CalHFA
California Housing Finance Agency

BOARD OF DIRECTORS

Thursday, September 8, 2005

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

9:30 a.m.

1. Roll Call.

2. Approval of the minutes of the July 7, 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
05-013-A/S	Hemet Estates	Hemet/Riverside	80

Resolution 05-31.....127

05-014-A/S	Sterling Village	San Bernardino/ San Bernardino	80

Resolution 05-32.....149

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

NUMBER	DEVELOPMENT	LOCALITY	UNITS
03-045-L/S	Villa Victoria Apartments	Oxnard/Ventura	54

Resolution 05-33.....171

05-010-A/S	Woodhaven Manor	Rancho Cucamonga/ San Bernardino	117

Resolution 05-34.....203

bd.binder:9-8-05
#121121

6. Discussion, recommendation and possible action relative to a commitment request for the following project: (Linn Warren)

NUMBER	DEVELOPMENT	LOCALITY	BUILDINGS
TBD	Bay Area Housing Plan	Bay Area Counties	72

Resolution 05-35.....243

7. Discussion, recommendation and possible action relative to Board approval of delegation authority for individual multifamily loans. (Linn Warren)
Resolution 05-36.....265

8. Reports 271

9. Discussion of other Board matters.

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

NOTES

HOTEL PARKING: Day parking rate: *$7.00/inclusive of tax with no in and out privileges.

FUTURE MEETING DATE: Next CalHFA Board of Directors Meeting will be November 9, 2005, at The Westin Hotel, San Francisco Airport, Millbrae, California.

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*coupon will be available at meeting site.

1 STATE OF CALIFORNIA

2 CALIFORNIA HOUSING FINANCE AGENCY

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8 BOARD OF DIRECTORS

9 PUBLIC MEETING

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12 --o0o--

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14 Hyatt Regency Sacramento
1209 L Street
15 Sacramento, California

16

17 Thursday, July 7, 2005
18 9:30 a.m. to 12:27 p.m.

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20 --o0o--

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23

24

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

1 A P P E A R A N C E S

2

Directors Present:

3

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

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

8

PETER N. CAREY
9 President/CEO
Self-Help Enterprises

10

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

13 CAROL J. GALANTE
President
14 Bridge Housing

15 THERESA A. PARKER
Executive Director
16 CalHFA

17 TERRY ROBERTS
for Sean Walsh, Director
18 Governor's Office of Planning and Research
State of California

19

LAURIE WEIR
20 for Philip Angelides
State Treasurer
21 State of California

22

--o0o--

23

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1 CalHFA Staff Present:

2

3 BRUCE D. GILBERTSON
Director of Financing
Fiscal Services

4

5 EDWIN GIPSON
Multifamily Programs

6 CAROL GOODMAN
Multifamily Loan Officer

7

8 TIM HSU,
Risk Manager

9 THOMAS C. HUGHES
General Counsel

10

11 TINA ILVONEN
Multifamily Programs

12 JOJO OJIMA
Office of the General Counsel

13

14 RUTH VAKILI
Multifamily Programs

15 LINN G. WARREN
Director of Multifamily Programs

16

17 KATHY WEREMIUK
Multifamily Loan Officer

18 LAURA WHITTALL-SCHERFEE
Chief of Multifamily Programs

19

20

--o0o--

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22 Speakers from the Public:

23 GEOFFREY MORGAN, First Community Housing

24 GENE SLATER, CSG Advisors

25

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1 BE IT REMEMBERED that on Thursday, July 7, 2005,
2 commencing at the hour of 9:30 a.m., at the Hyatt Regency
3 Sacramento, 1209 L Street, Sacramento, California, before
4 me, YVONNE K. FENNER, CSR #10909, RPR, the following
5 proceedings were held:
6 --o0o--
7 CHAIRPERSON COURSON: Thank you. I'll call the
8 meeting to order. And our first order of business is to
9 call the roll.
10 MS. OJIMA: Thank you.
11 --o0o--
12 Item 1. Roll Call
13 MS. OJIMA: Ms. Weir for Mr. Angelides.
14 MS. WEIR: Here.
15 MS. OJIMA: Mr. Carey.
16 MR. CAREY: Here.
17 MS. OJIMA: Mr. Czuker.
18 (No audible response.)
19 MS. OJIMA: Mr. Friedman for Ms. Dunn.
20 MR. FRIEDMAN: Here.
21 MS. OJIMA: Ms. Galante.
22 MS. GALANTE: Here.
23 MS. OJIMA: Mr. Augustine for Ms. McPeak.
24 MR. AUGUSTINE: Here.
25 MS. OJIMA: Mr. Morris.

1 (No audible response.)

2 MS. OJIMA: Mr. Shine.

3 (No audible response.)

4 MS. OJIMA: Mr. Courson.

5 CHAIRPERSON COURSON: Here.

6 MS. OJIMA: Ms. Roberts for Mr. Walsh.

7 MS. ROBERTS: Here.

8 MS. OJIMA: Mr. Campbell.

9 (No audible response.)

10 MS. OJIMA: Ms. Parker.

11 MS. PARKER: Here.

12 MS. OJIMA: We have a quorum.

13 CHAIRPERSON COURSON: Okay, thank you.

14 --o0o--

15 Item 2. Approval of the minutes of the May 12, 2005

16 Board of Directors Meeting

17 CHAIRPERSON COURSON: The first order of business

18 is the approval of the minutes of the meeting of May

19 12th. Is there a motion to approve those minutes?

20 MR. CAREY: So moved.

21 CHAIRPERSON COURSON: There's a motion. And a

22 second?

23 MR. AUGUSTINE: Second.

24 CHAIRPERSON COURSON: Second, Mr. Augustine.

25 Call the roll.

1 MS. OJIMA: Ms. Weir.

2 MS. WEIR: Yes.

3 MS. OJIMA: Mr. Carey.

4 MR. CAREY: Yes.

5 MS. OJIMA: Mr. Friedman.

6 MR. FRIEDMAN: Yes.

7 MS. OJIMA: Ms. Galante.

8 MS. GALANTE: I will vote yes, but I was not on

9 the board when these were passed, so this is a matter of

10 courtesy, saying yes.

11 MS. OJIMA: Thank you, Ms. Galante.

12 Mr. Augustine.

13 MR. AUGUSTINE: Yes.

14 MS. OJIMA: Mr. Courson.

15 CHAIRPERSON COURSON: Yes.

16 MS. OJIMA: The minutes have been approved.

17 CHAIRPERSON COURSON: Okay, thank you.

18 --o0o--

19 Item 3. Chairman/Executive Director comments

20 CHAIRPERSON COURSON: I'd just like to make a

21 couple of comments as we open our meeting today. First

22 of all, I want to welcome Carol Galante who is our new

23 board member, and she is the pro tem appointment to the

24 board. Carol is president of Bridge Housing and is

25 well-known to many, certainly in the California Housing

1 Finance Agency and others of us in the state, as very
2 active in affordable housing. Carol will be a great
3 addition to our board, and we welcome you, and we're
4 excited to have you participate with us.
5 MS. GALANTE: Thank you. Nice to be here.
6 CHAIRPERSON COURSON: And also welcome today
7 Terry Roberts, who is sitting from the OPR office
8 representing Shawn Walsh. So Terry, welcome for the day.
9 MS. ROBERTS: Thank you.
10 CHAIRPERSON COURSON: The other thing I have to
11 say, and I say it particularly to Carol, who clearly is a
12 member of the board and so on, but I'm also disappointed
13 she won't have an opportunity to meet several of her
14 colleagues that are not here today. One of my jobs that
15 I'm going to take on is -- clearly the importance of
16 being a director of California Housing Finance Agency is
17 to participate in the board meetings. And we've had some
18 members that have had some chronic attendance issues, and
19 it puts us in a very difficult position of having a
20 quorum. And also in my role as chair -- seeing that they
21 fulfill the responsibilities they've taken as a director.
22 So I'll just tell the board that that's one of the tasks
23 I'm going to undertake, to have those discussions, see if
24 we can't encourage more consistent attendance by those on
25 the board. But to those of you who are here, we greatly

1 appreciate your participation and attendance today in our
2 meeting.
3 Let me talk -- the other thing I'd like to do is
4 just note, and I know those on the board have seen now
5 the capability of pulling down the board package and
6 supplemental information through the website. And Jojo
7 now e-mails us and tells us that certain materials are
8 available on the website, and we have the ability to look
9 at them electronically and also receive the hard copy if
10 we choose. And I think from the board standpoint, we're
11 doing both. For those who also want to see this
12 material, we're encouraging and I think a substantial
13 number of them are looking at this material
14 electronically as opposed to continue to produce multiple
15 reams of paper and send them out.
16 So it's a great accomplishment to the staff. I
17 can't tell you how appreciative I am of all the efforts I
18 know went into this, but it truly does move us a step
19 forward in being more efficient to conduct our business
20 and really getting the information to the board well in
21 front and letting us at our leisure, really, take a look
22 at all this information as opposed to have to sort of do
23 the midnight oil burning and cramming before the board
24 meeting. So I do appreciate that.
25 The other thing I'd like to mention is -- well,

1 actually I'll just say two things. One is the Villa
2 Victoria project, which is the last project on our list
3 today, which was a project for -- submitted for
4 modification or reconsideration, is off our list. So
5 that project will not be on the agenda for the day.
6 And the other thing I'll mention is Mr. Augustine
7 has to leave for about an hour. So our plan today will
8 be to go through the projects. We'll go as far as we
9 can. If, during his absence, a vote on a project is
10 called for, we'll hold that vote in abeyance until he
11 returns and then entertain the motion for the
12 consideration of the project. Mr. Augustine has seen the
13 projects. He knows them. He's had the materials and so
14 on. I think he feels comfortable with that. So we'll
15 move through our meeting, and then if we need to come
16 back and visit those motions because of approvals during
17 his absence, then we'll do so.
18 The last thing is the always pleasure and thrill
19 of telling you that you get about $1.50 off your parking
20 at the Hyatt if you see me for one of these cards, and
21 you can give that as you check out of the garage.
22 Having said that, I will turn it over to our
23 executive director, Terri Parker.
24 MS. PARKER: Thank you, Mr. Chairman.
25 My appreciation again to the board members in

1 their attendance today. Obviously from our standpoint if
2 we are not able to have these meetings and you come and
3 be able to be available to our customers, we won't be
4 doing business, so we do appreciate your attendance.
5 I have just a couple of brief comments to make.
6 The first one is to give you an update. We mentioned at
7 our last board meeting when we talked about our business
8 plan that one of the items that was included in our
9 business plan was a part of a broader Governor's
10 initiative for chronic homelessness in partnership with
11 HCD and the Department of Mental Health. We -- the
12 Governor's proposal included using about 40 -- up to
13 $40 million of MHP money that was initially identified
14 for preservation projects that the Housing Finance Agency
15 was administering, which hasn't really seen great demand
16 and so to essentially put together a partnership to --
17 with HCD with those monies being returned and mental
18 health to do sort of a one-stop shopping for the -- and
19 the technical assistance to promote the development of
20 those sort of projects.
21 The response by the legislature has been to
22 approve that proposal, funding in addition a homeless
23 task force to begin working on looking at integration of
24 a state plan, along with locality plans that are
25 throughout California. So we hope to see all that signed

1 in the new budget that should be, just recently, passed
2 by the legislature and signed by the Governor probably
3 sometime in the next couple of days.
4 So the staff are working on that. We continue to
5 have meetings with HCD and Department of Mental Health in
6 developing the terms for that and working with our
7 stakeholder groups to essentially announce and work
8 through that initiative. And we'll be talking to you at
9 future meetings about the procedures that we will need
10 from the board in order to act on our participation of
11 that broader initiative.
12 The second item I want to -- when we're talking
13 about new people is to mention that one of our
14 colleagues, Ken Williams, our longstanding chief of home
15 ownership, is retiring. He had retired once and came
16 back to help us out when the Prop 46 passed and we had so
17 many new down payment assistance programs in home
18 ownership. I don't think he's here today, but Gerry
19 Smart is here. And I want to just let everybody know
20 that Gerry Smart, while we are recruiting for a Ken
21 replacement, Gerry Smart will continue to step up and be
22 Mr. Home Ownership.
23 We're also very excited today to present for the
24 board sort of Phase II of the resource allocation study
25 that we have been doing. And we are continuing for the

1 board's edification and education to be working on more
2 of these kinds of education discussions for strategic
3 planning and really direction and leadership by the board
4 of the resources and financial capabilities of the
5 agency.
6 So with that, Mr. Chairman, that is -- concludes
7 my report.
8 CHAIRPERSON COURSON: Okay. Thank you.
9 --o0o--
10 Item 4. Discussion, recommendation and possible action
11 relative to a final loan commitment for the
12 following projects:
13 CHAIRPERSON COURSON: Then let's move through the
14 projects that we have for consideration today. And the
15 first one is the Coliseum Gardens Phase II in Oakland.
16 Mr. Warren.
17 --o0o--
18 Item 4. Resolution 05-25 (Coliseum Gardens Phase II)
19 MR. WARREN: Thank you, Mr. Chairman, Members of
20 the Board.
21 The first project for your consideration today is
22 Coliseum Gardens Phase II. The Agency was involved in
23 the financing of the first phase of this project. It is
24 a HOPE VI project in Oakland being sponsored by the
25 Oakland Housing Authority.

1 The request today is for a first mortgage loan,
2 permanent loan, in the amount of $4,040,000, 5.9 interest
3 rate, 40 years. This is a bond refunding. The bonds
4 will be issued locally, and we'll refund the bonds at the
5 completion of the project. There's also a second
6 mortgage request in the amount of $730,000 at 3 percent,
7 40 year fully amortizing from Agency FAF funds. This is
8 a program that we've had on a number of our HOPE VI
9 projects in the past to help with gap financing for the
10 project.
11 As is typical of many HOPE VI projects, there's a
12 large amount of subordinate financing involved. HCD MHP
13 is accounting for $9.8 million. NSS, supportive housing
14 moneys for an additional $500,000. And a key component,
15 as for all HOPE VI projects, funding from HUD in the
16 amount of $7,430,000. This will be a leasehold project,
17 as is typical with our other HOPE VI projects.
18 So with that, I'm going to turn it over to Edwin
19 Gipson and give you more project particulars.
20 MR. GIPSON: Coliseum Gardens Phase II is a
21 146-unit family project. It is the second of four phases
22 and is also part of the Coliseum Transit Village, which
23 will eventually have approximately 437 affordable homes,
24 157 of which will be considered public housing units.
25 This particular project will have 54 public housing

1 units.

2 In the middle there will be a 5.7-acre park.

3 There will be for-sale townhomes for affordable, and

4 market-rate housing over retail at the Coliseum BART

5 transit station.

6 Within the distance here, we can see the Oakland

7 Coliseum, I-80 to the west. The site's here in the

8 middle, and it borders on 66th Avenue, San Leandro

9 Street, and 69th Avenue. To the left is the BART transit

10 station, as you can see, within walking distance. The

11 surrounding area is mostly residential to the south and

12 to the east, and it borders on commercial/light

13 industrial to the west and to the north. It is a

14 four-acre site, which is owned by the Oakland Housing

15 Authority. And as Linn mentioned, it is on a ground

16 lease.

17 As you can see in the foreground here is Coliseum

18 Gardens Phase I, which is currently under construction.

19 It is a 115-unit project.

20 Here's the overall site plan, Coliseum Gardens

21 Phase II highlighted in yellow. To the right here is

22 Coliseum Gardens Phase I, which we see under

23 construction. And across the top is the Phase III. If

24 we look just below Phase II, it says area of future

25 senior housing. That will be Coliseum Gardens Phase IV

1 coming down the line. It is projected to be senior
2 housing, but it won't necessarily be. All of these
3 phases will be managed under a joint use management
4 agreement between the entity.
5 There are 146 units, 55 of them will be over a
6 podium with parking underneath. There will be ones,
7 twos, threes, fours, and five-bedroom units. There will
8 be ten townhomes located over the top of 7500 square feet
9 of community and service space. And it will be a mix of
10 townhomes and flats. The ones and twos are flats, but
11 the threes, fours, and fives are a mix of townhomes and
12 flats. This is the flats.
13 Rents are between 21 and 65 percent of market,
14 and the area vacancy is less than 2 percent.
15 The site does have some environmental issues,
16 like old sites will tend to have. We have received a
17 Phase I and Phase II over the entire Coliseum Gardens
18 site, and additional items were identified. During
19 Phase I, it required the removal of some topsoil. For
20 Phase II, the Oakland Housing Authority has received
21 three Brownfield grants totaling $600,000 for the three
22 parcels that consist of Phase II. And so testing is
23 under way for which then there will be remediation. That
24 money, which will be used as well. The Department of
25 Toxic Substances Control has been identified as the

1 regulatory agency who will be responsible for monitoring
2 and signing off that the work is complete.
3 In addition, we will have a $10 million,
4 five-year environmental policy, for which we will also be
5 named in case anything else appears. And all of that
6 work will be reviewed by our environmental agent, URS.
7 The owner for the project will be Lion Way
8 Housing Partners LP. It's co-general partners is
9 Related/Oakland Coliseum II Development, which is a
10 Related companies entity, and it's other co-partner is
11 Lion Creek II, which will be the managing general
12 partner. And it consists of East Bay Asian Local
13 Development Corporation, who is also the co-developer of
14 this project in partnership with the Oakland Housing
15 Authority, who is in part of this management entity in
16 order to project its 54 public housing units.
17 With that, I will turn it back to Linn.
18 MR. WARREN: Thank you, Edwin.
19 Loan to value is approximately 80 percent. We
20 have a final value that will be coming shortly. And loan
21 to cost is 11 percent.
22 So with that, we would like to recommend approval
23 and be happy to answer any questions.
24 CHAIRPERSON COURSON: Are there any questions on
25 the Coliseum project?

1 (No audible response.)

2 CHAIRPERSON COURSON: Is there a motion to

3 approve the project?

4 MR. FRIEDMAN: Move it.

5 CHAIRPERSON COURSON: Mr. Friedman.

6 MR. AUGUSTINE: I'll second.

7 CHAIRPERSON COURSON: Mr. Augustine, second.

8 Any other discussion from the board?

9 (No audible response.)

10 CHAIRPERSON COURSON: Any comments or discussion

11 from the public?

12 (No audible response.)

13 CHAIRPERSON COURSON: Seeing none, we'll call the

14 roll.

15 MS. OJIMA: Thank you.

16 Ms. Weir.

17 MS. WEIR: Yes.

18 MS. OJIMA: Mr. Carey.

19 MR. CAREY: Yes.

20 MS. OJIMA: Mr. Friedman.

21 MR. FRIEDMAN: Yes.

22 MS. OJIMA: Ms. Galante.

23 MS. GALANTE: Yes.

24 MS. OJIMA: Mr. Augustine.

25 MR. AUGUSTINE: Yes.

1 MS. OJIMA: Mr. Courson.

2 CHAIRPERSON COURSON: Yes.

3 MS. OJIMA: Resolution 05-25 has been approved.

4 CHAIRPERSON COURSON: Okay, thank you.

5 --o0o--

6 Item 4. Resolution 05-26 (New Dana Strand Townhomes)

7 CHAIRPERSON COURSON: Our second project this

8 morning is the New Dana Strand Townhomes in Los Angeles

9 County.

10 MR. WARREN: Okay. I'll start and have Tina

11 Ilvonen join us.

12 New Dana Strand is a 116-unit project in the New

13 Dana Strand public housing redevelopment area. Again,

14 this is replacement public housing, very similar to

15 Coliseum. As Tina will explain, it's not technically a

16 HOPE VI project. The HOPE VI monies have been spent for

17 demolition of the old public housing for relocation,

18 although all other aspects of replacement public housing

19 with the ACC public housing units remain the same.

