New Construction	8,076,460	149,564	62%
Architectual Fees	300,000	5,556	2%
Survey and Engineering	40,000	741	0%
Const. Loan Interest & Fees	450,990	8,352	3%
Permanent Financing	96,125	1,780	1%
Legal Fees	63,000	1,167	0%
Reserves	358,300	6,635	3%
Contract Costs	11,000	204	0%
Construction Contingency	727,599	13,474	6%
Local Fees	1,100,000	20,370	8%
TCAC Costs	28,038	519	0%
Other Costs	62,500	1,157	0%
PROJECT COSTS	**11,314,012**	**209,519**	87%
Developer Overhead/Profit	1,629,300	30,172	13%
Consultant/Processing Agent	40,000	741	0%
TOTAL USES	**12,983,312**	**240,432**	100%

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Annual Operating Budget — Villa Victoria

INCOME:	Total	$ per unit
Total Rental Income	563,988	$10,444
Laundry	0	$0
Rental Subsid Income	64,121	$1,187
Gross Potential Income (GPI)	**628,109**	**$11,632**
Less:		
Vacancy Loss	31,405	$582
Total Net Revenue	**596,704**	**$11,050**
EXPENSES:		
Payroll	65,000	$1,204
Administrative	22,000	$407
Management fee	22,680	$420
Utilities	26,000	$481
Operating and Maintenance	54,000	$1,000
Insurance and Business Taxes	11,000	$204
Taxes and Assessments	5,000	$93
Reserve for Replacement Deposits	27,000	$500
Subtotal Operating Expenses	**232,680**	**$4,309**
Financial Expenses		
CalHFA 1st Mortgage	240,175	$4,448
CalHFA 2nd Mortgage	52,093	$965
RD Section 514 Loan	39,700	$735
Total Financial	**331,967**	**$6,148**
Total Project Expenses	**564,647**	**$10,456**

Cash Flow — Villa Victoria — CalHFA Development Number: 03-045-L-R/S

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
RD Rental Assistance Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
RD Rental Subsidy Income	64,121	65,724	67,367	69,052	70,778	72,547	74,361	76,220	78,126	80,079
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	563,988	578,088	592,540	607,353	622,537	638,101	654,053	670,405	687,165	704,344
TOTAL RENTAL INCOME	**628,109**	**643,812**	**659,907**	**676,405**	**693,315**	**710,648**	**728,414**	**746,625**	**765,290**	**784,422**
OTHER INCOME										
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry (Washers/Dryers in Units)	0	0	0	0	0	0	0	0	0	0
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
GROSS INCOME	**628,109**	**643,812**	**659,907**	**676,405**	**693,315**	**710,648**	**728,414**	**746,625**	**765,290**	**784,422**
Vacancy Rate : Rental Assistance	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	31,405	32,191	32,995	33,820	34,666	35,532	36,421	37,331	38,265	39,221
EFFECTIVE GROSS INCOME	**596,704**	**611,621**	**626,912**	**642,585**	**658,649**	**675,116**	**691,993**	**709,293**	**727,026**	**745,201**
OPERATING EXPENSES										
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	200,680	208,707	217,055	225,738	234,767	244,158	253,924	264,081	274,644	285,630
Replacement Reserve	27,000	27,000	27,000	27,000	27,000	28,350	28,350	28,350	28,350	28,350
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	5,000	5,100	5,202	5,306	5,412	5,520	5,631	5,743	5,858	5,975
TOTAL EXPENSES	**232,680**	**240,807**	**249,257**	**258,044**	**267,179**	**278,028**	**287,905**	**298,175**	**308,853**	**319,956**
NET OPERATING INCOME	**364,024**	**370,814**	**377,654**	**384,541**	**391,470**	**397,087**	**404,088**	**411,119**	**418,173**	**425,246**
DEBT SERVICE										
CalHFA - 1st Mortgage	240,175	240,175	240,175	240,175	240,175	240,175	240,175	240,175	240,175	240,175
CalHFA - 2nd Mortgage	52,093	52,093	52,093	52,093	52,093	52,093	52,093	52,093	52,093	52,093
RD Section 514 Loan	39,700	39,700	39,700	39,700	39,700	39,700	39,700	39,700	39,700	39,700
Total Required Debt Service	**331,967**	**331,968**	**331,968**	**331,968**	**331,968**	**331,968**	**331,968**	**331,968**	**331,968**	**331,968**
CASH FLOW after debt service	**32,056**	**90,939**	**137,480**	**144,366**	**151,295**	**156,913**	**163,914**	**170,944**	**177,998**	**185,071**
DEBT COVERAGE RATIO	**1.10**	**1.12**	**1.14**	**1.16**	**1.18**	**1.20**	**1.22**	**1.24**	**1.26**	**1.28**

Cash Flow

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
RD Rental Assistance Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
RD Rental Subsidy Income	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	721,952	740,001	758,501	777,464	796,900	816,823	837,243	858,174	879,629	901,620
TOTAL RENTAL INCOME	**721,952**	**740,001**	**758,501**	**777,464**	**796,900**	**816,823**	**837,243**	**858,174**	**879,629**	**901,620**
OTHER INCOME										
Other Income Increase	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Laundry (Washers/Dryers in Units)	0	0	0	0	0	0	0	0	0	0
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
GROSS INCOME	**721,952**	**740,001**	**758,501**	**777,464**	**796,900**	**816,823**	**837,243**	**858,174**	**879,629**	**901,620**
Vacancy Rate : Rental Assistance	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	36,098	37,000	37,925	38,873	39,845	40,841	41,862	42,909	43,981	45,081
EFFECTIVE GROSS INCOME	**685,855**	**703,001**	**720,576**	**738,591**	**757,055**	**775,982**	**795,381**	**815,266**	**835,647**	**856,539**
OPERATING EXPENSES										
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	297,055	308,938	321,295	334,147	347,513	361,413	375,870	390,905	406,541	422,802
Replacement Reserve	29,768	29,768	29,768	29,768	29,768	31,256	31,256	31,256	31,256	31,256
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	6,095	6,217	6,341	6,468	6,597	6,729	6,864	7,001	7,141	7,284
TOTAL EXPENSES	**332,918**	**344,922**	**357,404**	**370,382**	**383,878**	**399,399**	**413,990**	**429,162**	**444,938**	**461,342**
NET OPERATING INCOME	**352,937**	**358,079**	**363,172**	**368,208**	**373,178**	**376,583**	**381,392**	**386,104**	**390,709**	**395,196**
DEBT SERVICE										
CalHFA - 1st Mortgage	240,175	240,175	240,175	240,175	240,175	240,175	240,175	240,175	240,175	240,175
CalHFA - 2nd Mortgage										
RD Section 514 Loan	39,700	39,700	39,700	39,700	39,700	39,700	39,700	39,700	39,700	39,700
Total Required Debt Service	**279,875**	**279,875**	**279,875**	**279,875**	**279,875**	**279,875**	**279,875**	**279,875**	**279,875**	**279,875**
CASH FLOW after debt service	**112,762**	**117,904**	**122,997**	**128,033**	**133,003**	**136,408**	**141,217**	**145,929**	**150,535**	**155,021**
DEBT COVERAGE RATIO	**1.26**	**1.28**	**1.30**	**1.32**	**1.33**	**1.35**	**1.36**	**1.38**	**1.40**	**1.41**