20 The project before you, the request is for a

21 construction loan in the amount of $26,400. It's our

22 20-month variable-rate loan product. Also behind that

23 will be, again, an agency FAF loan, very similar to the

24 program that we have with the Coliseum project. This

25 particular FAF loan will be coming in during

1 construction, which will be 3 percent. After
2 construction, it will be residual receipts for 25 years
3 and then amortizing to full payment at the end of year
4 40. After the construction loan is retired, the Agency
5 is requesting a first mortgage in the amount of
6 $1,650,000, 5.5 interest rate, for 25 years.
7 Subordinate financing, again, quite substantial,
8 as with Coliseum. The Housing Authority of Los Angeles
9 is contributing $6.7 million. The City of Los Angeles is
10 contributing $2.9 million. And MHP HCD is also involved
11 in the amount of 7.9 million. And there's also MHP
12 Supportive Services as well.
13 So with that, I'll have Tina take you through the
14 project and give you some more particulars.
15 MS. ILVONEN: The project is located in
16 Wilmington, California, which is Southern California. It
17 is right next to the Port of Los Angeles. Long Beach is
18 to the east, Carson to the north. This is the 110
19 freeway right here next to the project.
20 The entire redevelopment site is 22.5 acres,
21 including this little section right here. Our site is
22 outlined in the white here. There were 384 public
23 housing units on this site that have been demolished.
24 They were demolished in 2003.
25 Our site is 8.29 acres. There's two residential

1 sites and one parcel that is for the Lifelong Learning
2 Center, which will be 10,000 square feet of community
3 center that will be used for the entire Wilmington
4 community. I'll get more into that later.
5 Our site also includes private streets King,
6 right here, and E Street.
7 The project team is Mercy Housing and Los Angeles
8 Community Design Center. They're the co-general
9 partners. And they are actually developing all four
10 phases of the New Dana Strand revitalization. And Design
11 Center Housing Services is the manager of the townhomes
12 project as well as the manager of the garden apartments
13 that will be located here.
14 There is a current Phase I on the property that's
15 dated May 2005. There are some surrounding uses that
16 were a concern. There's a state fish plant on C Street,
17 which is at the opposite end of the revitalization area,
18 and there's an oil refinery on the other side of the 110
19 freeway. The Phase I -- the Phase I says that there are
20 no concerns in connection with the property after they
21 did look at it, although the property is in a methane
22 zone area of Los Angeles. And they did testing in 2004
23 to see if there was any methane on our property, and
24 there is not. They still require methane mitigation,
25 which includes a vapor barrier, and that is included in

1 the hard costs of construction.

2 Okay. The revitalization will be four phases,

3 413 units. These are the townhomes right here. This is

4 100 units of senior housing, 120 units of garden-style

5 housing, and 77 units of single-family homes along the

6 streets.

7 The townhomes will have 12 residential buildings

8 and two community buildings, two community play areas.

9 The project will be gated by either auto gates or

10 pedestrian gates, also using the buildings as security as

11 well. Security also on the project will -- they'll have

12 security guards 20 hours a day, two guards.

13 And there's 240 parking spaces on the project.

14 And one other thing I wanted to mention is that

15 the Housing Authority will own fee title to the land.

16 The ground lease will be 67 years or longer. They're

17 considering a 85-year ground lease right now. The

18 prepaid lease amount is 238,000 with no annual payments.

19 This deal has HOPE VI funding just in the

20 demolition phase. 3.2 million was provided by HOPE -- by

21 HUD of HOPE VI funds, so those funds do not need to be

22 paid back. But because those funds were provided, there

23 will be a regulatory and operating agreement on the fee

24 interest, and HUD will restrict 46 units as public

25 housing units, and there will be an ACC contract on those

1 units for subsidy coming through HUD to the Housing
2 Authority to the project.
3 And the project rents are 24 to 61 percent of
4 market.
5 And there's 13 two bedrooms, 83 three bedrooms,
6 and 20 four bedrooms.
7 MR. WARREN: Okay. Thanks, Tina.
8 Investment value from a construction standpoint
9 is $28.7 million, which gives us a nine-two percent loan
10 to value in the construction, which exceeds our
11 guidelines by 2 percent. So at this juncture we'll be
12 requiring a letter of credit for the balance. On the
13 permanent loan, restricted value is $3.2 million with a
14 very worrisome loan to cost of 4 percent. We'll see how
15 that goes. And an LTV of 70 percent.
16 So again, this is -- as Tina indicated, this is a
17 continuation of a very large revitalization area. We are
18 comfortable with the environmental status reports, but as
19 the write-ups indicate, we will require further testing
20 and sign-off and remediation in certain areas prior to
21 commencement of construction.
22 So with that, we would like to recommend
23 approval, be happy to answer any questions.
24 CHAIRPERSON COURSON: Questions from members of
25 the board?

1 MS. GALANTE: Can I just --

2 CHAIRPERSON COURSON: Sure.

3 MS. GALANTE: Both on this project and the one

4 previously, I think they're both great projects, great

5 sponsors. The environmental questions, as we get into

6 all these Brownfield type sites, can you, just for my

7 edification, maybe talk about. You've got an independent

8 consultant for the Agency that looks at -- this doesn't

9 say you're going to require any kind of sign-off from

10 DTSC or regional water on either of these sites. So do

11 you rely on your consultant's determination of whether,

12 you know, they have gone through the right regulatory

13 process?

14 MR. WARREN: Sure. It really is. We do normally

15 require some level of sign-off. The materials may not

16 say it, but local water quality control areas, we do

17 normally get the sign-offs.

18 URS's job, which is our environmental consultant,

19 is to take all these reports, evaluate them, and see if

20 they're valid, is there further testing indicated, and in

21 some cases do we need additional sign-offs. So that is

22 URS's job. We found that we were doing it for a period

23 of time on our own. It got so complex on the Brownfields

24 that we retained URS on a master contract to do just

25 that.

1 But generally speaking, Ms. Galante, we do get
2 sign-off from the water quality control boards, and that
3 most likely will be a requirement here too.
4 MS. GALANTE: Thank you.
5 CHAIRPERSON COURSON: Other questions? Any --
6 I'm sorry, Mr. Friedman.
7 MR. FRIEDMAN: I have a couple questions the
8 first one is really critical, and that is what is a state
9 fish plant?
10 MR. WARREN: I defer to Ms. Ilvonen on that
11 question because I don't know.
12 MS. ILVONEN: I think it's a canning facility
13 and --
14 MR. FRIEDMAN: Owned by the State?
15 MS. ILVONEN: Owned by the State. And there's --
16 actually, there's going to be -- there's going to be a
17 landscaping berm between C Street and the state fish
18 plant as part of redevelopment of the harbor area, so --
19 MR. FRIEDMAN: I'm just curious. I'd never heard
20 of such a beast.
21 MS. ILVONEN: I hadn't either.
22 MR. FRIEDMAN: The other question I had had to do
23 with the learning center. I presume that's what the HCD
24 nonresidential space money is going towards?
25 MS. ILVONEN: Partially. I actually meant to

1 talk more about the Lifelong Learning Center. That's a
2 10,000-square-foot community center that is going to be
3 available for use for the whole Wilmington community.
4 Residents of New Dana Strand townhomes will have first
5 priority in the -- you know, if there's so many spaces
6 for a class, the residents of the townhomes will get
7 first priority for those classes. They'll have adult
8 classes there as well as youth activities, gang
9 prevention, activities for seniors. And the Lifelong
10 Learning Center, the anchor tenant is going to be the
11 Boys and Girls Center of Southern California.
12 And there will be a use agreement with the
13 Hawaiian school, which is next door to the property, so
14 that they can use the outdoor space exclusively during
15 school hours. Those kids don't have outdoor space at all
16 on the school grounds. So it's going to be very
17 beneficial for the community.
18 And the other thing is that there's no operating
19 costs in my cash flow for this learning center because
20 the tenants will be charged on a pro rata basis for their
21 expenses, so it's expected to balance out.
22 MR. FRIEDMAN: Well, that was my other question
23 about the tenants being charged. How is that going to
24 work? I mean, is that effectively a --
25 MR. WARREN: The tenants of the Lifelong

1 Community Center will be charged for their use --
2 MR. FRIEDMAN: Oh, okay.
3 MS. ILVONEN: -- of the space.
4 MR. CAREY: Because I thought it said the
5 residents.
6 MS. ILVONEN: Not the tenants of the project.
7 MR. FRIEDMAN: Okay, thank you. That was my
8 question. Thanks.
9 CHAIRPERSON COURSON: Ms. Galante.
10 MS. GALANTE: I did have one other question, I'm
11 sorry. I did notice that the contractor hasn't been
12 selected for this project, which seems a little bit odd
13 to me.
14 MS. ILVONEN: That's -- that's correct. The
15 contractor, they're planning on bidding in July and
16 August and selecting a contractor towards the end of the
17 process when they're getting ready to start construction.
18 That's the way Mercy --
19 MR. WARREN: That's correct. We've talked with
20 Mercy about this. And I think we've gone through a
21 couple of projects where that's been okay. We've asked
22 them to be very clear on their costs, make sure the costs
23 are high enough to cover this, but clearly I think we
24 would all prefer to see contractors selected and bidded
25 out by the time we come. From a timing standpoint in

1 this particular case, they asked us to take this forward,
2 given the CDLAC rounds with the contractor to be selected
3 and utilizing the costs they've given us. So we'll have
4 to see.
5 MS. ILVONEN: And the other thing, Carol, is that
6 we put a 10-percent contingency in these numbers, just in
7 case they end up being higher than the estimator
8 estimated. So there's room in the budget in case costs
9 are higher.
10 MS. GALANTE: Thank you.
11 CHAIRPERSON COURSON: Other questions? Comments
12 from the board?
13 (No audible response.)
14 CHAIRPERSON COURSON: Any questions or comments
15 from the public?
16 (No audible response.)
17 CHAIRPERSON COURSON: Is there a motion to
18 approve the project?
19 MS. GALANTE: I'll move.
20 CHAIRPERSON COURSON: Ms. Galante.
21 Is there a second?
22 MR. CAREY: Second.
23 CHAIRPERSON COURSON: Mr. Carey.
24 Okay. Let's call the roll.
25 MS. OJIMA: Thank you.

1 Ms. Weir.

2 MS. WEIR: Yes.

3 MS. OJIMA: Mr. Carey.

4 MR. CAREY: Yes.

5 MS. OJIMA: Mr. Friedman.

6 MR. FRIEDMAN: Yes.

7 MS. OJIMA: Ms. Galante.

8 MS. GALANTE: Yes.

9 MS. OJIMA: Mr. Augustine.

10 MR. AUGUSTINE: Yes.

11 MS. OJIMA: Mr. Courson.

12 CHAIRPERSON COURSON: Yes.

13 MS. OJIMA: Resolution 05-26 has been approved.

14 --o0o--

15 Item 4. Resolution 05-27 (Gish Apartments)

16 CHAIRPERSON COURSON: Okay. Our third project

17 this morning is the Gish Apartments in San Jose.

18 MS. WHITTALL-SCHERFEE: Good morning. This is a

19 request for approval of a special needs project that is

20 being developed by First Community Housing in San Jose.

21 It's a 35-unit project, and 13 of the units are going to

22 be designated for developmentally disabled adults who are

23 also at risk of homelessness. There will also be 3700

24 square feet of retail space and podium parking.

25 The request for financing includes a request for

1 a construction loan in the amount of $9,910,000, variable
2 rate, for 21 months, and a permanent loan in the amount
3 of $2,685,000 at 3 percent for 30 years. There are
4 several other sources of financing that will also be part
5 of this project. During construction, the City of San
6 Jose will be loaning $2,275,000. And the Sobrato
7 Foundation is also loaning a million dollars. Both of
8 these will be repaid at perm and -- at permanent loan
9 closing. MHP will be loaning $3,876,000.
10 And with that, Kathy is going to take you through
11 the project.
12 MS. WEREMIUK: Hi. The project is in downtown
13 San Jose. It's located on the corner of North First
14 Street and Gish. It is about a third of a mile from the
15 San Jose airport, similar distance from the Civic Center.
16 And the area is primarily a commercial area with some
17 residential in the -- in the area.
18 The site is 4.2 acres. It is adjacent to a
19 Wyndham hotel, to a Best Western restaurant, and to a
20 Moroccan or a Best Western hotel and a Moroccan
21 restaurant. The -- there will -- I'm not showing a site
22 plan because the site will be built out to the edges of
23 the site itself. This is a zero lot line construction.
24 Running along North First is the valley light
25 rail. And there is a stop right about here for the

1 residents of the project so they'll be able to access the
2 light rail very easily.
3 The site is currently vacant. This is looking
4 across North First Street at the site.
5 The site had been the home of a former gas
6 station. It -- we -- there was an environmental
7 clearance that was done on the site, and there is a
8 closure letter from the regional water quality board that
9 was issued in the year 2000.
10 Our borrower currently owns the site. The major
11 issues with it are geotechnical. It's in a floodplain,
12 and there's a very high water table in the area so
13 that -- and there are seismic issues with liquefaction
14 and acoustical issues that come from being adjacent to
15 North First Street and -- which is a heavily trafficked
16 street. All of the geotechnical issues have been
17 addressed in the design, and those are issues that we
18 will be monitoring during the course of construction.
19 The geotechnical issues itself and also the very
20 constrained nature of the site add to the cost of the
21 project. It's 403,000 per unit. Primarily those costs
22 come because the site needs to be shored. There needs to
23 be pumping out of water and a very thick mat foundation
24 needs to be put into the site. And also the -- the
25 waterproofing needs is fairly expensive because with the

1 low rents, the borrower does not want to have to operate
2 sump pumps during the life of the project.
3 Jerry King is the architect. Branaugh will be
4 the contractor. The site is going to have a full
5 subterranean garage. And on the ground floor -- and
6 there will be, I think, 46 parking spaces that will be
7 dedicated for residential in the subterranean garage.
8 There will be 23 parking spaces on first floor, 16 of
9 which will be dedicated to the commercial space and seven
10 which will be available for the residential.
11 The facility will be gated. The ground floor
12 will be leased, will be sold back to the original owner
13 at the close of the permanent loan for 200,000, and then
14 they have an agreement to lease it to a 7-11, which for
15 the residents will provide for a convenience food store
16 adjacent to the site.
17 There's a podium and then there are three stories
18 of residential above the -- above grade. In addition,
19 there will be a thousand square feet of community space.
20 There will be a manager's office, and there will be
21 program offices for the supportive services.
22 This is a front view of the site from North First
23 Street. There will be an entry here for cars to access
24 the 7-11. And if I go back -- why don't I just go back.
25 This, the residential entry will be off of Gish.

1 This is a model -- this is a model of the site
2 just showing some of the detailing and the trellising
3 that is planned for the site. It's fairly highly
4 designed, and the design -- the design was carefully
5 reviewed by the City of San Jose. They had numerous
6 requirements for what the project would look like in that
7 it was compatible with the hotels that are in the area.
8 The rents -- two thirds of the project or
9 70 percent of the units will be twos and threes. The
10 supportive housing units will be at 20 percent of median.
11 Those -- they will be studios, twos, and threes with the
12 anticipation that some of the developmentally disabled
13 residents will need caretakers to assist them to live
14 independently, and so some of the two- and three-bedroom
15 units have been reserved for them. The rest of the units
16 will be at 40, 45, and 50 percent of median. Those rents
17 run between 70 and 80 percent of market. And the
18 supportive housing units are at 30 percent of the market.
19 The supportive housing provider is Housing
20 Choices Coalition. It's a relatively new group, although
21 we've worked with them on the Life Services project in
22 Santa Clara County in the past. They're funded by the
23 San Andreas Regional Center, and they are currently
24 working on three projects where they're providing
25 services on-site for developmentally disabled residents.

1 The developmentally disabled, I think, the board
2 may know, has a guarantee of services through the
3 Landeman (phonetic) Act, and the regional centers provide
4 a complete service package for the residents. But on
5 a -- in a housing site, there is also a need for support
6 and engagement, because the residents have a choice.
7 They can work with any provider, but there needs to be
8 someone on-site to engage them, to make sure they're
9 getting the appropriate services that they -- providing
10 social activities for them and also just making sure that
11 they're functioning well in the housing development. And
12 we're very pleased with the development of this service
13 provider. We've seen it over a number of years.
14 The site for the project will be owned by Gish
15 Apartments LC. The managing general partner will be Gish
16 Apartments LLC, and First Community Housing will be the
17 sole owner of Gish Apartments LLC. We've worked with
18 them on two other projects, and they currently have 12
19 projects in the San Jose area and have built out I think
20 800 units of housing.
21 MS. WHITTALL-SCHERFEE: As Kathy said, this is a
22 compressed site. I do think, and maybe I'm mistaken, but
23 I think you mentioned 4.2 acres, and it's .42 acres.
24 MS. WEREMIUK: Oh, I'm sorry. Right.
25 MS. WHITTALL-SCHERFEE: I just wanted to stress

1 that that's how compressed this site really is.

2 With that, we'd like to open the floor to any

3 questions, and we would ask that you approve this

4 project. Thank you.

5 CHAIRPERSON COURSON: I have a question. On

6 page 150, the first sentence talks about the interest

7 rate on the permanent reducing from 540 to 3 percent and

8 a subsidy of about $900,000. Could you explain that to

9 me?

10 MS. WEREMIUK: Our support -- Linn, do you want

11 to get it or do you want me to?

12 MR. WARREN: Go ahead.

13 MS. WEREMIUK: Our supportive housing or special

14 needs program is a program where we offer a 3-percent

15 interest rate if the project is at least 35 percent

16 special needs. Since we're selling bonds for this

17 project, we still have an obligation to our bondholders

18 to pay an interest rate, and the difference between the

19 two, which is the 890,000 is net present value. That's

20 money that we actually pay and we provide to be able to

21 pay back our bondholders.

22 We use -- typically we use FAF funds, but we

23 might use housing trust fund funds if there are not

24 enough FAF funds that are available. We would have that

25 same subsidy, although if the project were a

1 hundred-percent subsidized, we'd go down to a 1-percent
2 interest rate or a hundred-percent special needs.
3 CHAIRPERSON COURSON: Thank you.
4 Other questions, comments from the board?
5 MS. ROBERTS: May I? I have two questions. One
6 is about noise, and one is about parking. You mentioned
7 the noise from the busy streets that's adjacent to this
8 parcel. What about the noise from the airport? Does the
9 noise --
10 MS. WEREMIUK: There have been --
11 MS. ROBERTS: -- from the street --
12 MS. WEREMIUK: -- acoustical studies, and the
13 noise that really needs to be addressed at this property
14 is not airport noise but street noise. And the
15 mitigations are the glazing on the windows on the front
16 on North First Street and also an exterior balcony, which
17 will provide a noise buffer.
18 MS. ROBERTS: And then on the parking, 35 units
19 total, 46 parking spaces, so those parking spaces are not
20 just for residents, but also for --
21 MS. WEREMIUK: No, there's a total --
22 MS. ROBERTS: -- the businesses?
23 MS. WEREMIUK: -- of 70 parking spaces, 16 of
24 which will be for the commercial. Our experience with a
25 project like this is that the developmentally disabled

1 residents will not be driving, although the care
2 providers may be. And there's more than one parking
3 space per unit.
4 MS. ROBERTS: I'm just curious when dealing with
5 the City on their parking standards, are they flexible
6 in --
7 MS. WEREMIUK: I think this meets --
8 MS. ROBERTS: -- allowing some deviations from
9 their standards.
10 MS. WEREMIUK: I think this meets the City's
11 parking requirements for the site. The developer's here
12 if there are more questions that they could answer on
13 the -- I don't think there was a parking reduction permit
14 requested.
15 MS. ROBERTS: Thank you.
16 CHAIRPERSON COURSON: Other -- Mr. Carey.
17 MR. CAREY: Two questions. First, the
18 geotechnical issues are daunting, complicated by the
19 subterranean parking. Is that -- are those conditions
20 typical of that entire area?
21 MS. WEREMIUK: Yes.
22 MR. CAREY: And so it's not just this site,
23 it's --
24 MS. WEREMIUK: No.
25 MR. CAREY: -- anywhere in that general area?

1 MS. WEREMIUK: No, it's that general area.

2 MR. CAREY: The second question is given that the

3 commercial site will be sold back to the seller, are

4 there going to be any kind of restrictions on use and

5 signage and such for the commercial site? It's -- it's a

6 little hard for me see a 7-11 entirely as an amenity and

7 certainly would have concerns about an integral part of

8 the building with perhaps 24-hour usage and what can be

9 sometimes typical banner signage and such.

10 MS. WEREMIUK: There will be a reciprocal

11 easement agreement to control the shared parking and

12 shared usage of the building. I don't think that we've

13 addressed the issue of the control of the use and haven't

14 seen the documents yet for the sale back of the property.

15 MR. CAREY: I think it would be worth looking at,

16 given the long-term potential of the variety of uses that

17 it could be put to.

18 MS. WEREMIUK: Our developer is here and can

19 respond to that.

20 MS. PARKER: Okay.

21 MR. MORGAN: Hi, good morning. I'm Geoff Morgan

22 with First Community Housing. And just to answer your

23 question, we have entered into an agreement with --

24 originally this site was owned by Southland Corporation,

25 which is now 7-11. So 7-11 is a condition of the sale.

1 It was essentially a sale leaseback. They developed the
2 site with us, with the understanding that they would --
3 we would condominiumize this space and have it --
4 basically through a third party lease it back to them.
5 Their site, when we went through the entitlement
6 process extensive neighborhood meetings with the
7 community. They were concerned with the sale of liquor,
8 so we restricted it to beer and wine sales and we
9 restricted the hours of sale. We restricted -- they
10 voluntarily restricted the kinds of magazines that are
11 sold within the site. We voluntarily restricted the
12 kinds of uses that they had within the site. And we've
13 also worked with the retailer to ensure that there's a
14 process by which they continue to have community input so
15 that they could kind of assuage any concerns that they
16 might have with respect to the use. So that was
17 addressed in a conditional use permit that was -- the
18 conditions were all set upon, the retail use, not the
19 affordable housing use.
20 MR. CAREY: Excellent. Thank you.
21 CHAIRPERSON COURSON: Other questions from the
22 board? Ms. Galante.
23 MS. GALANTE: First of all, I really compliment
24 the sponsors. I think this is a getting ten pounds into
25 a five-pound bag in a very elegant design, urban infill

1 over real retail, as opposed to vacant retail. So I
2 think, you know, it's got just a ton going for it.
3 My question was really -- and I'm glad the
4 sponsor is here -- the experience, both from the Housing
5 Finance Agency and the sponsor with integrating
6 developmentally disabled into a family rental development
7 particularly seems like if I did my math right, it's
8 about 30 percent, and this is a very small project. It's
9 not like 13 units scattered into 200. So operationally,
10 experience, I'd like to hear a little more about that.
11 And also San Jose rents, we all know, I read the
12 minutes from last time, I know you all know rents are
13 maybe stabilized. But, you know, even at 50-percent
14 rents, these aren't cheap rents. And with the added
15 factor of, you know, a potentially challenging population
16 mixed in, do you anticipate an effect on your marketing?
17 MS. WEREMIUK: The rents are about 80 percent of
18 market for the 50 percent AMI units, and we looked pretty
19 long and hard at that. We have done other projects that
20 are partially developmentally disabled, and that's a
21 preference for the disability group, to be integrated
22 into the general population. The 35-percent number is
23 really the minimum you can have to apply for MHP and also
24 meet the preference for the disability group to be
25 integrated.

1 The -- the service provider in this instance is
2 very important for us for that interface so that there --
3 and the fact that John Stewart has experience working
4 with this disability group and has managed properties
5 with them in the past was important to us. It has worked
6 in the past in other projects, and I think that's -- it's
7 a test, though, to see if you can have that
8 concentration. We've generally seen either very small
9 projects that are all developmentally disabled or
10 projects that are 35 percent.
11 CHAIRPERSON COURSON: Other questions or comments
12 from the board?
13 (No audible response.)
14 CHAIRPERSON COURSON: Any questions or comments
15 from the public?
16 (No audible response.)
17 CHAIRPERSON COURSON: Seeing none, is there a
18 motion to approve the project?
19 MR. FRIEDMAN: I'll move it.
20 CHAIRPERSON COURSON: Mr. Friedman moves. Is
21 there a second?
22 MR. CAREY: Second.
23 CHAIRPERSON COURSON: Mr. Carey seconds. Let's
24 call the roll.
25 MS. OJIMA: Thank you.

1 Ms. Weir.

2 MS. WEIR: Yes.

3 MS. OJIMA: Mr. Carey.

4 MR. CAREY: Yes.

5 MS. OJIMA: Mr. Friedman.

6 MR. FRIEDMAN: Yes.

7 MS. OJIMA: Ms. Galante.

8 MS. GALANTE: Yes.

9 MS. OJIMA: Mr. Augustine.

10 MR. AUGUSTINE: Yes.

11 MS. OJIMA: Mr. Courson.

12 CHAIRPERSON COURSON: Yes.

13 MS. OJIMA: Resolution 05-27 has been approved.

14 CHAIRPERSON COURSON: Thank you.

15 --o0o--

16 Item 4. Resolution 05-28 (Woodland Terrace)

17 CHAIRPERSON COURSON: We'll move to the Woodland

18 Terrace project, North Hills.

19 MS. WHITTALL-SCHERFEE: Carol Goodman is going to

20 join me.

21 Woodland Terrace is a 31-unit apartment complex

22 in North Hills, which is part of Los Angeles. The

23 project is a family project that will be serving families

24 where one adult has mental illness or is homeless or at

25 risk of homelessness. It will be owned by the Community

1 of Friends, A Community of Friends.

2 The request is for a construction loan in the

3 amount of $7,100,000, variable rate, 18 months, and then

4 permanent financing, a first mortgage in the amount of

5 685,000 at 1 percent for five years fixed, and a bridge

6 loan in the amount of $2,970,000 at 1 percent, three-year

7 fixed. This project is a hundred-percent affordable,

8 which is why you are seeing the 1-percent interest rate

9 as -- and you see the paragraph that talks about the

10 special need loan terms with the interest rate buy-down

11 that Kathy discussed earlier.

12 There are several other financing sources.

13 Coming in during construction is financing from Los

14 Angeles Housing Development, the housing trust fund, in

15 the amount $1,758,000, and the Los Angeles Homeless

16 Services Authority, their supportive housing program, a

17 grant in the amount of 400,000. At perm, HCD, Housing

18 and Community Development, will come in with MHP money

19 and NSSS money, totaling roughly $3,100,000.

20 You've also been provided with a corrected

21 resolution page. The bridge loan amount on the original

22 resolution that was included with the board was

23 incorrect, and that's the purpose of the replacement

24 page.

25 With that, I'm going to ask Carol to take you

1 through the project.

2 MS. GOODMAN: All right. Thank you.

3 This, as Laura mentioned, is a 31-unit special

4 needs project. It's 100-percent clients and families

5 where one adult has a mental illness, serious mental

6 illness. It's on Nordhoff Street -- where did I -- where

7 did my arrow go? Okay. It's on Nordhoff Street, which

8 is right between the 405 freeway, and then Sepulveda

9 Boulevard is over here. It's 17 miles northwest of

10 downtown Los Angeles.

11 The site is .6 acres, and it's an infill site.

12 It's an infill site here in the middle of a block, and

13 405 is right up here. As you can see, it's surrounded by

14 other apartments and condominiums all in this area, and

15 they're all about three stories. They all pretty much --

16 this will make -- this project will make this site fit in

17 with the rest of the community in this -- on this street.

18 It's currently vacant and it was the last single-family

19 home in the neighborhood. And the home has already been

20 demolished by the owners.

21 These are just views of the site showing that on

22 this side is the condominiums. And the site goes back to

23 the very back wall here. And this is an apartment

24 building with parking right along the edge of this wall.

25 And the site goes back behind these trees.

1 The project will be gated. Cars will enter from
2 the street and will drive down a ramp to the subterranean
3 parking. And this is the street. The site is right
4 here. 405 is here.
5 This is a view of the building, and the manager's
6 unit will be on the first floor of the building at the
7 front of the building near the street. The offices and
8 the common spaces will be located in the building across
9 from the manager's unit, and the tenants' units will be
10 at the back of the building on the first floor and on the
11 second and third floors of the site.
12 This is the site plan, and you can see the entry
13 is here and the manager's office is up here. And then
14 this is the back of the site, and the tenant units will
15 be here on the first floor.
16 There are two courtyards. There will be 31
17 units, and only one will be a one story. The others will
18 all be two and three stories because it's a family
19 project. There will be two courtyards, one sort of quiet
20 back here, and the other that will have all of the common
21 spaces, including two case managers' office, a property
22 manager's office, a community room, a computer room, a
23 laundry room. And the community room will also be used
24 for group-oriented service provision.
25 I wanted to talk a little bit about the target

1 population. As I mentioned, this is for adults with
2 chronic mental illness who are in families, and it's a
3 particular need that was identified by the local
4 community. Often these projects for seriously mentally
5 ill clients are only for single individuals. I mean the
6 units are studios, maybe one bedrooms. And they
7 identified a serious need for families.
8 The clients in these families are often at risk
9 of losing custody of their children, and this project
10 will provide a stable and safe environment for them and
11 enable them to keep their children with them. Also, if a
12 parent's already lost custody, the sponsor is assuming
13 and working toward enabling the parent to regain custody
14 by having this housing.
15 The tenants will be referred by the local mental
16 health service providers and particularly the primary
17 service provider, which is going to be San Fernando
18 Valley Community Mental Health Center, Inc., also called
19 Centers, Inc. During the lease-up period, A Community of
20 Friends is going to conduct outreach services with a
21 variety of local mental health providers.
22 There are no comparable projects in the area and
23 none are proposed, so this is going to meet a very
24 important need. They will have extensive comprehensive
25 services, and a case manager will be on-site from 10:00

1 to 6:00 every weekday. They'll have daily contact with
2 the residents. There will be other part-time staff,
3 which will result in about 2.2 staff FTE available to
4 help the tenants.
5 Services in these kind of projects are always
6 voluntary, but they're going to use intensive tenant
7 engagement strategies that they expect to be effective
8 and result in almost all of the clients accepting
9 services. The various services they're going to offer
10 will include working with the residents to evaluate
11 needs and develop an individualized service plans -- plan
12 with goal and timetables for each tenant.
13 The case manager will schedule individual and
14 group sessions, do referrals to other appropriate
15 services such as interpersonal relations, anger
16 management, and symptom management. Referrals will also
17 be made to family-oriented services like parental
18 training, family support, and childcare. They will do --
19 and this is very typical of these kinds of projects --
20 independent living training, offering such activities as
21 shopping, cooking, housekeeping, domestic violence
22 training, and money management. Other services would be
23 vocational, socialization, legal services, and physical
24 healthcare.
25 Just a brief note on the primary service

1 provider, and then I'll get to rents. The primary
2 service provider is a nonprofit that has been working in
3 the San Fernando Valley for 30 years and has had over 25
4 years under contract with L.A. County. And this is
5 important because L.A. County will be paying the cost of
6 the services through their normal contract. These
7 clients will be on Medi-Cal, and Medi-Cal will pay the
8 fees.
9 The developer is A Community of Friends. They
10 have been in business since 1988 providing affordable
11 housing for people with chronic mental illness, and they
12 have already developed nearly 14,000 units either in
13 development or already done. Their residential services
14 director will oversee the supportive housing program.
15 And as you can see, the rents will range from 34
16 to 42 percent of market. And they will receive a
17 five-year Shelter Plus Care rent subsidy for the 30
18 restricted units.
19 The environmental, there's very little. The
20 house was already demolished, and we will require the
21 sponsor to provide clearances on the asbestos and lead
22 paint abatement that was part of the house demolition.
23 And this will be in accordance with the Phase I report.
24 MS. WHITTALL-SCHERFEE: And as part of the
25 construction loan, it does exceed 90-percent loan to

1 value. It's by 1 percent. So the borrower is providing
2 us with a letter of credit in the amount of $71,000,
3 which is the difference, the amount in excess of 90
4 percent.
5 With that, we'd be happy to entertain any
6 questions, and we're requesting approval of Woodland
7 Terrace.
8 CHAIRPERSON COURSON: Are there any questions or
9 discussions of the Woodland Terrace project?
10 Mr. Friedman.
11 MR. FRIEDMAN: Well, this is more of an
12 observation because I'm satisfied with both of these
13 projects because they have HCD financing as well, but
14 you've got two new construction projects on vacant sites
15 which are a hundred-percent affordable and it kind of
16 begs the Article XXXIV question. Again, I know it will
17 be addressed through our financing, but it would be
18 helpful, I think, in the staff reports to at least make
19 some comment about whether it's subject to Article XXXIV
20 and how it's being dealt with. Again, it's more an
21 observation.
22 CHAIRPERSON COURSON: Carol.
23 MS. GOODMAN: We do have Article XXXIV letter
24 from Los Angeles County stating that there's adequate
25 availability.

1 MR. FRIEDMAN: Okay. But I'm just saying as a
2 committee member, I can't tell that from the staff
3 report.
4 CHAIRPERSON COURSON: I guess the suggestion is
5 in the future, that being the case, that a comment to
6 that effect would be helpful.
7 MS. GOODMAN: Okay.
8 CHAIRPERSON COURSON: Other questions or comments
9 from the board?
10 (No audible response.)
11 CHAIRPERSON COURSON: Questions or comments from
12 the public?
13 (No audible response.)
14 CHAIRPERSON COURSON: Okay. We'll hold a motion
15 in abeyance until Mr. Augustine returns in about another
16 45 minutes.
17 --o0o--
18 Item 5. Discussion, recommendation and possible action
19 relative to a final loan commitment modification for the
20 following projects:
21 Resolution 05-29 (Fairgrounds Family (Housing-HACSC)
22 CHAIRPERSON COURSON: But let's do go ahead now
23 and move to the next project which is a modification of a
24 final commitment on a project in San Jose.
25 MR. WARREN: Okay, Mr. Chairman. The

1 modification in front of you today was approved last
2 September under the name of Fairgrounds. It's been
3 renamed to Corde Terra, which is the reason for the
4 request for the modification -- no, there's more to it
5 than that.
6 As the board will recall and the materials
7 indicate, the development was really a joint venture
8 between the ROEM Corporation, which is an established
9 builder and developer in the San Jose area, and the
10 Housing Authority of Santa Clara, which is also an
11 established builder. Over a period of time, between the
12 two entities, I think they both came to an agreement that
13 it would be better if there was one builder and one
14 managing general partner. So recently what has
15 transpired is that the ROEM Corporation will be the
16 builder for the entire 300-unit development and the
17 Housing Authority of Santa Clara will be the managing
18 general partner.
19 Ruth will take you through the numbers, but we
20 think this is actually a much stronger credit than it was
21 before. There is a single builder/developer, a single
22 contractor. There are actually some enhancements to the
23 design that Ruth will describe. And financially, it's a
24 stronger credit. There has been a good increase in
25 equity, partially a function of the fact the equity

1 markets have increased substantially over the last three
2 several months, but also in the fact there are some
3 economies of scale with having the single developer.
4 So what the modification request today is, there
5 was one half of this development that was approved
6 assuming the Housing Authority as the developer. That is
7 the prior approval that we ask be modified. The ROEM
8 piece will stay in place. So basically we're revising it
9 into a large, combining the two.
10 So with that, I'll let Ruth take you through the
11 project.
12 MS. VAKILI: Good morning. This is a view of the
13 site. Some of you may recognize it from last year in
14 September. The project is located near the Santa Clara
15 County Fairground site. It will be -- the modification
16 to this project will include instead of one ground lease
17 from Santa Clara County to two developers, it will now be
18 one ground lease to one developer. ROEM Development will
19 also -- having one developer will simplify the
20 transaction by having one borrower, one builder, which is
21 ROEM Builders, Inc., one ground lease and one property,
22 which is no longer condominiumized. The simplification
23 will assist us in closing the transaction in a timely
24 manner. We're hoping to close the transaction and start
25 in August.

1 The changes in the numbers. There are no
2 increases, fortunately. The first mortgage has actually
3 gone down a little bit, by 290,000. The deferred
4 developer fee previously recognized has been eliminated.
5 The increase in the LP capital of over $5 million is a
6 21-percent increase. And LP capital coming in during
7 construction has increased by over $2 million, a
8 28-percent increase. The transaction is less risky for
9 CalHFA.
10 We are asking for -- we are seeking risk share on
11 the permanent loans. The increase in equity during
12 construction combined with the city money coming in
13 first, ahead of CalHFA's first disbursement, is market
14 improvement. And eliminating the deferred developer fee
15 has given us more ability and possibly more wiggle room
16 in case costs do increase. The costs that we are
17 reflecting here for construction are bid out. The plans
18 are substantially complete. This is also a very good
19 improvement. The numbers appear to be very solid.
20 What we are asking for on this transaction is a
21 payment bond for subs that are -- have subcontracts of
22 over 200,000. This will be nearly all subcontractors.
23 In addition, we will ask for performance to be secured by
24 a letter of credit in the amount of 5 percent of the
25 construction costs and also a personal guarantee by

1 Robert Emami, who is president of ROEM Development, Inc.
2 Here's some more pictures. Here you can see,
3 this is a view from the road looking out to the site.
4 And this, on the building that is recently completed is
5 the medical center. It's a very attractive building and
6 will be a real cornerstone for the project. And here is
7 a better picture of it.
8 The piece of property that's in front of our
9 project is scheduled to be a senior housing project,
10 which may start development in mid to late next year and
11 will be developed by the Housing Authority.
12 Are there any questions?
13 CHAIRPERSON COURSON: Questions from the board?
14 Comments?
15 (No audible response.)
16 CHAIRPERSON COURSON: Anything from the public?
17 (No audible response.)
18 CHAIRPERSON COURSON: All right. Then we'll hold
19 this also in abeyance until Mr. Augustine returns.
20 And with the final reconsideration of a project
21 off our agenda, that concludes all of our projects for
22 the day, so I think we're at a breaking point. Let's
23 take a ten-minute break and come back at about 10:45, and
24 we will proceed then with our resource allocation
25 presentation discussion. We'll stand in recess.

1 (Recess taken.)

2 CHAIRPERSON COURSON: Okay. Thank you. We will

3 reconvene.