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Cash Flow

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
RD Rental Assistance Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
RD Rental Subsidy Income	0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents	924,160	947,264	970,946	995,219	1,020,100	1,045,602	1,071,742	1,098,536	1,125,999	1,154,149
TOTAL RENTAL INCOME	**924,160**	**947,264**	**970,946**	**995,219**	**1,020,100**	**1,045,602**	**1,071,742**	**1,098,536**	**1,125,999**	**1,154,149**
OTHER INCOME										
Other Income Increase	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Laundry (Washers/Dryers in Units)	0	0	0	0	0	0	0	0	0	0
Other Income	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
GROSS INCOME	**924,160**	**947,264**	**970,946**	**995,219**	**1,020,100**	**1,045,602**	**1,071,742**	**1,098,536**	**1,125,999**	**1,154,149**
Vacancy Rate : Rental Assistance	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Vacancy Rate : Affordable	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss	46,208	47,363	48,547	49,761	51,005	52,280	53,587	54,927	56,300	57,707
EFFECTIVE GROSS INCOME	**877,952**	**899,901**	**922,398**	**945,458**	**969,095**	**993,322**	**1,018,155**	**1,043,609**	**1,069,699**	**1,096,442**
OPERATING EXPENSES										
Annual Expense Increase	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses	439,715	457,303	475,595	494,619	514,404	534,980	556,379	578,634	601,780	625,851
Replacement Reserve	32,819	32,819	32,819	32,819	32,819	34,460	34,460	34,460	34,460	34,460
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments	7,430	7,578	7,730	7,884	8,042	8,203	8,367	8,534	8,705	8,879
TOTAL EXPENSES	**479,963**	**497,700**	**516,144**	**535,322**	**555,265**	**577,643**	**599,206**	**621,628**	**644,945**	**669,190**
NET OPERATING INCOME	**397,989**	**402,201**	**406,254**	**410,136**	**413,830**	**415,679**	**418,949**	**421,981**	**424,755**	**427,252**
DEBT SERVICE										
CalHFA - 1st Mortgage	240,175	240,175	240,175	240,175	240,175	240,175	240,175	240,175	240,175	240,175
CalHFA - 2nd Mortgage										
RD Section 514 Loan	39,700	39,700	39,700	39,700	39,700	39,700	39,700	39,700	39,700	39,700
Total Required Debt Service	**279,875**	**279,875**	**279,875**	**279,875**	**279,875**	**279,875**	**279,875**	**279,875**	**279,875**	**279,875**
CASH FLOW after debt service	**157,814**	**162,026**	**166,080**	**169,961**	**173,655**	**175,505**	**178,774**	**181,806**	**184,580**	**187,077**
DEBT COVERAGE RATIO	**1.42**	**1.44**	**1.45**	**1.47**	**1.48**	**1.49**	**1.50**	**1.51**	**1.52**	**1.53**

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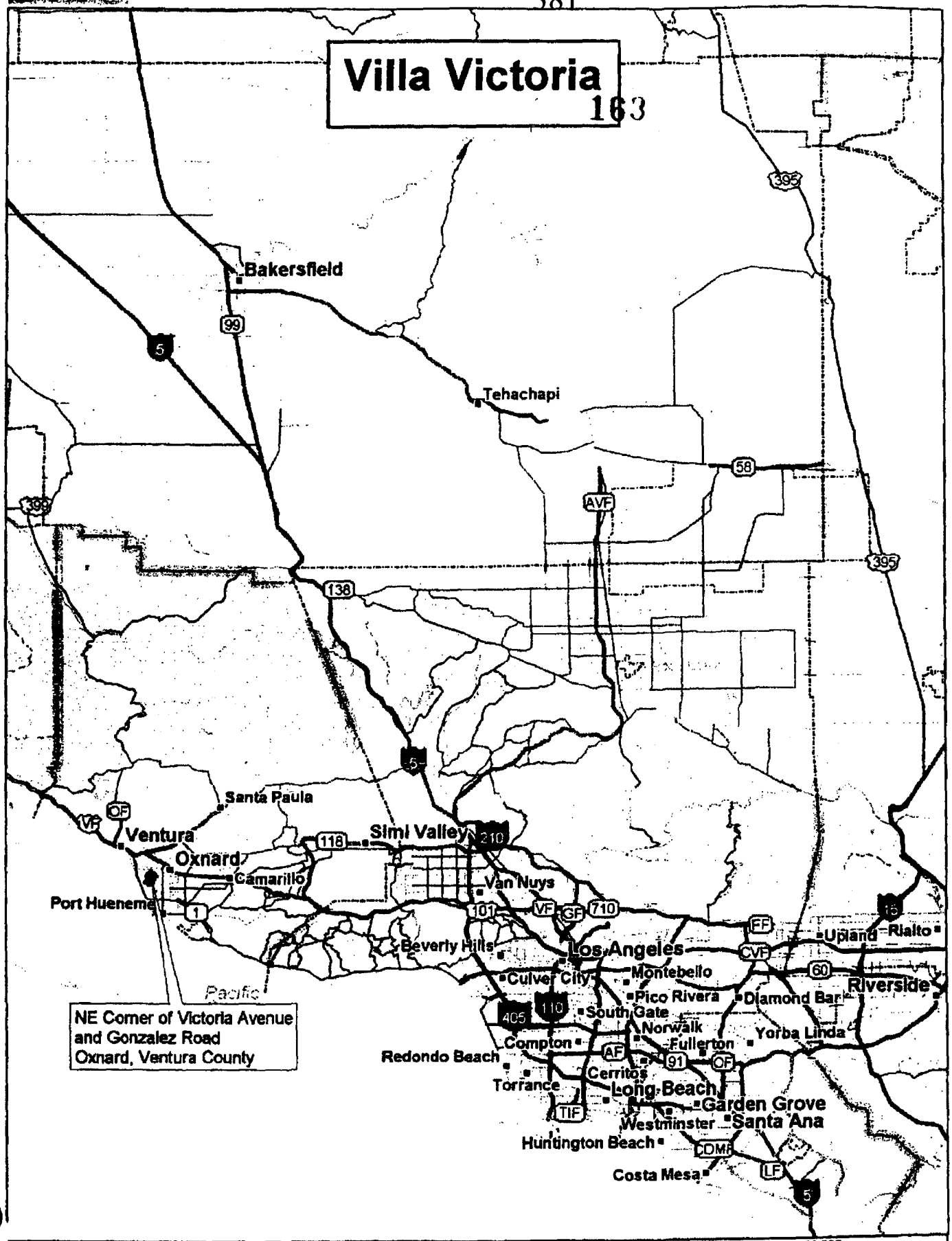
Villa Victoria