4 --o0o--

5 Item 6. Report on the Resource Allocation Study

6 CHAIRPERSON COURSON: And the next item on our

7 agenda is a report on the Resource Allocation Study. For

8 those on the board who were there, you'll recall, and for

9 those who are new or may not have been there, at our

10 board education, about 90 days ago, I think we first

11 started talking about the Agency's resources and cash and

12 as we moved into looking at our long-range plan, what the

13 planning would mean in terms of the available resources,

14 financial resources available. And we undertook -- have

15 undertaken a study, an extensive study, which we'll hear

16 today about what the resources are and will be available

17 to the Agency as we move forward with our long-range plan

18 and some of the ramifications in that with rating

19 agencies, et cetera.

20 So it's been a massive undertaking that has taken

21 a great deal of effort, and we are here to look at sort

22 of the presentation of Phase II, have a discussion, and

23 then talk about where we take this in the future.

24 So Bruce Gilbertson has headed this up for us,

25 and, Bruce, I'll turn the program over to you.

1 MR. GILBERTSON: Thank you, Mr. Chairman. Good
2 morning, Members of the Board.
3 Just a quick apology. We had a little computer
4 glitch last night. We had a more final form of this, but
5 we ran into -- the file size was so large. So we're kind
6 of using a very final draft. It's the same draft that we
7 posted on the website, for any of those of you that
8 looked at it late yesterday afternoon.
9 But as John was saying, several months ago we
10 retained CSG Advisors to assist us with a resource
11 allocation study. And the first time we brought material
12 to you was at the April board seminar. Gene Slater, I
13 guess owner and president of CSG Advisors, made a
14 presentation about our available financial resources that
15 helped us in building our business plan that the board
16 adopted in May of this year.
17 This morning what Gene and I would like to do is
18 to present the results of the Phase II analysis, which
19 really incorporated the business plan objectives from
20 both the loan side and the debt issuing standpoint, so
21 we're looking prospectively out over the horizon to see
22 what might happen during the course of this business plan
23 to the available resources of the Agency. As Gene will
24 explain in much more detail, we've met all of the rating
25 agencies' stress tests on a current basis and also have

1 met the most severe tests five years prospectively.

2 Although we were very pleased with the results of

3 the analysis and the resiliency of our two primary bond

4 indentures, we have uncovered some issues that we need to

5 keep our eyes on, and that's really, I think, the

6 findings that will come out of this phase II analysis,

7 and it sets the stage for further discussion and analysis

8 on the part of the Agency.

9 With that, I'll turn it over to Gene.

10 MR. SLATER: Thank you.

11 Our aim was to go through this as a sort of

12 overview of where the Agency is today and basically the

13 sustainability of programs going forward and what are all

14 the consequences within the Agency, and I'll walk through

15 each of them.

16 The purpose was to do a comprehensive evaluation,

17 and I say this because the Agency has many pieces and

18 many components. We looked at everything other than the

19 insurance fund, which has a separate -- which has a

20 pledge from the general fund, but that had been modeled

21 separately for the rating agencies, but we looked at

22 everything else, all the HAT loans, the operating

23 accounts, the general fund, the indentures, and how they

24 interplay with each other and how they affect each other.

25 And so it was this comprehensive notion, because

1 you have a very complex system, more complex than other
2 agencies, not only by virtue of size and the range of
3 things you do, but also by, you know, you have 78
4 interest rate swaps. So when you say, well, we're going
5 to make more HAT loans, how do these affect each other?
6 And so it's really trying to create a model in which
7 you'll be able to see how those things affect each other.
8 And that's -- that's really what I think most of the work
9 took to get to this place.
10 Within that, we then wanted to provide this
11 year's detailed rating cash flow analysis to the rating
12 agencies who we'll meet with in August to show that we
13 meet all the cash flows today. We then went, as Bruce
14 said, to look at what is the impact of the business plan
15 at several levels. What's the impact on your balance
16 sheet? What's the impact on your financial resources, on
17 liquidity, on fund balances, on net worth? What's your
18 ability to meet future rating agency requirements at the
19 end of that business plan? Not just we met them now, but
20 where we'll be five years from now if we keep going.
21 Obviously programs will change, financial situation
22 changes will change, but we're sort of taking an approach
23 of this is what you've been doing in recent years on the
24 finance side. These are production levels. Let's see
25 where that comes out within your system and that then

1 leads to the question of the sustainability of the
2 programs as you go forward.
3 And so the key notion here was providing a
4 systematic framework for evaluating and making choices so
5 that each of the decisions you make -- we're going to
6 make IO loans, we're going to do more of this, we'll do
7 less of this, we'll set rates this way, we'll set volumes
8 this way -- each of those kinds of decisions can be
9 looked at in terms of, in effect, an overall budget of
10 the Agency, not just a financial budget, but as you'll
11 see, a risk budget. Because in terms of the Agency's
12 capabilities, its financial flexibility and the amount of
13 risks it takes are just as important as the amount of
14 cash that it has on hand.
15 So then --
16 CHAIRPERSON COURSON: And I guess, can we --
17 should we just ask questions --
18 MR. SLATER: Absolutely, please. Please.
19 CHAIRPERSON COURSON: And so at the end of this,
20 we're left with what I would call a dynamic model, that
21 as we look at different products or innovative programs
22 or so on, we can run the different scenarios as what we
23 might assume would be either, A, the cash ramifications
24 or the risk ramifications of those through them, through
25 this model that we've now developed.

1 MR. SLATER: Right. It allows us to evaluate
2 choices at a fairly detailed level between particular
3 options, on individual transactions and on overall
4 approaches.
5 MR. GILBERTSON: Yeah, the only thing I would add
6 to that is, of course, it's at a point in time. You
7 know, our balances were February 1st balances, and over
8 time things change. The prepayment expectations from
9 February 1 to current may be different than the
10 underlying assumptions, so the cash flow models will come
11 stale as time progresses.
12 MR. SLATER: In terms of approach -- and ask the
13 questions along the way, because we'll be dull otherwise.
14 We looked at both -- in terms of approach, we both looked
15 at the rating agencies' stress cases, the extreme cases
16 they make you solve for, and we looked past those. And
17 we looked at what were more likely management scenarios
18 and fairly sophisticated management scenarios that Tim
19 helped design about, yes, rates may go up, but within
20 sort of reasonable expectations of what might happen, the
21 rates might go down. So we're not only looking at the
22 extremes, we're looking at the kinds of range within
23 which you might make actual choices. As opposed to
24 simply satisfying the rating agency, what do we want to
25 do to optimize the Agency within a range of

1 reasonability.

2 I think I've described the notion of the model,

3 and the model looks, in effect, at what happens to each

4 account in each part of the general fund as you do

5 different things. I'll just pass one page around so

6 people have a sense of -- there are many versions of this

7 and many cases beyond it, but it gives you a flavor of --

8 we have 12-page reports for each of the different kinds

9 of cases and so forth, that show what happens in each

10 account of the general fund, in each indenture, so you

11 can see systematically the waterfall of money and where

12 things wind up at the end of each year.

13 In terms of, I think, probably the critical issue

14 is how programs -- in terms of approach is how programs

15 and finances affect each other, not viewing them

16 independently but viewing them on an integrated basis.

17 How do they interplay? How do the finances affect your

18 ability to do programs? How do the programs affect your

19 ability to do other programs?

20 And the purpose of this is providing a clear

21 overview, but it's anticipating problems or issues or

22 concerns well in advance so you have plenty of time to

23 steer the ship in a different direction if you want. And

24 our aim is, as I said, maximizing future financial

25 flexibility for the board. And it's to create an

1 approach where as you do each individual transaction,
2 Bruce and I have talked about after the rating agency's
3 meeting with the underwriters about, what are the
4 consequences for the next single-family bond issues,
5 about the kinds of exposures and stresses that we're
6 finding on the Agency as a whole. So you look at each
7 individual decision within a broader system. And I think
8 that's really the power of this.
9 In terms of the rating agency analysis today, and
10 these are the cash flow analysis, computer cash flow
11 analysis that we do, you've had this done in prior years.
12 This was somewhat more detailed in that we modeled not
13 just the recycling of loans you've already done, but, you
14 know, with prepayments coming in, which exact bonds will
15 you call in the future and how would that play out
16 through the system. That's had a big impact on the
17 Agency over the last couple of years, you've got all the
18 prepayments. So being able to model that in the future,
19 created a much more dynamic and, I think, more accurate
20 picture.
21 The good news is that within all the expected
22 cases, and we'll just give you an example of one of these
23 here, at a hundred-percent prepayments on single family
24 and no prepayments on multifamily, the indentures meet
25 the tests today and they meet the tests going forward in

1 the future with no problems.

2 We then looked at the extreme stress scenarios,

3 which are really the tests and the things that the system

4 has to be designed to sustain, even if they seem crazy --

5 sometimes not so crazy. So here were the three most

6 stressful cases out of 21, as I recall that we ran for

7 both Moody's and Standard and Poors. Each had had

8 different particular assumptions, and we had to test

9 against the worst of all of these possibilities.

10 Within the home mortgage revenue bond indenture,

11 under which all the single-family loans get made, there

12 were two cases at either extreme that create, you know,

13 the greatest stress on the system. One is if rates go up

14 very high, 10, 11 percent, and you have very low

15 prepayments as a result. And the other is just the

16 opposite, if rates drop and drop even below, you know,

17 where they are now, and you have a thousand percent

18 prepayments, that's ten times, quote, what's expected.

19 What's expected has changed in life over the last year,

20 so what's expected by the market today is about

21 200 percent.

22 You actually experienced on some of these loan a

23 thousand-percent prepayments a year ago, so this is not

24 impossible. It seems impossible to imagine this

25 continuing ongoing, but, you know, one can -- it's hard

1 to argue with the rating agencies they shouldn't use this
2 test anymore, given that we've actually experienced this.
3 And when you look at these two extremes, they
4 create -- they make the indentures very thin. We still
5 passed the tests, but they're very thin. And that's
6 partly because all the swaps and everything else helps --
7 are based on things happening more in the middle. And so
8 when you get to the extremes, you have to see this.
9 And so for example, the most difficult case is
10 declining rates, very high prepayments, and you wind up
11 with basically no margin in the system. And the reason
12 that is, is you get prepayments, as you did a year or two
13 ago, much faster than the schedules of the interest rate
14 swaps you have. And you've actually moved to much more
15 sophisticated interest rate swaps that deal with this
16 problem much better than the ones from three or four
17 years ago, but they're still there.
18 And then when you get these prepayments in, you
19 have to recycle them and make new loans. And the rate at
20 which you make new loans may be 4 and a half percent and
21 the rate on those old swaps was 6 and a half percent. So
22 you've encountered -- I mean, most of this problem is
23 behind us in terms of what the Agency has done, and we've
24 already taken that into account. But if that were to
25 continue on into the future, that becomes the most

1 stressful case. And we've shown that we can satisfy the
2 rating agencies within these, but it has consequences for
3 the Agency overall.
4 John.
5 CHAIRPERSON COURSON: A question on the stress
6 test. Fannie Mae, Freddie Mac, the GSEs, have a -- are
7 managed to a risk based capital stress test, if you will,
8 scenarios. Do you know if the similarity between -- is
9 there some similarity between the stress -- stress
10 testing utilized by the rating agencies and that that's
11 used on the GSEs? Or is there any relationship?
12 MR. SLATER: I'm not sure I know the details. I
13 think they apply similar kinds of tests, but the models
14 are so much more complicated in terms of -- and the
15 levels of exposure are so much more complicated, I'm not
16 sure I can -- given their inability to even predict what
17 the SEC would say about them, I don't think I could say
18 anything about how they do it.
19 CHAIRPERSON COURSON: Thank you.
20 MR. SLATER: Does anybody else? Tim, do you have
21 any sense of that?
22 MR. HSU: I think a large difference between what
23 we're subjected to, to what they're subjected to is that
24 they're able to --
25 MS. PARKER: Tim, sit down and identify yourself

1 for the record.

2 MR. HSU: Oh. They're able to hedge their

3 portfolio on a portfoliowide basis. So when they lay on

4 a hedge or a swap, that swap could be assigned to any

5 class of assets that's acquired over time. But for us,

6 since we're subjected to the tax regulations of taxes and

7 issuance bonds, our hedges are specifically assigned to

8 specific tax plans.

9 So we, in many sense, are subjecting our assets

10 and liabilities to a -- in my opinion to a set of tests

11 that are more stringent than what a GSE, you know, the

12 Fannie Maes and Ginnie Maes are subjected to. And that

13 layer of complication, I think, is very hard to quantify

14 and compare to what they are subjected to. That's my

15 humble opinion.

16 CHAIRPERSON COURSON: And the only reason I ask

17 is obviously they -- that risk based capital and minimum

18 capital level and so on is the issue of the day in

19 Washington. And as we go through our annual visit with

20 the rating agencies and so on, I'm just interested in, I

21 think, that will clearly be even more in the spotlight

22 perhaps as we get into August and through July and just

23 trying to sort through that.

24 MR. SLATER: I think you have very defined

25 interest rate swaps and very clear policies on them and

1 very easy to model exactly what happens under each, and
2 that's -- the way these cash flows were done is we
3 modeled each of the 78 interest rate swaps under all of
4 the IRS rules and everything in order precisely to be
5 able to answer those questions.
6 Carol.
7 CHAIRPERSON COURSON: Ms. Galante.
8 MS. GALANTE: Just a little more context for me,
9 and I apologize if this is going back to what you did in
10 April or whatever. You can tell me that and I'll move
11 on. But these stress tests and how, you know, you're
12 saying it's tight under these, you know, obviously
13 extreme scenarios, can you just give me a little bit of
14 context? The modeling that you're doing, do other
15 housing finance agencies do this sophisticated a level of
16 modeling and do you have a sense of where we are falling
17 in the universe of taking risk on these issues?
18 MR. SLATER: Yeah. I think within an indenture,
19 other agencies do this typically, you know, once a year
20 for the rating agencies. The agencywide and how all
21 these things affect each other is much rarer. We've done
22 this for Virginia, for Colorado, for five or six other
23 states, but this level is much more unusual to do it, as
24 I said, modeling what the future recycling is. So in
25 many states, the models, because they're simpler, they

1 don't -- they just sort of make assumptions about future
2 recycling and they show -- when we actually looked at
3 this with other states, they showed a big difference
4 between what they were showing the rating agencies and
5 what turned out to be sort of worst cases. Here I don't
6 think that's the case.
7 MS. GALANTE: Thank you.
8 MS. PARKER: Carol, just to answer your question,
9 too. I know that HFAs across the country vary to some
10 extent in what they do. Some of them obviously are the
11 whole ball of wax that do tax credit allocations and bond
12 cap along with the CDBG and, you know, they're
13 everything. Some of them are more narrowly defined like
14 we are.
15 I think my sense is that many of our colleagues
16 have not gone to this degree. We have -- part of the
17 reason why we have done this is to essentially have some
18 sense for the board about where our resources are
19 deployed. But we have tried, certainly, I think, in the
20 last several years to make sure that we are as close to
21 that fine line as we can between -- from a fiduciary
22 standpoint between utilization of our resources for
23 public benefit, but also being fiduciarily sound so that
24 we're not sitting -- as I would say to some of my
25 colleagues in some states that may have substantially

1 even higher ratings than we do, not taking as much risk,
2 and we have tried to essentially think that our public
3 responsibility is perhaps to move farther along that line
4 but then find out exactly where we are so that we don't
5 overstep our fiduciary boundaries.
6 MS. GALANTE: Great. Thank you.
7 MR. SLATER: I think, on the next page, what are
8 the implications of the rating agency analyses as we move
9 into the next part of this. One is the indentures meet
10 all the risks that the rating agencies look at in the
11 cash flows, but there's little excess in them to solve
12 other problems of the Agency. The way the rating
13 agencies analyze California -- and we'll go through this
14 in detail later -- different than any other state is this
15 analysis of the indentures is done before considering any
16 real estate risk. That's done on an agencywide basis.
17 And your swap counterparty risk, which we haven't
18 addressed as a separate set of policies. So we're going
19 to come back to the real estate risk or exposure issue
20 and how the rating agencies see that as we go on.
21 So the consequences are there's modest future
22 financial flexibility within each indenture. That should
23 be taken into account in designing each new issue, you
24 know, how do we do it so it doesn't put more stress on
25 the most stressful case, but, you know, relieve some of

1 that. And we've had, you know, a couple of, I think,
2 particular approaches that we're going to suggest on how
3 to do that.
4 And you can't rely on fund balances in the
5 indenture to meet your general fund needs, because
6 they're really needed to stay there in order to, you
7 know, protect against and allow you to keep doing more
8 bond issues within those indentures. So I think those
9 are the main conclusions from the rating agency runs in
10 terms of your business thinking. Questions?
11 We then look at the next step of this, and this
12 was in the example that I passed around. And we said
13 let's take into account now future production, future
14 production of loans, future production of bonds. We took
15 on the five-year business plan and all its details and
16 each kinds of loans and, you know, interest rate, you
17 know, the 7-percent simple interest rate on the HAT loans
18 going to and these amounts modeling in the interest-only
19 loans and all the new things that you're doing, as well
20 as continuation. And we also made assumptions about bond
21 structure, that you'd have to continue structuring bonds
22 in the same way that you were doing it now. Obviously if
23 there are easier ways to do it and we have a better rate
24 environment, that will only make it better, but we wanted
25 to test it against a tougher case. We also looked, at

1 Bruce's suggestion, that if you were to choose to
2 continue down payment systems in the three out years,
3 '08, '09, '010 (sic) call that a modified business plan,
4 so we wanted to look at it both ways to see what impacts
5 that would have.
6 MR. GILBERTSON: But just as a reminder, the
7 board did not include down payment assistance funding in
8 the last three years of the business plan.
9 MR. SLATER: And what we were doing is looking at
10 what are the impact on the fund balances, which is really
11 the net worth, if you will, on each of the components of
12 the general fund, housing assistance trust, emergency
13 reserve, which remains the same, the bond security
14 account, operating account. What's the liquidity, which
15 is really the emergency reserve and the operating
16 account? What are the assets? What are the liabilities?
17 What do they look like together when you actually layer
18 on all these various efforts on both bonds and loans?
19 We did this under three sort of management runs
20 that we've worked out with Tim and Bruce from their
21 perspective that they felt gave them a range of
22 reasonably expected scenarios in which to make real
23 operating decisions. And they differ by assumptions
24 about future interest rates and prepayment speeds, just
25 like the rating agency ones do, but they're not as

1 extreme. And the major impact is on single family. In
2 the three cases where one was declining rates and so
3 mortgage rates -- the mortgage rates you're offering you
4 can see here would be here, oh, that's probably, what, a
5 hundred or so basis points below where you are today?
6 MR. GILBERTSON: Yeah, it's actually 50 --
7 MR. SLATER: 50?
8 MR. GILBERTSON: -- 50 below.
9 MR. SLATER: Okay. And we then looked at a base
10 case, which is where you basically are today. And then
11 we looked at what if interest rates go up by, in this
12 case, 2 and a half percent. So I'm not going up to 10
13 percent, but going up to as high a level as we've seen in
14 the last five or seven years.
15 And because the interest rates are at different
16 levels, we made different assumptions about prepayments.
17 So the lower the rates, the more prepayments you get in,
18 the more money you need to then make into new loans. And
19 we did these, varying them by the actual interest rates
20 on each loan in your entire system. So you have some
21 4-percent loans. In one indenture we used, you know, a
22 200-percent rate on those. You have some 5-percent loans
23 in another indenture. Wherever they were, this model
24 contains all, what is it, 30,000 loans?
25 MR. GILBERTSON: Yeah, just under 30,000.