163



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Scale 1 : 1,100,000

1" = 17.4 mi

164

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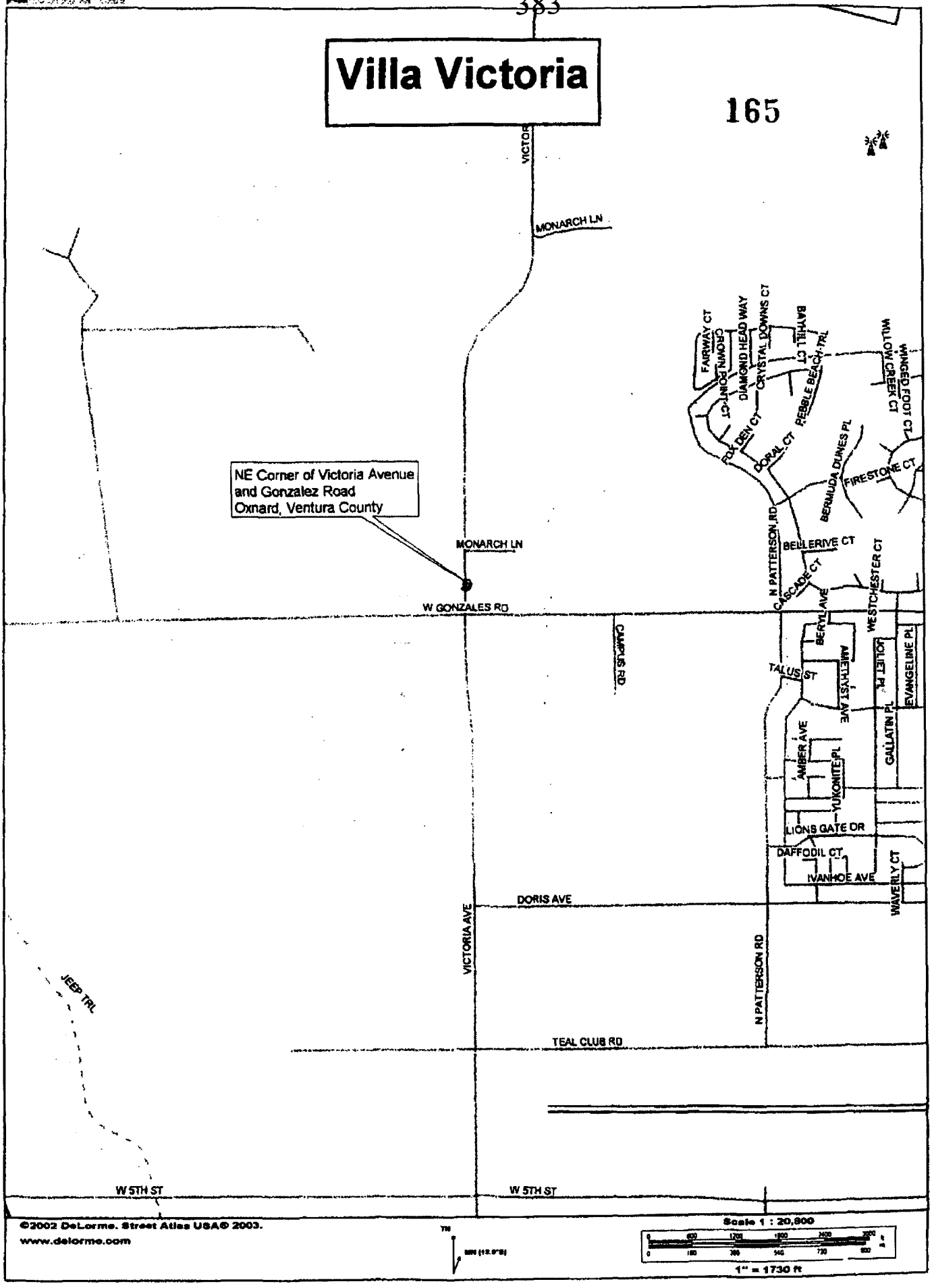
Villa Victoria