1 MR. SLATER: 30,000 loans. And so we sort them
2 and say, all right, let's assume different prepayment
3 speeds on different loans. So that's sort of what these
4 management runs do.
5 And we then looked under in these three cases.
6 And then we looked at two other layers, which really
7 creates six possibilities. What if we're at maximum
8 spread, the maximum spread we're permitted by the IRS,
9 which is a 1 and an eighth spread between bonds and loans
10 for single family or 1 and a half for multifamily? And
11 what if you're constrained, as we've been in recent
12 years, by rate compression in the market? You can't
13 quite get all that way. And so we set that level, for
14 example, at 90 basis points on single family, again based
15 on recent experience.
16 So we set -- and so this limited spread or
17 reduced spread is sort of the case that is mainly shown
18 in the charts we're going to go through because it's the
19 tougher case. Obviously it will be a little bit better
20 if we can get more spread, and we've shown those results
21 too. But we wanted to do this under each of these
22 analyses and under not making any assumptions that things
23 will suddenly get better. Questions?
24 And this is what happens, generally speaking,
25 which is you can see the base case all these, you know,

1 is in the middle. And if you have rising rates and low
2 prepayments, you'll have a lot more loans outstanding,
3 and so your balance sheet will be bigger. If you have
4 rates drop and you have very high prepayments, you'll
5 have fewer loans and bonds, so the balance sheet will be
6 smaller. And we've tried to then figure out within each
7 case how does that case work. And you can't -- and the
8 cases aren't your choice, so it's just a question of how
9 do you work under each of them.
10 This is in the base case. It shows what's
11 happening to the size of the single-family indenture, the
12 multifamily bonds, and the general fund, how much assets
13 is in each of these so you get a flavor of how that's
14 changing the Agency. The composition isn't changing very
15 much. Mainly it's growing within the five-year period.
16 We then looked at what is the impact -- this is
17 maybe the first interesting chart from the work. What is
18 the impact on fund balances on your net worth? And the
19 fund balances, some were in the indenture, some were in
20 the general fund, but we integrated this for the Agency
21 as a whole, which is also the way the rating agencies
22 view it. And it's your total net worth.
23 And you can see that in all these cases, total
24 fund balances are about a billion 145 today, July 1st.
25 And they increase depending on, you know, which case

1 you're in. And so they show growth, but at a more modest
2 level than they have over the last six years. So it's
3 still a positive, and when you compare it to total assets
4 or total liabilities, the fund balances are quite healthy
5 and they're good under all these different cases.
6 So in terms of growth of net worth, I think the
7 news is quite good, you know, within this. And this is
8 doing this with reduced spread and all of the other
9 constraints that are on the Agency.
10 And we have -- do you have the charts?
11 MR. GILBERTSON: In a separate handout, there's
12 some --
13 MR. SLATER: There's a couple of charts that
14 didn't make it onto the slide show. There's one showing
15 how the total fund balances change, if you want to see it
16 visually, it may be a little easier, in the difference
17 cases. They're highest in the base case because you
18 don't have -- that's sort of the perfect case, in effect,
19 for you, right in the middle. Look what happens. We
20 then showed the growth rate in fund balances, and you can
21 see it leveling off or getting a little lower.
22 MR. GILBERTSON: Everybody finding those charts?
23 These are the third and fourth in the second package.
24 MR. SLATER: Questions at this point about fund
25 balances or any of the ideas on planning out?

1 We then said what's the impact on the general
2 fund, which is, you know, the key thing you're relying
3 on. The general fund, you know, roughly doubled in the
4 last six years. It's likely again to increase
5 substantially, and it becomes a larger share of your net
6 worth, and it becomes a larger share of assets and
7 liabilities. Again, this is, you know, positive. It's
8 also under these different cases. So at these levels,
9 again, this is a positive.
10 We then looked at the operating account. It's
11 actually the operating account, I guess, within the
12 operating fund, which is the key cash outcome. It
13 provides your most direct liquidity. And that also
14 grows. That grows significantly and remains about the
15 same percent of the general fund and it remains about the
16 same percent of total liabilities that it was before.
17 MR. GILBERTSON: Let me just interject one thing
18 on the operating fund. When we ran these scenarios, the
19 excess earnings from our indentures were flowed through
20 to the operating fund, so that's really the collection of
21 the liquidity, one of the primary areas that we have
22 liquidity.
23 MR. SLATER: Right. And then we've modeled in,
24 you know, making new HAT loans and what happens to the
25 recycling of those in each of the different components

1 and how does that affect the operating fund. So there's
2 sort of a waterfall within the system to see the ins and
3 outs of the operating account and also paying the -- from
4 that operating account paying the annual costs of the
5 Agency.
6 We then -- so that was the end of -- maybe I
7 should go back. So that was the end of the first cut of
8 what is the impact of new production on you, on your
9 balance sheet and each of the components in net worth.
10 The next piece of this analysis was to say where
11 does this put us five years from now when the rating
12 agencies ask us to do the same tests again on these
13 indentures. We'll have done five years of more bonds
14 with interest rate swaps and these kinds of risks, more
15 of these loans, the interest-only loans, all the new
16 things we're doing. How do those indentures look? Will
17 they have a hard time at that point? Will we have cash
18 flow problems we need to worry about?
19 And the way we did that is we looked at five
20 years of new bond issues and production. We took the
21 most difficult of the management runs to work from to see
22 what the consequences were, assumed that happens over
23 five years, and then said and now we'll take the most
24 difficult rating agency run, which turns out to be the
25 same one, more extreme, starting five years from now.

1 Sort of like we layered on the most difficult of our
2 expected cases and then the extreme case five years from
3 now. And they passed fine at that point, our ability to
4 have that out there.
5 And the reason -- we spent much of the weekend
6 going back and forth to see this -- is that with five
7 years of these management runs as opposed to the extreme
8 stresses, we're building up stronger fund balances, you
9 know, within these indentures that allow you to sustain
10 those risks five years from now. Again, this assumes
11 there are no real estate losses during those five years,
12 which is going to be the next piece we're going to look
13 at. So again, that's good news in terms of meeting cash
14 flows tests going out into the future.
15 We're now to the -- I'd say the meat of this
16 work, which is what are the risk exposures that we
17 haven't yet analyzed in the models we've done so far,
18 which is interest rate risk, prepayment risk, swap basis
19 risk between different rates on your swap and your bonds,
20 tax risk if the tax law changes, all the other models
21 that are used for that, all the sort of financial models.
22 And we then said, okay, now let's look at the risk
23 exposure of the Agency and how that's viewed by the
24 rating agencies and how you may want to view it.
25 The first thing that's important to say is the

1 rating agencies treat you and model you in a different
2 way, in our experience, than they do anybody else,
3 including other large agencies. In Virginia, for
4 example, real estate losses are -- have to be modeled
5 within each indenture, and you have to show how you meet
6 that. And they have other sets of issues for each
7 agency. Here, I think, because of things that are unique
8 to California, they've taken a much more overall approach
9 in which they make certain the indentures work. They
10 then say let's look at the Agency as a whole, its total
11 fund balances, and its ability to sustain all the
12 different kinds of things that it's doing. So they take
13 a global view, partly because you're significantly
14 larger. Partly, I think, because your real estate
15 experience and the scale of the California economy is
16 different, partly maybe because of the complexity of the
17 Agency and, you know, a certain reliance on things that
18 you've done, and a history of having been a very strong
19 and strongly performing agency.
20 So this global approach is how, you know, we then
21 looked at it. In effect what we're doing is putting on
22 their eyes. And you may, at some point as we go forward,
23 say, oh, my God, they're nuts, but this is the eyes they
24 currently have on.
25 So Moody's does not have a detailed quantitative

1 approach to this and frankly is between rating analysts
2 and, you know, doesn't have a clear method for this. S&P
3 has proven to be the more difficult in each of the other
4 state agencies we've done. They have a much more defined
5 definitive way of sort of going -- mathematical way of
6 going through this and so we've walked through it through
7 their system. And I think if you can meet theirs, we
8 will meet Moody's.
9 So we've tested the indentures. We've looked at
10 your fund balances. Their next step is they assign real
11 estate loss exposure to all the different kinds of loans
12 you make, different exposures for different kinds of
13 loans under Depression era loss assumptions, which will
14 be astonishing. They then compare that exposure,
15 X-hundred million dollars of exposure, you know, a
16 billion dollars of fund balances net worth, how much
17 comfort is there in that that gives them a feeling of
18 comfort of how much financial flexibility do you have as
19 an agency. This isn't an exact model of liquidity, but
20 it gives an overview of your ability to make choices, to
21 deal with unexpected problems, what happens if suddenly
22 things happen that nobody had counted on, what's your
23 ability to maneuver, in effect. And so this is sort of
24 the critical analysis.
25 Now, this is going to be hard to read, but these

1 next two pages, fortunately or unfortunately, are really
2 the heart of the story. And I'll try and walk through
3 them step by step. It may be easier -- you each have the
4 printout, so it may be easier to read there with that.
5 The way the rating agencies look at real estate
6 risk is they make assumptions -- let's deal with single
7 family first. And these are assumptions that you've
8 always had. Nothing has changed in these assumptions.
9 This is how they did it a year ago, how they did it five
10 years ago. As we get into new areas, I think we may
11 expect to negotiate with them over some of these that
12 seem Draconian now that they may impact us. And we've
13 been successful in that with other agencies. But
14 this is just the starting point.
15 So they look at FHA loans. They assume there's a
16 2-percent loss to you as the holder of those loans, if
17 they go to foreclosure and you lose insurance proceeds
18 and there are costs involved. This is sort of a standard
19 number they use across the country. As long as your
20 portfolio in the past, you know, 78 percent -- in the
21 past it was even higher, like 84-percent FFA. That's a
22 very thin haircut, not a big impact from the scale of the
23 Agency. I mean, you have $3 and a half billion of these
24 loans. The FHA loans have $55 million of risk exposure.
25 It's pretty small.

1 The CaHLIF, I suppose I'm supposed to say --
2 MR. GILBERTSON: Insurance fund.
3 MR. SLATER: Insurance fund loans, which are
4 growing, they have given a haircut, which we haven't had
5 real discussion with them about, but which I think are
6 important, a much higher haircut of assumed loss
7 exposure. This is aside from the pledge you've made
8 within the insurance fund. This is sort of a loss to the
9 Agency. This seems well overstated to us, but they
10 assign a 6-and-a-half-percent loss on those loans.
11 On the interest-only loans, which they've never
12 dealt with and this is sort of their seat-of-the-pants
13 approach, is they're assuming 1 percent higher loss
14 exposure than on the other privately insured loans, so
15 7 and a half, not much difference. And there are other
16 loans and old indentures that they've kept at 3. On
17 average this happens to turn out to be 3 percent today,
18 but this is dynamic. It will change as the mix of loans
19 changes. So in effect, as you add on more single-family
20 production, you're adding on a certain level of risk
21 exposure from their point of view. In the past, about
22 3 percent of that, that they would say, well, we want to
23 make certain you have enough fund balances to cover that.
24 There's been a reserve for earthquake
25 self-insurance, primarily for condominium projects. This

1 is a GO pledge to the home mortgage revenue bond which
2 basically is simply you do the cash flows once a year.
3 You have some bonds you've done and you haven't yet
4 integrated them into the cash flow so at any given point
5 in time, you need to be able to say we can meet a test on
6 the ones we haven't yet proven to you. So that's sort of
7 like an interim step.
8 And then here's a big -- I'm sorry, then the
9 second mortgage down payment assistance loans, frankly
10 they've gone back and forth in different parts of their
11 analyses as to whether they assume you lose dollar for
12 dollar on those loans or you lose 50 cents on a dollar.
13 In fact, your performance has been excellent on these
14 loans. We've assumed where they would be was 50 percent
15 on those. It's hard, just given the nature of those
16 loans, to have them assign any level other than that, no
17 matter what your experience has been.
18 The last one, this is a new one, is residential
19 development construction loans. We believe this would be
20 a new program for you. We believe on experience
21 elsewhere that it will be very hard for that be other
22 than assuming you lose dollar for dollar on every one of
23 those loans. And it may sound crazy, but we're now
24 working for Massachusetts on a program they've had that's
25 been making single-family construction loans for the last

1 11 years, and we're doing a presentation to the rating
2 and we're actually working on this right now. They've
3 never had a single dollar of loss. They have, I think,
4 very good underwriting techniques, things, you know,
5 we'll talk about with the Agency and methods they've
6 used. I don't think we're going to get below dollar for
7 dollar with them. We might, and that's after 11 years'
8 experience, so, this is a consequence of this kind of
9 program. I'm not saying you will lose any of this money,
10 but this is an assumption by the rating agencies.
11 With respect to permanent multifamily loans,
12 these are a mix of various types based on some are
13 Section 8, which have low risk. Some are risk sharing
14 where you're sharing half the risk, some are uninsured
15 where you have more risk, the average is about 10 and a
16 half percent.
17 The HAT mortgages, again a 50-percent assumption.
18 The next one is the operating reserve.
19 MR. GILBERTSON: That's something that's in the
20 business plan every year that we set aside $3 million to
21 help with any portfolio issues on multifamily. And
22 oftentimes Margaret Alvarez as a manager will utilize
23 that, different projects, related purposes.
24 MR. SLATER: Here, the single biggest number on
25 this chart is multifamily construction loans, which they

1 make an assumption as they made when we started
2 negotiating with them in Virginia that every one of these
3 loans goes into default and you lose every dollar on
4 every loan. Virginia had a history of $2 billion of
5 these and not a dollar lost. And we eventually
6 negotiated down to about 37-and-a-half-percent risk
7 exposure with them on that, so I think there's room to
8 move within the system based on length of experience.
9 There's the line of credit pledged to the
10 insurance fund. We've assigned, you know, sort of small
11 numbers to Agnews and tax increment because frankly we
12 haven't had discussions on it. I made this up, sort of
13 being similar to the multifamily portfolio, but I think
14 this is in the universe.
15 And they then, as you put a pledge of your GO on
16 debt service, on your multifamily transactions, they
17 require you to assume one year's annual debt service and
18 assume you lose that, sort of like extra liquidity, but
19 it's sort of a loss. As we did this model, we decided it
20 was beyond stupidity to assign that on loans that we were
21 already taking a hundred-percent loss, so we only used it
22 on the portion of the GO bonds where you weren't at a
23 hundred-percent loss. We think we'll win that argument.
24 Maybe that's an extreme position to take.
25 MS. PARKER: Have we not done that in the past?

1 When we've done that analysis, have we not -- have they
2 done it?
3 MR. SLATER: I think they've done it in a very
4 simple way.
5 MR. GILBERTSON: Yes.
6 MR. SLATER: And we've now excluded it because,
7 as you see, we're starting to get to --
8 MS. PARKER: That's what I'm saying. So they --
9 when they've done their analysis, they have essentially
10 included that extra year's worth including those areas
11 where they presumed a hundred-percent loss.
12 MR. GILBERTSON: Right. So they're assuming that
13 we're losing the dollar more than one time.
14 MR. SLATER: But the amount of this exposure is
15 growing dramatically, even with or without that.
16 MR. GILBERTSON: I think the other thing that's
17 important to point out is if you look at the historical
18 numbers, that the total credit adjustments at the bottom
19 of the page was significantly below the Agency's fund
20 balance. So looking at this, we certainly looked at it
21 and worked with the rating agencies on this. I think
22 what Gene is going to point out as we flip the page, it
23 continues to grow and becomes a much great percentage of
24 the overall fund balance of the agency.
25 MR. SLATER: But just looking at the bottom of

1 the page, you can see in 1999 you had $280 million of
2 exposure as they measured it. In 2004, you had
3 709 million; in 2005, 841 million.
4 And so let's now go to the next page. This is
5 the future. So we've taken --
6 MS. GALANTE: What are these little numbers?
7 MR. SLATER: They're footnotes from the prior
8 page.
9 MS. GALANTE: Oh, okay.
10 MR. SLATER: They maybe may not show up on the
11 slides.
12 MR. GILBERTSON: Oh, the footnotes appear to have
13 been dropped.
14 MS. GALANTE: Okay.
15 MR. SLATER: They're pretty minor. I think
16 they're basically saying the same things I just described
17 about some of the assumptions. And they're not shown
18 here. We were trying to scale this up so at least it
19 would be readable, but they're not significant.
20 Okay. Going forward. So the left-hand part is
21 just where you are today. And the middle is under the
22 base case, what happens -- and we've done this under all
23 cases, but under the base case, what happens to your
24 exposure and what changes within it, layering on the new
25 production and particularly the types of new production

1 you're doing. So this is sort of really what is the
2 impact on risk exposure of changing what we decide to do.
3 This is how it is looked at from a rating agency point of
4 view.
5 Within single family, a couple of things are
6 happening. The total amount in the base case would be --
7 of loans outstanding, would grow significantly, it's
8 assumed, in the base case. In part, your number today is
9 quite low because you had over a billion dollars, a
10 billion and a half dollars of prepayments over two years
11 that shrank your portfolio from 5 billion to 3 and a
12 half. Now it's grown -- this assumption is it's growing
13 again. So that alone increases risk exposure just by the
14 size of the portfolio.
15 Then we made assumptions and -- about what is the
16 mix of loans five years from now. Obviously this is
17 based -- this is actually the percentages that were
18 assumed in the business plan of new production. The mix
19 may be different. You're running at the moment
20 25-percent interest-only, not 15. On the other hand, we
21 have old loans already sitting around there. FHA may be
22 lower than 45 of new production, but we have again old
23 loans, so this is a guess as to where things might look
24 five years from now from the mix of loans.
25 And you can see what the risk exposure is and

1 where the changes are. So the FHA changes very slightly.
2 There's a significant increase, from 50 million to
3 178 million, on the 30-year insurance fund loans. And
4 there's risk exposure on the interest-only loans. So the
5 total risk exposure on single family in their model would
6 go from 111 million to $320 million.
7 CHAIRPERSON COURSON: Gene, I think you said when
8 we went through this on the previous page that it was
9 your -- in your opinion, the loss ratio of 6 and a half
10 percent, I guess, maybe falling onto that the 7 and a
11 half percent for the interest-only loans, and our case
12 was higher than you had seen on other HFAs?
13 MR. SLATER: No, I'm not sure there's anybody in
14 an exactly analog, but I think it's something that just
15 from my knowledge of the program is something we ought to
16 be able to work with them on. I don't think they've ever
17 taken a systematic view of that assumption or really been
18 pushed on it.
19 CHAIRPERSON COURSON: Have other HFAs tried that?
20 MR. SLATER: I'm not sure anybody has exactly
21 the same insurance you do.
22 MR. GILBERTSON: But Mass Housing has an
23 insurance fund and certainly I don't know if they've done
24 this. I think one of the outcomes of where we are today
25 is that I would hope that we look at our single-family

1 portfolio in much more detail. And I think we can
2 include loan to value. I think they will give us the
3 benefit of looking at FICO scores in certain cases, all
4 which will help further reduce the credit charge for the
5 single-family program.
6 MS. PARKER: I think that's going to be really
7 important for us to do that, because we talked about this
8 when we were doing our business plan, if you look at
9 where we were even a year or a couple years ago, the
10 portion of our portfolio that were FHA loans. And we're
11 just like probably other HFAs across the nation as far as
12 lenders, that FHA business has significantly dropped.
13 And so that's going to be more of -- that percentage
14 impact is going to be a greater one to us in the future.
15 MR. SLATER: Right. To give you a flavor, if we
16 got this reduced by a third, I would think that would be
17 pretty good. I don't expect it be dropped -- you know,
18 to drop by two thirds and to be --
19 CHAIRPERSON COURSON: My concern is just seeing
20 and looking at particularly in the current administration
21 the coming three years with the FHA, which sort of is a
22 melting ice cube in my own personal opinion. That
23 number, 45 percent, may be generous, and that's pretty
24 dramatic because those loans go someplace else, i.e.,
25 into a 6-and-a-half-percent loss weighting.

1 The other question I would have is in making that
2 argument, obviously we have a partner in Genworth in our
3 insurance fund and so on. And I don't know what their
4 loss experience is, but, I mean, as we buttress our
5 arguments, they have a pretty broad base of data and loss
6 experience and so on and do a substantial amount of work
7 with other HFAs, so they have another avenue to -- as
8 another third party to buttress our --
9 MR. SLATER: We did a parallel process in
10 Virginia and, again, reduced it. It wasn't the -- I just
11 don't want to quote exact numbers, because it wasn't
12 exactly the same kinds of insurance, but this has an
13 impact. And there are other ways, you know, one may able
14 to design these loans or to off-load some of the risk.
15 We'll get to that, but I'm just saying just as is, you
16 know, first cut.
17 MR. GILBERTSON: Just one other comment on that,
18 I think there's a little bit of a double -- double hit
19 here. We've pledged a hundred million dollars to
20 backstop our insurance fund. Our insurance fund is
21 insuring primarily agency loan product today, so they're
22 hitting our loan side and then they're also picking up
23 the full hundred-million-dollar pledge.
24 CHAIRPERSON COURSON: Right.
25 MR. SLATER: Right. And so there may be a way of

1 combining those two into a single number and getting to a
2 lower combined total. I think that's a major piece of
3 work in negotiations and preparing for that.
4 The earthquake insurance we simply assumed an
5 increasing number based on experience of how the
6 portfolio is condominiums.
7 MR. GILBERTSON: And it's a little conservative.
8 We're realizing a lot of condominium-related properties
9 in our single-family program today and making loans on
10 those, but we wanted to show that there was an increase
11 and our continued commitment to the rating agencies to
12 set 1 percent aside for hazard type loss, natural
13 disaster, earthquake or flood.
14 MR. SLATER: The GO pledge, we just showed it
15 growing proportionately by the outstanding amount of that
16 indenture at the time. Second mortgage, DPA loans,
17 remain actually pretty constant to where they are. The
18 residential development construction, I see it's not on
19 the right-hand column, but it is in the number, but it's
20 $120 million, assuming dollar for dollar exposure. Then
21 you have loans outstanding for two years. Multifamily
22 loans excluding new construction, it's interesting the
23 total dollar amount of these loans remains pretty steady.
24 You're making new loans, but you also have a large, a
25 much larger older portfolio that's prepaying somewhat,

1 and so these -- the projection remained about the same
2 level.
3 The HAT balances increased significantly under
4 the business plan, so therefore the amount of additional
5 exposure goes up. Multifamily construction loans is
6 presumed to be a little lower at a given moment than it
7 is today. And so there the exposure would be a little
8 less, but it's still a dollar for dollar exposure.
9 CHAIRPERSON COURSON: And what's the basis for
10 that assumption?
11 MR. SLATER: The dollar for dollar?
12 CHAIRPERSON COURSON: No, the -- it will be
13 lower.
14 MR. GILBERTSON: We assumed a two-year, 24-month
15 average life of the construction loan and I think in the
16 out years of the business plan the production level was
17 $180 million per year. We simply doubled it and then
18 divided by half again.
19 MR. SLATER: Same assumed line of credit for the
20 insurance fund. Partly -- we didn't increase that partly
21 because there just seems to be a lot of excess in that
22 currently in terms of the book of business, so you can
23 grow a lot of the insured loans without assuming we touch
24 that.
25 We put in Agnews and tax increment. And we

1 assumed, and here's a significant impact, this is a very
2 significant impact, is as you do more bonds that are
3 backed by the GO pledge, you're adding to this maximum
4 annual debt service pledge. And so every time you do
5 that, it does have an impact on your risk exposure from a
6 rating agency point of view.
7 Again, I'm not saying any of this is the actual
8 losses anybody will encounter or what anybody would
9 reserve against. This is a rating agency view of life.
10 Questions?
11 MS. GALANTE: I'm sorry, then do we -- do we look
12 at various points in time? If you take 7/1/05 and you
13 go down all these numbers and --
14 MR. SLATER: Yes.
15 MS. GALANTE: -- look at what our actual loss
16 ratios are on all those items?
17 MR. SLATER: What the actual losses have been?
18 MR. GILBERTSON: Oh, they're far, far less than
19 that, Carol. In single family, the indentures have not
20 incurred losses, okay. Our insurance fund that is
21 insuring some of the loans has incurred losses
22 historically, but they have historically nil as far as
23 losses to our single-family indentures. It's just
24 showing these are Depression era scenarios. These are
25 very, very extreme.

1 MR. SLATER: You know, if you're the rating
2 agency, you could argue, you know, we're at the end of a
3 five-year runup in which everything got solved, you know.
4 Nobody ever had a loss. But that's not necessarily true
5 of the next five years.
6 CHAIRPERSON COURSON: It might be interesting at
7 our next board meeting, June 30 being our year-end,
8 fiscal year-end, to take the actual '05 fiscal year
9 losses and sort of lay them down next to perhaps this '05
10 maximum exposure, rating maximum exposure, just so the
11 board could see actuals versus projected doomsday
12 scenarios by the rating agencies.
13 MR. GILBERTSON: I guess I would ask just for
14 clarification for us to proceed on that staff assignment,
15 would it be the accounting type of losses, which is
16 looking at the potential loss because of delinquency
17 status? I know when you start this analysis with S & P,
18 you back out all of the accounting-based losses.
19 CHAIRPERSON COURSON: I was just talking about
20 actual losses.
21 MR. GILBERTSON: And I don't know that there have
22 been any in this fiscal year. Zero.
23 MS. PARKER: I think that's --
24 CHAIRPERSON COURSON: Okay.
25 MR. GILBERTSON: It will be a short report.

1 CHAIRPERSON COURSON: Thank you for that report.
2 The answer is zero. Forget what I said.
3 MR. SLATER: Go to the next page. This is simply
4 a summary of the prior pages just showing by component,
5 by program, how this would be viewed and where the
6 changes are. So you can see the changes going down. Or
7 going across, you can see for each program what's
8 happening to it.
9 And again, I think the way to think about this is
10 as -- we'll come back to it -- is as a budget, in effect.
11 When you wind up with the rating agencies, given the
12 amount of risk exposure they will assign. And the
13 question is as you plan production, as you do various
14 things in each program, you can budget how much risk
15 exposure are we taking on when we do that. That's one of
16 the benefits of having this model.
17 The key factors, I think we've hit on all these.
18 The one I didn't mention was it's assumed that more of
19 your multifamily loans, you're uninsured. You're not
20 making Section 8 ones, and it's assumed that there's a
21 smaller percentage of risk-sharing loans going forward
22 than have been in the past. If you change that, again,
23 offloading risk has impacts. So I think we've hit all of
24 these highlights as being what's driving this.
25 Here's probably the most important page. This

1 shows what happens in how S&P views the world. They take
2 your total fund balances. They do this, they're calling
3 it a credit adjustment. It's not exactly real estate
4 risk exposure because it takes the GO pledge and the
5 insurance fund pledge and stuff, but they're credit
6 adjustments. They subtract that. Like in 1999, you had
7 679 million. The credit adjustment was 281 million, so
8 you had 398 million of available capital. And your total
9 debt was 5-billion-380, so you had fund balances even
10 after subtracting risk, from their point of view, of
11 7 and a half percent.
12 In 2004, the credit adjustment, fund balances
13 grew, but so did the credit adjustment. Available
14 capital remained about the same. The total amount of
15 debt increased, so you went down to 4.9 percent.
16 This year, again, modest changes, but the
17 available capital -- this is, I think, the multifamily
18 construction loans are probably are the -- and the change
19 in the GO pledge are the biggest impact in the last year.
20 So your available capital -- even though your total
21 capital remained about the same, your total capital went
22 down. And then your debt outstanding also went down, I
23 guess with prepayments and stuff, but you're still at 4
24 and a half percent.
25 What we've heard, I think -- we haven't had a

1 sophisticated discussion with them, but S&P has been
2 happy because you've been -- as they put it, you've been
3 above 4 percent and so they haven't had to think about
4 this or, you know, argue about anything or take a
5 detailed look at anything. They've used 4 percent as
6 sort of a magic number, not saying that if you dropped to
7 3.9 percent your rating will be imperiled, but that's
8 sort of been their, "Oh, we don't have to think about
9 California. You're okay."
10 MR. GILBERTSON: If you sustain the 4 percent, I
11 think that was a part of their old top-tier designation
12 that they gave to state housing finance agencies. That
13 was one of the tests.
14 MR. SLATER: Okay. We then --
15 MS. PARKER: I just want to interrupt,
16 particularly because we have so many board members who
17 are really relatively new. And, you know, I just want to
18 point out because you look at where the ratios were in
19 1999 and where we are in 2004, and just to give people a
20 flavor of we are really a very different agency than we
21 were at that point in time. I think it was really about
22 this point in time that we started having this discussion
23 with ourselves about whether we're taking the appropriate
24 kinds of risk that we should be taking, given the
25 affordable housing crisis in California.

1 And at the time that we were -- we were doing
2 probably $800 million of single-family loans. The
3 majority of them were pretty much FHA, pretty -- pretty
4 vanilla. We weren't really doing much of any down
5 payment assistance at all at that point in time. We were
6 doing maybe $150 million of multifamily, certainly no
7 construction lending, no HELP funding, none of those
8 kinds of things.
9 And if you now look over in 2004, 2005, what we
10 are dealing with is significant amount of down payment
11 assistance, construction lending going forward not only
12 on the multifamily side but the single-family side, and
13 more use of creative programs with our housing assistance
14 trust. And so there's -- 1999 and 2004, I think we are
15 apples and oranges as an agency. I mean, is that a fair
16 assessment?
17 MR. SLATER: Oh, absolutely. Absolutely. I
18 think you've done extremely positive things with the
19 agency, not just over the last five years, but over the
20 last seven or eight, which have shifted this. And I
21 think you have done this in positive ways and have done
22 this in safe ways. And frankly, if anything, my
23 conclusion from having done the analysis is I was more
24 concerned about all the interest rate risk exposure on
25 the interest rate swaps on the single family before we

1 began the analysis, just to see how did they all play out
2 when you actually modeled in, you know, future recycling.
3 The fact that they passed all the stress tests from my
4 point of view was very healthy. You've done this in an
5 environment which has been incredibly difficult. You've
6 done it -- unlike other agencies, which have cut back
7 production over the last five years, you've maintained or
8 increased production in the face of rate compression, and
9 you've figured out ways to do that. But all the things
10 that you're doing ultimately affect the additional things
11 you can do in the future, and the question is how much of
12 them you can do, I think is the question.
13 Carol.
14 MS. GALANTE: And I may be getting to where
15 you're going with the bottom line here, because all of
16 this is based on -- I appreciate what Terri was just
17 saying, and I probably was one of those people beating on
18 the Agency a while back to -- to be doing more. And now
19 the question is you're basing all this analysis, though,
20 on the S&P methodology, which is Depression era driven,
21 and I'm not sophisticated enough to understand when we --
22 you know, if we want to be in a place where based on S&P
23 methodology we're well below 4 and a half percent because
24 we want to keep on doing all these innovative things and
25 maybe even do more.

1 What's the impact of that versus, again, if you
2 took the reality of 2005, you know, what the actual
3 available capital would be without the S&P credit
4 adjustments, you know, you'd obviously be in a -- have a
5 very rosier -- much rosier picture. So like how much do
6 we have to pay attention to this Depression era --
7 MR. SLATER: That's where I'm going.
8 MS. GALANTE: Okay.
9 MR. SLATER: No, that's the exact right question.
10 By the way, it makes it easier to see these in graph
11 form. There are three graphs. There's a total fund
12 balance and reserves versus total debt, which is the same
13 as -- the blue line is sort of what S&P would call the
14 available reserves. The yellow is what they're assuming
15 is the credit adjustment. So the two together are your
16 total fund balances. And they're comparing that to the
17 level of debt outstanding.
18 MS. GALANTE: What's the title on that?
19 MR. SLATER: It says total fund balances and
20 reserves versus total debt. And then there are three --
21 there are three: Declining rate, high prepayments, and
22 base case and low prepayments. So we looked at it under
23 each of the different management runs to see, you know,
24 where are the stresses? Where do the stresses come?
25 We then -- this next page here, we did the same

1 thing at full spread to see how much difference did that
2 make if we're able to be at full spread. It improves
3 things --
4 MS. PARKER: I would point out that while we are
5 moving more in the direction of IOP loans than we are FHA
6 loans, one of the benefits is we are getting full
7 spread -- closer to full spread than we were in the past,
8 so.
9 MR. SLATER: Exactly. They're helping you get
10 back to that place. So if you're at full spread, the
11 situation improves somewhat because the fund balances are
12 higher. But you're down at these -- anyway, you down at
13 the -- you know, you're a little -- you're half a percent
14 higher, roughly, in terms of available capital as a
15 percent of debt. So that's obviously good, but it
16 doesn't take away the total issue by itself.
17 So now when, let me try, in effect, to go over the
18 summary of this, which is -- and really try and address
19 Carol's question, which I think is the heart of things.
20 I think in many ways where you are, are the consequences
21 of tremendous success, in high production despite the
22 interest rate compression, providing tremendous volume of
23 HAT and second mortgage loans, far more than other
24 agencies, in adapting and being forced to adapt to
25 tremendously changing lending markets, both interest rate

1 competition in the single-family area, but also higher
2 home prices and FHA limits remaining the same and how do
3 you manage those things. So that's been terrific. And
4 you provide innovative, popular programs. The IO program
5 is proving extremely popular. Your multifamily
6 construction lending program has been popular. I suspect
7 your residential development construction loan program
8 will be popular. So it's not a -- so those are the good
9 things that are giving you the opportunities to do more
10 of them.
11 From the perspective of the indenture, I think
12 we've already, you know, made this point, that because of
13 the stress scenarios, you have limited capacity to
14 provide money to solve these other problems. Fund
15 balances are growing, but they're needed to cover real
16 estate risk. Liquidity is needed to fund your agency
17 operations, for your loan programs, and a backstop for
18 you. And the two sources of liquidity are these two
19 items that are available. You have other liquid funds,
20 but they're pledged specifically to other purposes, like
21 to the insurance fund.
22 Okay. Over the next five years. Regardless of
23 these cases, which case, you assume, the assets and
24 liabilities are likely to increase, on the base case
25 about 40 percent, somewhat more in the low prepayment

1 case. And you're likely to have continuing production
2 and new programs and probably programs that will be
3 different than these three years from now.
4 The balance sheet impacts of this -- and here,
5 this has nothing to do with S&P's analysis yet, just
6 so -- it's, you know, pure numbers -- are the fund
7 balances grow. They're not growing as fast as the assets
8 and liabilities. The rate of return, if you will, isn't
9 as great, in part because you have a lot of deals that
10 weren't at full spread and the way things are invested.
11 So the funds balances grow and also, you know, a fair
12 amount of them, even in the management runs, are being,
13 you know, used to cover indenture, things you've taken
14 on.
15 The general fund grows substantially, as does the
16 operating account. The indentures, under the management
17 runs, become stronger and can pass rating agency cash
18 flow tests in 2010, assuming no real estate losses. So
19 those are, I think, healthy. Obviously, fund balance is
20 growing slower than the balance sheet, you know, would be
21 the one thing to be concerned about there.
22 I think we've hit the points of why is this
23 happening, why do you have more credit adjustment now.
24 Partly it's changes in the market, you know, that you're
25 simply reacting to, partly it's choices that you make,

1 both in the products you offer and how you offer them.
2 If you do multifamily loans risk sharing, half the risk
3 is taken by FHA. If you do it without, that -- all the
4 risk is taken by you. So that changes the credit mix.
5 So the choice of method has as much impact as, in some
6 ways, the product you offer.
7 Available capital may drop significantly.
8 Available capital as measured by -- and here's really, I
9 think, the first part of the answer. Available capital
10 as measured by the rating agencies becomes the major
11 constraint on what you can do. I don't mean you have to
12 stay at the 4-percent level or that we can't reclassify
13 things and get them to different places, but this will
14 now be the driving force that affects choices coming up
15 in the future. You're no longer in a position of having
16 such enormous fund balances compared to credit exposure
17 that, you know -- that doesn't really matter what you do.
18 You can take on almost anything. You're now in a
19 situation where you have to make trade-offs and say what
20 are the impacts of each of the things we do. And if we
21 do more of this, does that mean less of that, or do we
22 have to do the other thing in a different way? So in
23 other words, you're more like other state agencies now.
24 So this becomes the major constraint. I think
25 that's the first message. From a liquidity point of

1 view, I would say, you know, liquidity is remaining
2 around 2 percent. It gets a little harder to maintain
3 that level as we go forward. Rating agencies haven't
4 raised this as an issue. It's clearly becoming a smaller
5 share of your risk exposure, your interest rate risk
6 exposure. At the moment we don't necessarily see a
7 problem. As you get further out in the out years of the
8 business plan, if you do the modified business plan and
9 put 75 million more in down payment assistance loans,
10 that may, you know, start creating pressures, depending
11 on how the rating agencies -- in the current view, it
12 wouldn't, but they may start viewing you somewhat
13 differently. And part of our job we see is trying to
14 anticipate the problems well in advance of when they may
15 occur so you can decide how you want to proceed toward
16 them.
17 MR. GILBERTSON: Really, I think, to sum that all
18 up, the liquidity is we need to allocate our liquidity
19 for operating the Agency, funding, you know, special
20 programs of the Agency, and holding something back for
21 those unforeseen financial risks that are imbedded in the
22 financial strategies that we've used to deliver the
23 programs and products over the years.
24 MR. SLATER: Implications, next steps. What we
25 had outlined at the very beginning is we didn't know what

1 the issues would be -- was the ability to then work on
2 the issues to come out of this. And it's clear, while
3 there may be some liquidity analysis stuff, the major
4 issues here -- I think we've done all the cash flow
5 analyses we want to do, at least at the moment, and
6 filling the file cabinets, but we're going to meet with
7 the rating agencies, go through them in August. But I
8 think the real major issue will be how do we deal with
9 the risk exposure issues and the consequences within the
10 system.
11 And we've done this, you know -- we did this with
12 Virginia. We've done this with other agencies. In fact,
13 when we started this with Virginia, the entire agency
14 went negative, so it just gives you a sense of scale when
15 we started with the rating agencies. So I don't want to
16 make anybody too alarmed yet.
17 So negotiating loss assumption percentages with
18 them, and these seem to me the three areas where there
19 was the likeliest ability to change those. It doesn't
20 mean we're not going to press on each of the points and
21 go through it, but these would be where I think I would
22 start in terms of where the most impact may be, and there
23 may be the most giveback by them. And again, I think
24 we're going to -- I think I can predict we will
25 dramatically improve where you are, but it won't cut this

1 exposure in half even overall.