165



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Scale 1 : 20,800

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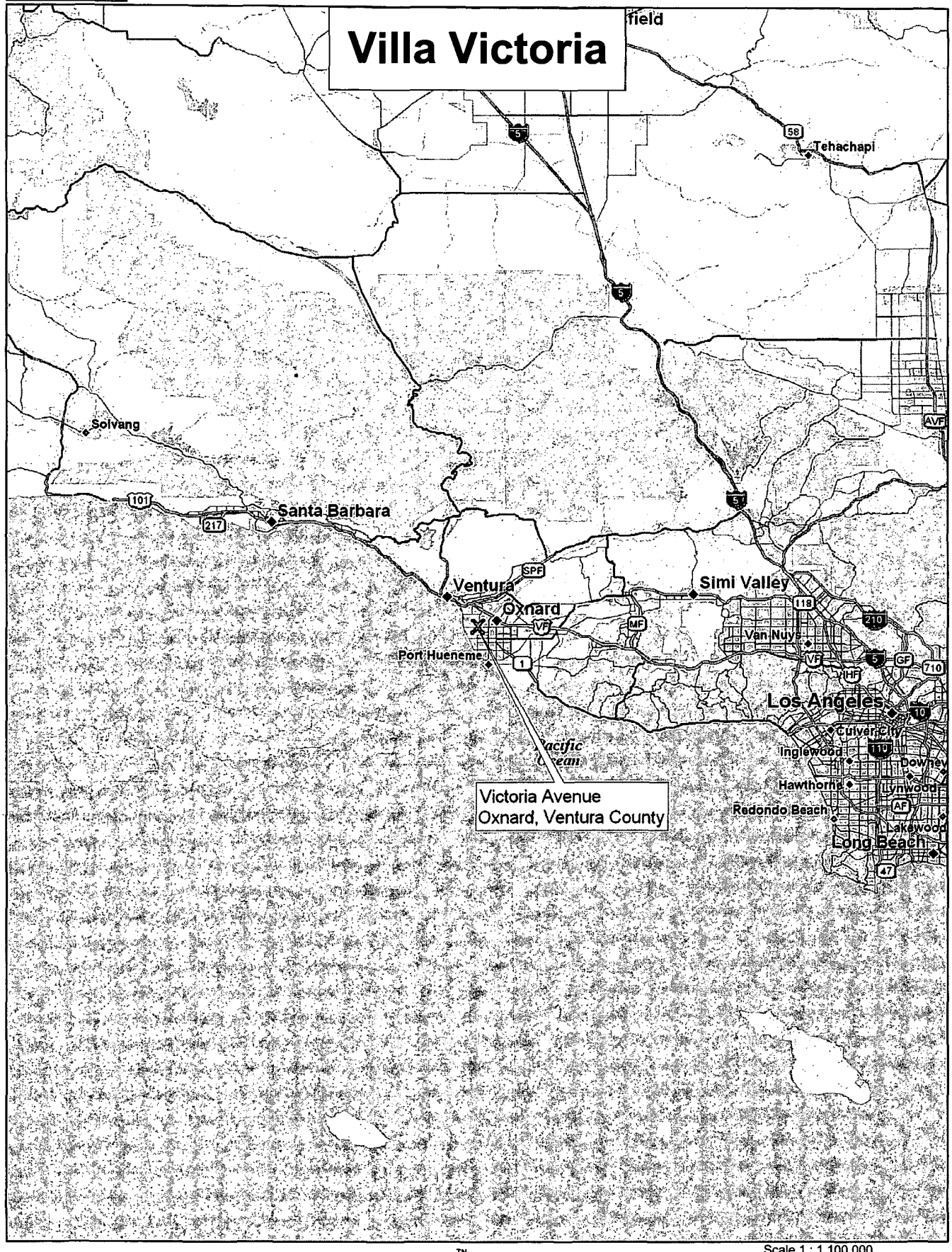

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TN

MN (13.4°E)