2 The second approach, and I think it probably

3 makes sense to do the first effort first while we're

4 starting to think about the second, is to say how could

5 we do the same things, not change our business plan, not

6 change our product mix, how could we do the same things

7 but taking less risk exposure. I'm not saying you should

8 do it, but just so you have a menu of choices.

9 I mentioned about FHA risk sharing. This has a

10 big impact on Colorado and how we're thinking about

11 Colorado there. Multifamily construction loans, we had

12 worked with Linn in designing the loans to lender

13 program. If you did more of loans to lenders and less

14 directly taking the risk, that loss exposure would be

15 far, far less. And it may not be quite as attractive a

16 product to the borrower. It may be -- I remember the

17 discussions with Ken a few years ago, you were making a

18 lot of spreads, you know, by not doing loans to lenders.

19 It may be that as you now weigh this -- and part of the

20 whole purpose of the analysis is to let you weight

21 this -- you can say what is the income benefit that's

22 going to add to our fund balance and what is the risk

23 exposure we're taking on?

24 Not -- and you have to separate this out from

25 a -- as the Virginia people said, from sort of an

1 intelligent view and a stupid view. From an intelligent
2 view, if you're not going to have any losses, and that
3 was sort of their assumption going forward -- it seemed a
4 little too optimistic, but if you're not going to have
5 any losses, we should make all the money we can and we'll
6 have a bigger net worth. On the other hand, you have
7 this constraint. Even if it seems nuts and even if we
8 only make it half as nuts, you do have a constraint that
9 somebody is going to view you this way, the same way you
10 mentioned about the GSEs. So somebody is going to look
11 at you from this perspective. If you're taking on
12 multifamily construction lending risk, no matter what,
13 they will view that as three or four times as risky as
14 the permanent debt.
15 So there maybe ways to try and off-load this. We
16 looked at getting -- as we did with CalVets, who was
17 facing a much more severe problem four years ago. We got
18 backstopped pool insurance to sort of just -- against top
19 level of losses being beyond a certain level. We never
20 expect it, and we'll never, I expect, draw a single
21 dollar on that. We may be paying $5 million a year for
22 nothing, but it allows you to continue running a program.
23 And so those are, again, the kind of choices that you may
24 have, still aiming to the same business plan, but just
25 changing the methodology.

1 The next piece of this, and I guess I've alluded
2 to this, is evaluating within -- I think where this
3 really becomes useful is within each division, within
4 each program, the impacts of different product mixes and
5 production levels on income, on fund balance, on public
6 benefit, on risk exposure, because it will affect how
7 much you can do in the future. In effect, imagine you
8 said, you know, there's so much budget for risk exposure
9 or available capital for single-family program, how do
10 you want to use that over the next five years?
11 The interest only is quite interesting because
12 the differential S&P assigns to that, a 1 percent greater
13 loss, you're now charging -- and having plenty of demand,
14 charging six-tenths of a percent higher per year. So
15 from a present value point of view, you're four or five
16 times better making those loans than the straight insured
17 loans. So you wouldn't automatically say, oh, we want to
18 get rid of those. But that's precisely the kind of
19 trade-off you can make on each product.
20 Or how much are we making on the multifamily
21 construction loans versus a loan to lender? How many
22 extra public benefit is there? How much impact is there
23 on the cost of construction or on the affordability of
24 the product. The same will be true with residential
25 development construction loans. This provides, in

1 effect, a system for thinking through those choices
2 rather than coming back five years from now and doing the
3 plan and saying, oh, my. Here's where we are. We did
4 all these things to have this impact. This allows you,
5 in effect, to make trade-offs continually and design
6 products taking this into account.
7 So this notion of program-by-program balancing
8 and trying to sort through doesn't mean some programs
9 don't need far more risk exposure than they can ever make
10 money. I mean, that's obviously, you know, the HAT
11 programs and second mortgage programs will never be in
12 that case. But within each kind of product, you can
13 choose and think creatively about what other choices we
14 have available.
15 So what I would say is this is largely good news.
16 It's anticipating a constraint and saying it allows you
17 to begin to design things taking into account that
18 constraint after we go through the effort of reducing the
19 constraint as much as possible.
20 I don't know if that answers your question,
21 Carol?
22 MS. GALANTE: Yeah, that helps a lot. Thank you.
23 MS. PARKER: I guess I would say in some respects
24 when we've looked through this, I don't know whether we
25 should be patting ourselves on the back or whatever, but

1 before having had the benefit of this, you know, we, from
2 a staff standpoint, have really been having these
3 discussions internally as early as the beginning of this
4 year to try to essentially make some changes to our
5 business plan, almost kind of from a gut or intuitive
6 that we were sensing, you know, a concern about this.
7 And so, you know, I mean, I guess if you looked at if we
8 would have done our business plan at the beginning of
9 2005 more along the lines of what we did in 2004, I think
10 we would -- we would not be in as good as place as we
11 could -- you know as we potentially could be going
12 forward.
13 MR. SLATER: One thought, also in answer to your
14 question, Carol, there probably -- if we get down below
15 these levels, there are different ways we could have the
16 rating agencies view you. It could be more like other
17 agencies, rather than this sort of cushion. But there
18 are consequences that would flow. In other words, they
19 would then -- if they treated you as other people, they
20 would take the real estate losses within the indentures,
21 and we have to assume we incur Depression era losses over
22 the next three years. It's clear under the stress cases
23 they won't survive, and it will require advances of cash
24 from the general fund, and there will be a liquidity
25 issue.

1 So there's -- it isn't like inherently arbitrary
2 compared to other people. You've gotten the benefit in
3 many ways of having a much simpler approach with them.
4 I'm not sure it's not an easier approach for you, and I'm
5 not sure I would throw it away at the moment.
6 CHAIRPERSON COURSON: Laurie.
7 MS. WEIR: I have a question about what's the
8 kind of time frame that we're looking at with rating
9 agencies and the available capital as a percent of debt
10 going from the estimated 2005 at 4.5, and you said
11 4 percent is kind of that magic number, and the rating
12 agencies are really not going to question anything, to
13 the projected 2010 at much lower levels. Do we know
14 where we're going to dip down below 4? Is it next year?
15 Is it the year after? Is this going to have an impact on
16 the rating of the Agency and the loan products that go
17 out from the Agency? Is the idea to address this
18 up-front first so that we're always at or above 4?
19 What's your thought going forward?
20 MR. GILBERTSON: I'll take a first cut at this
21 and maybe Gene can add on to this. Terri and I will be
22 visiting the rating agencies the third week in August, I
23 believe it is. It's our annual visit. I think we have a
24 good story to tell them. It continues to be a good
25 story. I think there is uncertainty whether that

1 4-percent level is a magic number or not.

2 I would hope later this fall that we will get

3 into some of the details with Standard and Poors in

4 particular regarding some of these credit risks that

5 they've assigned and how they assign the percentages. I

6 think all of that will flesh out into a more thorough

7 discussion of how much capital we need to have set aside.

8 I don't believe it's going to have any impact on

9 the ratings. Again, we've gone out a full five years and

10 then you see that the numbers dip in below 4. We

11 certainly have some time to plan for it.

12 MS. PARKER: Bruce, another thing, I mean, we

13 have talked when we've gone to the rating agencies, and

14 frankly the rating agencies have talked to us about

15 whether or not we wanted to have our rating increased.

16 And we have essentially said, well, we, you know, thanks

17 anyway, but we really don't want to do that because to do

18 that would have meant increasing --

19 MR. GILBERTSON: Ties up more capital again, the

20 same thing we were talking about.

21 MS. PARKER: Yeah, increasing our reserves. And

22 we didn't want to do that. We didn't think it was worth

23 it. And it certainly hasn't impacted us in the price of

24 our bonds in the marketplace, so that's one.

25 And I think what my sense of what we've had this

1 information is is exactly, you know, when we want it so
2 we can have it from a decision-making going forward.
3 We're going to be challenging the rating agencies on
4 these percentages from that standpoint. And if nothing
5 else, I think we're going to follow some of our sister
6 state agencies that are doing the same sort of thing. I
7 think we have to do that.
8 But the other thing too that we have is in having
9 Gene do this study, bringing Tim in to have an actual
10 inside risk manager for our portfolio, we've already been
11 having discussions internally along the line of looking
12 at what is our cost and profitability by product centers,
13 so that as we go forward next year, my sense is that
14 we're going to be in a better place to say whether or
15 not, you know, jeez, do we really want to do a
16 billion-two of home ownership or are we -- because of the
17 risk trade-offs from that or are we better off from a
18 public policy standpoint dealing 800,000 or a billion --
19 800 million or a billion and move that risk over so we
20 can, you know, do something more that benefits
21 multifamilies.
22 But looking at those things to be able to
23 actually have the information for this board to make
24 those kinds of strategic planning or policy allocation
25 issues that you have had to do in the past, this body has

1 had to do in the past, a little bit more kind of just on,
2 you know, a little bit of trust and faith that we would
3 make the resources happen. And now coming to a point in
4 time where we're going to be that much more diligent in
5 our managing of this.
6 CHAIRPERSON COURSON: I certainly consider this
7 a -- now a normal, ongoing work in progress that we
8 continue, having got this body of information and so on,
9 as we move forward and meet with the rating agencies,
10 that we have the discussion about conversations there, as
11 we talk about different initiatives and so on. We've
12 just introduced, really, another very important fact and
13 set of facts that we can take a look at as a board to
14 judge as opposed to, as Terri says, sort of intuitively
15 know and think that this is the right thing to do. We've
16 got something else.
17 And, frankly, as a board it's our job to be
18 looking up four and five years in the future to make sure
19 that the mission that we're accomplishing today doesn't
20 imperil the mission that we should be accomplishing four
21 or five years from now. That's our role. And so this
22 gives us the ability to do that. And, frankly, in my
23 mind, and I think probably the other board member, it
24 raises our level of awareness to drill down and ask those
25 kinds of questions and make sure we've got some sense of

1 comfort of the kind of things that we're talking about
2 doing.
3 MR. SLATER: I'd say you're in a -- I don't think
4 there's anything imminent. I think you have two or three
5 years before, you know, push will come to shove, because
6 we'll reduce their percentages, you know. These things
7 happen gradually over time, and even assuming you didn't
8 do anything differently. But you have so many choices
9 available. In some ways to me starting out in this
10 position where you have the first cut of the analysis
11 with S&P where they are, there's not a problem right now.
12 That wasn't true when we started in some of these other
13 states.
14 So I think, you know, there's good news here as
15 well, but forecasting out, continuing to do precisely the
16 same things in the same ways, yes, it's going to be an
17 issue. And so it gives you the chance to do each of
18 these things. Some of the things I think we can start
19 doing before. There are certain decisions -- I mean, to
20 sort of suggest a whole other way of thinking being it.
21 And I think what's most important is viewing this
22 not as a, you know, one time you did this analysis, but
23 viewing this as an ongoing set of decisions that you use
24 this and incorporate and effect it in a sort of dynamic
25 way and say, gee, you know, if we lower production -- you

1 know, we can test that out, 800 million versus a billion
2 versus 1.2 billion, whatever to the level of spread.
3 Maybe our interest rate could be then 15 basis points
4 higher. That would put us in a different position.
5 We couldn't be issuing taxable bonds, for
6 example. This has been sort of one of my things, idea
7 fixed from the beginning. If you're doing a little less
8 production, nontaxable bonds, that may have an impact.
9 Tim and I may disagree, but we can model that and say,
10 you know, what is the consequence of doing that, you
11 know, on the Agency, and we can find out.
12 CHAIRPERSON COURSON: Okay. Other questions or
13 comments? Mr. Carey.
14 MR. CAREY: I just want to say this is excellent,
15 and I think that what it does is gives us a tool not to
16 dictate what we do but to assist us in directing the
17 resources in the direction we want them to go,
18 understanding the long-term implications of it. And I
19 think it's an excellent process.
20 MS. PARKER: Well, it's a little bit -- you know,
21 it eliminates some of that crystal ball, you know, that
22 one has, the leap of faith. I think what we're really
23 hoping with this is to able to give more information,
24 recognizing there's always -- you can't get enough, but
25 for decisionmaking purposes. And given that the

1 challenges in California for affordable housing are only
2 going to continue to be greater, we're going to have to
3 really try to continue to be as best position as we
4 probably can to make a difference.
5 CHAIRPERSON COURSON: Bruce and Gene, I thank
6 you. I know you've toiled over this, particularly over
7 the last few days, to bring it to this point. And your
8 efforts were well worthwhile and certainly well received
9 by the board. And I think that this is just the type of
10 thing that we've done our educational things on, the type
11 of thing that the board -- clearly lets us understand our
12 fiduciary responsibilities here and be better guardians,
13 if you will, of the mission of the Agency today and as we
14 go forward. So I appreciate it very much, thank you.
15 MS. PARKER: Kudos, Gene, from the standpoint of
16 I know how difficult it was for many of the board members
17 the first presentation. I think we felt like we might
18 have lost a few of you, but I think today was just at
19 that right level of being able to understand the
20 complexities of us and yet really be able to provide
21 education.
22 And, Carol, I'm really -- was very pleased about
23 your ability to come today because I knew this would be
24 so crucial for the new board members.
25 CHAIRPERSON COURSON: And I'm sorry that the

1 three members that aren't here couldn't be here, although
2 I'm quick to add that I don't think that you're being on
3 the agenda, Gene, drove them away from the board meeting.
4 I think there were other circumstances. But I'm
5 sorry they missed that. And it's important and we'll try
6 to make sure that they get the information and clearly up
7 to speed also.
8 MR. SLATER: I'm happy to do another thing just
9 for them, if that would be useful.
10 CHAIRPERSON COURSON: Thank you.
11 --o0o--
12 Item 4. Resolution 05-28 (Woodland Terrace), continued
13 CHAIRPERSON COURSON: As we said we would do,
14 Mr. Augustine has now rejoined us some time ago. And at
15 the point in the projects we were -- had discussed and
16 had some questions on the Woodland Terrace project. And
17 if there are no additional questions or discussion of
18 that project, a motion would be in order.
19 MR. CAREY: I'd move adoption of resolution
20 05-28,Woodland Terrace.
21 CHAIRPERSON COURSON: Okay.
22 MS. WEIR: Second.
23 CHAIRPERSON COURSON: And a second by Ms. Weir.
24 Is there any further discussion, any discussion or
25 comments from the public?

(No audible response.)

CHAIRPERSON COURSON: Let's call the roll.

MS. OJIMA: Thank you.

Ms. Weir.

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Friedman.

MR. FRIEDMAN: Yes.

MS. OJIMA: Ms. Galante.

MS. GALANTE: Yes.

MS. OJIMA: Mr. Augustine.

MR. AUGUSTINE: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 05-28 has been approved.

--o0o--

Item 5. Resolution 05-29 (Fairgrounds Family Housing-HACSC), continued

CHAIRPERSON COURSON: And the last project, which was the -- a modification of the Fairgrounds Family Housing project, if there aren't any additional questions or comments from the board or the public, a motion there would be in order.

MS. WEIR: Move approval.

1 CHAIRPERSON COURSON: Ms. Weir.
2 MR. FRIEDMAN: Second.
3 CHAIRPERSON COURSON: And second by Mr. Friedman.
4 Let's call the roll.
5 MS. OJIMA: Ms. Weir.
6 MS. WEIR: Yes.
7 MS. OJIMA: Mr. Carey.
8 MR. CAREY: Yes.
9 MS. OJIMA: Mr. Friedman.
10 MR. FRIEDMAN: Yes.
11 MS. OJIMA: Ms. Galante.
12 MS. GALANTE: Yes.
13 MS. OJIMA: Mr. Augustine.
14 MR. AUGUSTINE: Yes.
15 MS. OJIMA: Mr. Courson.
16 CHAIRPERSON COURSON: Yes.
17 MS. OJIMA: Resolution 05-29 has been approved.
18 CHAIRPERSON COURSON: Thank you.
19 --o0o--
20 Item 7. Reports
21 CHAIRPERSON COURSON: You'll see in the board, in
22 the book, the reports, the normal reports we have on the
23 financing, the legislative activity, and then some
24 comments on the website. The one thing that we do have,
25 and, Bruce, I would -- Bruce and I talked briefly. You

1 have the financing reports, and Bruce, you want to just
2 briefly talk about the new issuance that --
3 MR. GILBERTSON: I think the only thing that I
4 was going to add regarding the financing reports that is
5 unique is there's two reports on new debt issuance. One
6 of those was for single-family programs. The bonds that
7 we issued in May was the first time we issued bonds for
8 our new interest-only program. It was a $50 million
9 component, so we did some unique structuring around that.
10 You heard a lot about prepayment speeds today. We --
11 first time out, we're quite conservative with that. We
12 assumed that all of those loans would prepay at the end
13 of five years so we have the right to, you know,
14 terminate our related interest rate swaps at par at the
15 end of five years.
16 We just executed some additional interest rate
17 swap trades today for a proposed bond issuance that will
18 close at the end of July. It has a large component of
19 the bond proceeds to be utilized for the
20 interest-only-plus program, and so our knowledge and our
21 ability to structure for the interest-only program is
22 continuing to evolve.
23 I'd be happy to answer any questions if you have
24 them regarding any of the reports.
25 CHAIRPERSON COURSON: I thought it was important,

since this was an initial issuance of this structure, that we have Bruce talk about it.

--o0o--

Item 8. Discussion of other Board matters

CHAIRPERSON COURSON: Are there any other matters to come before the board?

(No audible response.)

--o0o--

Item 9. Public testimony

CHAIRPERSON COURSON: Any matters from the public?

(No audible response.)

CHAIRPERSON COURSON: Seeing none, our next meeting is in Burbank on September the 8th, and I will adjourn. The meeting is adjourned.

(The meeting concluded at 12:27 p.m.)

--o0o--

1 REPORTER'S CERTIFICATE

2

3 I hereby certify the foregoing proceedings were
4 reported by me at the time and place therein named; that
5 the proceedings were reported by me, a duly certified
6 shorthand reporter and a disinterested person, and was
7 thereafter transcribed into typewriting by computer.
8 In witness whereof, I have hereunto set my hand
9 this 13th day of July, 2005.
10
11
12 _____
13 Yvonne K. Fenner
Certified Shorthand Reporter
14 License No. 10909, RPR
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CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Hemet Estates Apartments
Hemet, Riverside County, CA
CalHFA # 05-013 A/S

SUMMARY

This is a Final Commitment request. Security for the loans will be an 80-unit family apartment complex known as Hemet Estates Apartments, located at 1101 East Menlo Avenue, Hemet, California. Hemet Estates Affordable, L.P., (to be formed), whose managing general partners are Hemet Estates Residential, LLC and Las Palmas Foundation, a California nonprofit corporation, will own the project.

Hemet Estates Apartments is an existing portfolio loan currently owned by Hemet Estates Limited Partnership, a California limited partnership, whose general partner is a real estate investment trust known as Apartment Investment & Management Company (AIMCO). The project was constructed in 1982 and will be an acquisition/rehabilitation of an 80-unit, two-story, garden style plus townhomes, family apartment complex in Hemet. The project is 100% Section 8 and the initial 20-year term of its HAP contract plus two (2) additional 5-year renewals expires on February 15, 2013.