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1" = 17.36 mi

Data Zoom 7-5

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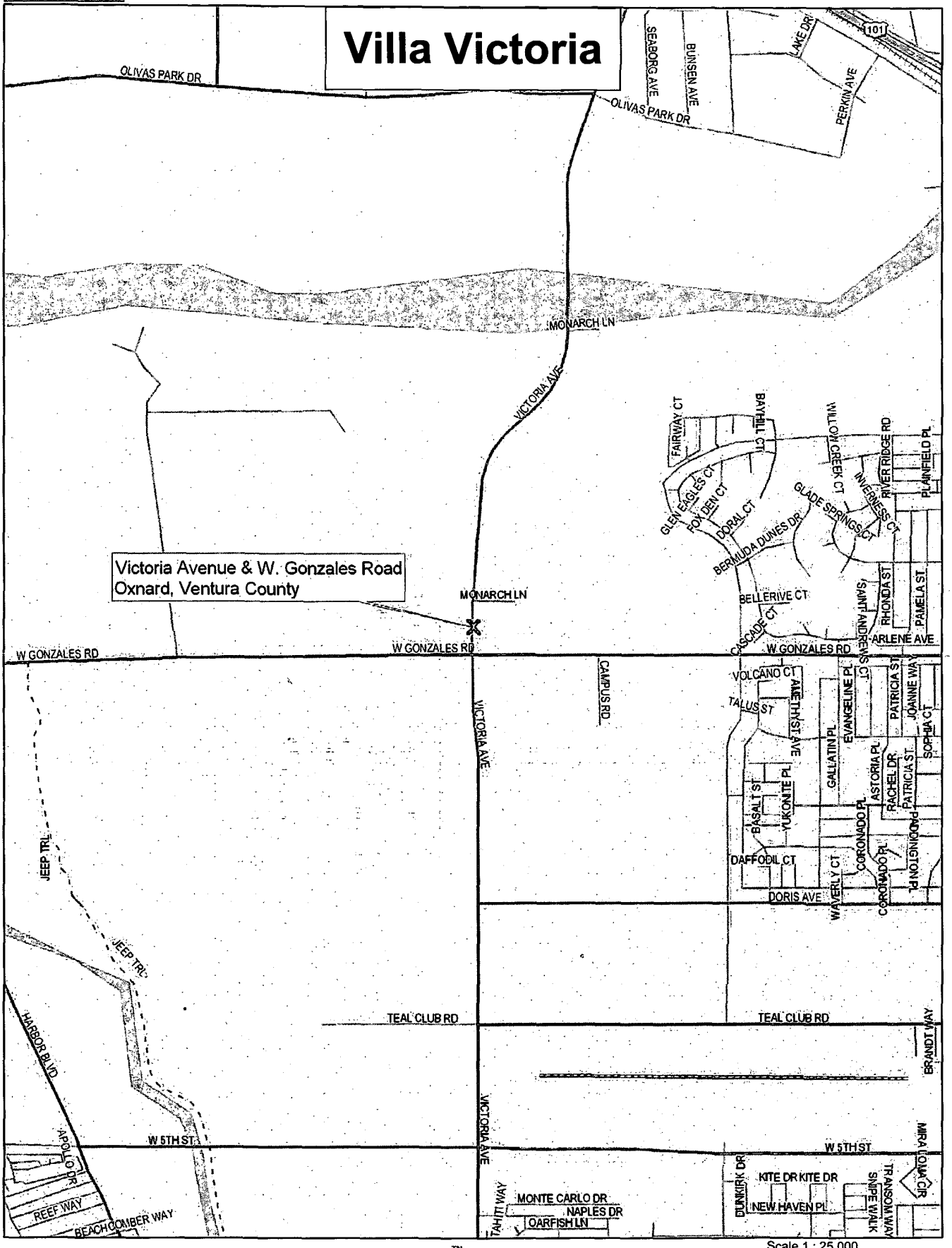

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Scale 1 : 25,000

1" = 2,083.3 ft Data Zoom 13-0

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RESOLUTION 05-30

RESOLUTION AUTHORIZING A MODIFIED FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Villa Victoria Associates, L.P., a California limited partnership (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in Oxnard, California, to be known as Villa Victoria Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which prepared a report presented to the Board on the meeting date recited below (the "Staff Report"), recommending Board approval subject to certain recommended terms and conditions; and

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

WHEREAS, on July 9, 2003, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

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

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	MORTGAGE AMOUNT	
03-045-L/S	Villa Victoria Apartments	Loan To Lender	$9,675,000
	Oxnard, California	First Mortgage	$4,110,000
		Second Mortgage	$ 400,000

2. The Executive Director may modify the terms and conditions of the loans or loans as described in the Staff Report, provided that major modifications, as defined below, must be submitted to this Board for approval. "Major modifications" as used herein means modifications which either (i) increase the total aggregate amount of any loans made pursuant to the Resolution by more than 7%; or (ii) modifications which in the judgment of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency, adversely change the financial or public purpose aspects of the final commitment in a substantial way.

I hereby certify that this is a true and correct copy of Resolution 05-30 adopted at a duly constituted meeting of the Board of the Agency held on July 7, 2005 at Sacramento, CA, California.

ATTEST:_____
Secretary