LOAN TERMS

Acquisition/Rehabilitation

First Mortgage	$3,500,000
Interest Rate	5.11%, variable
Term	24 Months, interest only
Financing	Tax-exempt
Second Mortgage*	$1,100,000
Interest Rate	5.55% (blended rate)
Term	8 year fixed, fully amortized
Financing	$600,000 tax-exempt $500,000 taxable

*At the time of permanent loan funding, this loan will remain in place and will be subordinate to the CalHFA's Permanent First Mortgage.

Permanent

First Mortgage	$3,500,000
Interest Rate	5.30%
Term	30 year fixed, fully amortized
Financing	Tax-exempt

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

OTHER FINANCING

There is no other financing involved in this transaction

HOUSING ASSISTANCE PAYMENT ("HAP") CONTRACT

The original HAP contract was executed on April 23, 1983, for a term of 20 years. The HAP contract expired on February 15, 2003, and by its terms, was extended for the first of two (2) additional 5-year terms (10 years total). The contract is in the first 5-year renewal period. CalHFA is the Section 8 Contract Administrator.

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

CalHFA is currently seeking approval from the Los Angeles HUD office recommending that the existing 10-year HAP contract remain in place with HUD. A response from HUD is still pending. In addition, a transition reserve of $238,000 will be funded at permanent loan closing representing approximately 12months of debt service reserve towards any potential shortfall in Section 8 funding.

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

This project is a post 1980 HAP contract with limited distribution to the project sponsor. The existing residual receipts reserve along with the existing replacement and operating reserves will be transferred with the property and Hemet Estates Affordable, L.P upon ownership. In addition, the project is subject to a FAF Refunding Agreement dated June 1, 1992. The Rental Housing Construction Program (RHCP) contract is co-terminous with the original HAP contract that will expire on February 15, 2013.

PROJECT DESCRIPTION

Project Location

- The project is located in the northeastern area of the city of Hemet, 20 miles southeast of the city of Riverside/Moreno Valley city limits, in Riverside County.
- Hemet is 13 miles east of Interstate 25, and 12 miles south of Interstate 10. The site is 0.75 miles north of Highway 74, also known as Florida Avenue, which is the major east/west route through the region, and just 200 yards west of Highway 79 (San Jacinto Avenue), which extends north 12± miles to connect with Interstate 10.
- Hemet is adjacent to the city of San Jacinto. Banning is approximately 12 miles north, and Sun City is approximately 13 miles southwest. The Soboba Indian Reservation and San Bernardino National Forest are to the east.

- The site is located at 1101 E. Menlo Avenue, two lots west of Highway 79, adjoining the San Jacinto city limits.
- Land uses in the site vicinity include single-family homes (southwest), vacant land (east, west), cemetery (north), and an industrial building (south).
- Proximity to off-site amenities is average/good for the area. A bus stop is within 0.11 miles; grocery store, pharmacies and hospitals are within 0.75 miles.

Site

- The site is a rectangular shape parcel and is 4.67 acres in size.
- The site is zoned C-2. This is a commercial land use zoning designation and is legally non-conforming.
- The project total is 80 units or 17 units per acre. The subject property was developed in 1982 when this site was zoned R-3. This is less than the maximum allowed number of units at 117 units for this site with C-2 zoning. Under the revised general plan, these improvements could be rebuilt in their present configuration if damaged by fire or earthquake if no more than 50% of the improvement value is damaged and the improvements were not vacant more than 180 days.
- The subject and surrounding land uses are consistent with the zoning of the area.

Improvements

- This 80-unit project was built in 1982 and consists of fourteen 2-story buildings. The basic structure is wood frame with stucco exterior. Access for all the units is through exterior walkways. Exterior stairs and walkway decks provide access to the second floor one-bedroom units. The roofing on all the buildings is just over 10 years old.
- The one- and two-bedroom units are flat style units. The three bedroom units are townhome-configured units. Each unit has a garbage disposal, ceiling fans, walk-in closets, and a patio or balcony with exterior storage closet.
- The common area amenities include a community room with a kitchen, laundry facility, and a leasing office.
- The project offers 172 uncovered, open parking spaces.

PHYSICAL NEEDS ASSESSMENT / SCOPE OF WORK

- The project is in average overall condition for a development of this type when compared to other developments of similar type and age in the City of Hemet and surrounding areas.
- The scope of rehabilitation work totals $1,408,000 or $18,500 per unit and includes:
- **Site work, $391,200** – walkways/asphalt repair, seal coat, and restriping ($95,000), wrought iron fencing with security gates and automated entry system ($92,800), playground and landscaping ($42,500), termite remediation ($42,000), community and laundry room upgrades ($50,000), playground, signage, and miscellaneous ($68,900).
- **Building and common areas, $291,200** – exterior painting ($52,000), and ADA compliance upgrades ($19,200), roof repair ($170,000), and rough carpentry ($50,000).
- **Mechanical systems, $125,905** – HVAC condenser replacement ($30,800), plumbing ($68,065), and electrical work ($27,040).
- **Residential Units, $408,085** – dual pane windows ($319,275), cabinets ($77,990), flooring ($8,320), and range hoods ($2,500 for 20 units).

- Work is scheduled to commence no later than January 2006 and be completed within 10 months after commencement.

Off-site improvements

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

Relocation

- There is approximately $53,500 in relocation expense allocated for this project. Most of the renovation will take place around the occupied units. The rehabilitation plan does not assume invasive construction activity. However, specific interior unit renovation such as window replacement, vinyl flooring, and cabinet replacement is going to take place on a building-by-building basis and is scheduled to be completed within 3 days per building. The residents will be offered a hotel voucher or cash equivalent for inconvenience. The Borrower will provide transportation and moving arrangements. In addition, these temporary displaced residents shall be entitled to compensation for all reasonable out of pocket expenses incurred in connection with temporary relocation.

  The Borrower will conduct tenant orientation meetings prior to the purchase of the property and before and during the rehabilitation period regarding the scope of work, timelines, and address any tenant issue or concerns regarding the project.

MARKET

Market Overview

The Primary Market Area [PMA] includes Hemet and the adjoining city of San Jacinto. PMA boundaries extend approximately four miles from the subject property.

The defined PMA comprises 98,055 people in 39,414 households per 2005 ESRI estimates. The population is forecast by ESRI to increase by nearly 20,000 people during the next five years. The median household income for the PMA is far below the Riverside County median (-37%), and nearly half (46%) of PMA residents have annual incomes below $25,000 (vs. 28% countywide). Nearly one out of every three households (31%) in the PMA falls within the targeted income band for family LIHTC units rent- and income-restricted at 50% to 60% MAI.

<u>Housing Supply and Demand</u>

The rental stock in the PMA is primarily comprised of 1970s and 1980s-era garden-style product, with very modest amounts of new multi-family construction. Residential building permit activity shows just 178 units in structures of 3+ units permitted during the past 5.5 years (2000 through April 2005), representing just 3% of all 6,010 units permitted during that time frame.

While for-sale housing activity has surged in Hemet/San Jacinto, as development continues to push out from central Riverside County, prices have escalated rapidly as well. The median home sales price in the San Jacinto Valley, at $308,750 per March 2005 data, rose 31.2% in 15 months. [UCLA Anderson Forecast] Increasing home prices have put upward pressure on the local rental market.

Apartment rents in the city of Hemet increased 4.3% during the 12-month period between First Quarter 2004 and First Quarter 2005, based on RealFacts audits covering 1,643 units in nine market rate properties.

Occupancy rates for seven stabilized market rate properties within one mile of the subject property average 98.6% in June 2005.

Just four family LIHTC projects have been built in the two cities, totaling 237 units. Against projected demand for family LIHTC units at 50% and 60% MAI, the affordable supply is at less than 20% penetration, with demand outstripping supply by a ratio of 6:1.

PROJECT FEASIBILITY

Estimated Lease-up Period

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

ENVIRONMENTAL

Barr & Clark Environmental completed a Phase I Environmental Assessment report on June 20, 2005. The report concludes that there are no adverse environmental conditions that warrant further investigation or remedial action.

SEISMIC

A seismic review assessment was performed by URS Corporation on August 1, 2005. The damage ratio met the Agency's seismic risk criteria and no further review is needed.

DEVELOPMENT TEAM

Borrower

Hemet Estates Affordable, L.P. (to be formed)

- The non-profit Managing General Partner will be Las Palmas Foundation, located in Carlsbad, California.
- The co-general partner and sponsor/developer, Hemet Estates Residential LLC, a subsidiary of Bentall Residential LLC (Bentall), will be an initial general partner in the LP. Bentall was founded in 2002 in Irvine, California to acquire and manage affordable and market rate multifamily housing in the United States. Bentall has over 20 years of experience developing affordable quality rental housing. Bentall has developed 6 senior/family facilities representing over 2,251 units, in San Jose, Oakland, and various cities throughout Southern California.

Bentall has developed projects with CalHFA including Baywood (77-unit, senior facility), El Rancho Verde (700-unit, senior facility), Coronado Terrace (312-unit family facility), Summercrest (372-unit, family and senior facility) and Vista Terrace Hills (262-unit, family facility)

Management Agent

The John Stewart Company

- The John Stewart Company will manage the property. The John Stewart Company was founded in 1978 and provides management, development and consulting services for non-profit and private sector clients throughout California. The John Stewart Company services approximately 200 housing developments representing 20,000 residential units for low-income to extremely low-income persons. The John Stewart Company manages various types of properties including senior communities, tax credit projects, HUD, and Section 8 properties.

Architect

Gary R. Collins and Associates (GRC+A)

- GRC+A. located in Costa Mesa, has provided planning and design services since 1976. The Borrower has engaged GRC+A to assist them in project design, renovation, and construction management during the rehabilitation process. GRC+A has designed over 37 multifamily projects in Southern California, including The Ronald McDonald House in Orange, California.

Contractor

ICON Builders

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

PROJECT SUMMARY — PROJECT NUMBER: 05-013-A/S

Final Commitment

Project:	**Hemet Estates**		
Location:	1101 East Menlo Avenue	***Developer:***	**Bentall Residential**
City:	Hemet	***Partner:***	0
County:	Riverside	***Investor:***	Yet to be determined
Zip Code:	92543-7910		
		No. of Buildings:	16
Project Type:	Rehabilitation	*No. of Stories:*	2
Occupancy:	Family	*Residential Space*	72,876 sq. ft.
Total Units:	80	*Office Space*	600 sq. ft.
Style Units:	Townhomes & Flats	*Commercial Space*	0 sq. ft.
Elevators:	None	*Gross Area*	73,476 sq. ft.
Total Parking	172	*Land Area*	203,425 sq. ft.
Covered	84	*Units per acre*	17

CalHFA Acq/Rehab Financing	Amount	Rate	Term (Mths)
CalHFA Acquisition Financing	$3,500,000	5.11%	24

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	**$3,500,000**	**5.30%**	**30**
CalHFA Bridge Loan	**$0**	**0.00%**	**0**
CalHFA 2nd Mortgage -$500,000 taxa[illegible]nded at Acquisition)	**$1,100,000**	**5.55%**	**8**
Replacement Reserves	$106,547	0.00%	0
Earned Surplus	$121,045	0.00%	0
Source 4	$0	0.00%	0
Source 5	$0	0.00%	0
Source 6	$0	0.00%	0
Source 7	$0	0.00%	0
Source 8	$0	0.00%	0
Source 9	$0	0.00%	0
Source 10	$0	0.00%	0
Source 11	$0	0.00%	0
Source 12	$0	0.00%	0
Income from Operations	$0		
Developer Contribution - Mezz. Loan	$0		
Deferred Dev. Fee	$416,638		
Tax Credit Equity	$1,702,215		

Construction Valuation		Appraisal		Value Upon Completion	
Investment Value	$8,250,000	**Appraisal Date:**	**7/1/05**	**Restricted Value**	$6,100,000
Loan / Cost	71%	**Cap Rate:**	**7.00%**	**Perm. Loan / Cost**	66%
Loan / Value	56%			**Perm. Loan / Value**	75%

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	**Amount**	**Required Reserves**	**Amount**
CalHFA Construction Loan Fee	$46,000	Other Reserve	$0
CalHFA Permanent Loan Fees	$17,500	Replacement Resv. Initial Deposit	$80,000
Other Fee	$0	Repl. Reserve - Per Unit/ Per Yr	$350
Construction Loan - Guarantees and Fees		CalHFA Operating Expense Reserve	$79,413
Completion Guarantee Fee	$0	Rent Up Reserve	$0
Contractors Performance/Payme	$1,455,408	Other Reserve	$0
		Transition Operating Reserve	$238,000

Date: 8/24/2005 **Senior Staff Date:** 8/23/2005

UNIT MIX AND RENT SUMMARY — Hemet Estates

05-013-A/S

Total Unit Mix

# of Units	Unit Type	# of Baths	Average Sq. Ft.
16	1 Bedroom Flat	1	665
44	2 Bedroom Flat	1	851
	2 Bedroom Townhome	1.5	
	2 Bedroom Townhome	2	
20	3 Bedroom Townhome	1.75	1,209
	4 Bedroom Townhome	2.5	
80			

Number of Regulated Units By Agency

Agency	35%	45%	50%	60%	80%
CalHFA			16		
Tax Credits				80	
Locality					
HCD					
AHP					
Zoning					
Other					

Restricted Rents Compared to Average Market Rents

Median Income Rent Levels	Units Restricted	Restricted Rents	Avg. Market Rate Rents	Dollars Difference	% of Market
One Bedroom			$670		
35%	0	$0		$0	0%
45%	0	$0		$0	0%
50%	5	$463		$207	69%
60%	11	$568		$102	85%
80%	0	$0		$0	0%
Two Bedroom			$750		
35%	0	$0		$0	0%
45%	0	$0		$0	0%
50%	14	$550		$200	73%
60%	30	$675		$75	90%
80%	0	$0		$0	0%
Three Bedroom			$1,000		
35%	0	$0		$0	0%
45%	0	$0		$0	0%
50%	6	$604		$396	60%
60%	13	$776		$224	78%
80%	0	$0		$0	0%
Four Bedroom			$0		
35%	0	$0		$0	0%
45%	0	$0		$0	0%
50%	0	$0		$0	0%
60%	0	$0		$0	0%
80%	0	$0		$0	0%

Sources and Uses of Funds — Hemet Estates

05-013-A/S
Final Commitment

SOURCES OF FUNDS:	Funds in during Acq/Rehab ($)	Funds in at Permanent ($)	Total Development Sources: Total Sources of Funds ($)	Sources per Unit	%
CalHFA Acquisition Financing	3,500,000				
Construction Only Source 2	-				
Construction Only Source 3	-				
CalHFA First Mortgage		3,500,000	3,500,000	43,750	50%
CalHFA 2nd Mortgage -$500,000 taxable	1,100,000	-	1,100,000	13,750	16%
Replacement Reserves	106,547	-	106,547	1,332	2%
Earned Surplus	121,045	-	121,045	1,513	2%
Source 4	-	-	-	-	0%
Source 5	-	-	-	-	0%
Source 6	-	-	-	-	0%
Source 7	-	-	-	-	0%
Source 8	-	-	-	-	0%
Source 9	-	-	-	-	0%
Source 10	-	-	-	-	0%
Source 11	-	-	-	-	0%
Source 12	-	-	-	-	0%
Income from Operations	-	-	-	-	0%
Developer Contribution - Mezz. Loan	-	-	-	-	0%
Deferred Developer Fee	134,146	282,492	416,638	5,208	6%
Tax Credit Equity	1,531,994	170,221	1,702,215	21,278	25%
Total Sources	6,493,732	3,952,713	6,946,445	86,831	100%
(Gap)/Surplus	-	0	0		

USES OF FUNDS:	Acq/Rehab ($)	Permanent ($)	Total Development Costs: Total Uses of Funds ($)	Cost per Unit	%
LOAN PAYOFFS & ROLLOVERS					
Construction Loan payoffs		**3,500,000**			
ACQUISITION					
Lesser of Land Cost or Value	3,524,862	-	3,524,862	44,061	51%
Seller's Prepayment Penalty	175,138	-	175,138	2,189	3%
Legal - Acquisition Related Fees	15,000	-	15,000	188	0%
Subtotal - Land Cost / Value	3,715,000	-	3,715,000		
Existing Improvements Value	-	-	-	-	0%
Off-Site Improvements	-	-	-	-	0%
Other	-	-	-	-	0%
Total Acquisition	**3,715,000**	**-**	**3,715,000**	**46,438**	**53%**
REHABILITATION					
Site Work	325,433	-	325,433	4,068	5%
Rehab to Structures	925,710	-	925,710	11,571	13%
General Requirements	75,069	-	75,069	938	1%
Contractors Overhead	26,524	-	26,524	332	0%
Contractors Profit	81,164	-	81,164	1,015	1%
Contractor's Bond	25,093	-	25,093	314	0%
General Liability Insurance	21,508	-	21,508	269	0%
Environmental Mitigation Expense	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Rehabilitation	**1,480,501**	**-**	**1,480,501**	**18,506**	**21%**
RELOCATION EXPENSES					
Relocation Expense	53,500	-	53,500	669	1%
Relocation Compliance Monitoring	-	-	-	-	0%
Total Relocation	**53,500**	**-**	**53,500**	**669**	**1%**

(Continued on Next 2 Pages)

USES OF FUNDS (Cont'd):	Acq/Rehab ($)	Permanent ($)	Total Development Costs		
			Total Uses of Funds ($)	Cost per Unit per Unit	%
NEW CONSTRUCTION					
Site Work	-	-	-	-	0%
Structures (Hard Costs)	-	-	-	-	0%
General Requirements	-	-	-	-	0%
Contractors Overhead	-	-	-	-	0%
Contractors Profit	-	-	-	-	0%
Contractor's Perf. & Pymt Bond	-	-	-	-	0%
General Liability Insurance	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total New Construction	**-**	**-**	**-**	**-**	**0%**
ARCHITECTURAL & ENGINEERING					
Architectural Design	15,000	-	15,000	188	0%
Architect's Supv during Construction	-	-	-	-	0%
Total Architectural	**15,000**	**-**	**15,000**	**188**	**0%**
Engineering Expense	21,000	-	21,000	263	0%
Engineers Supv. during Construction	-	-	-	-	0%
ALTA Survey	-	-	-	-	0%
Total Engineering & Survey	**21,000**	**-**	**21,000**	**263**	**0%**
ACQUISITION LOAN COSTS					
Construction Loan Interest	-		-	-	0%
CalHFA Acq/Rehab Loan Fee	46,000		46,000	575	1%
Other Construction Loan Fees	-		-	-	0%
CalHFA Outside Legal Counsel Fees	20,000		20,000	250	0%
Other Lender Req'd Legal Fees	-		-	-	0%
Title and Recording fees	5,000		5,000	63	0%
CalHFA Req'd Inspection Fees	9,000		9,000	113	0%
Other Req'd Inspection Fees	-		-	-	0%
Prevailing Wage Monitoring Expense	-		-	-	0%
Taxes & Insurance during construction	-		-	-	0%
Predevelopment Interest	-		-	-	0%
Cost for Completion Guarantee	-		-	-	0%
Other	22,007		22,007	275	0%
Total Construction Loan Expense	**102,007**	**-**	**102,007**	**1,275**	**1%**
PERMANENT LOAN COSTS					
CalHFA Perm Loan Fees	-	17,500	17,500	219	0%
CalHFA Bridge Loan Fees	-	-	-	-	0%
CalHFA Loan Application Fee	500	-	500	6	0%
Other Lender Perm. Loan Fees	-	-	-	-	0%
Title and Recording	-	5,000	5,000	63	0%
Perm. Bridge Loan Interest Expense	-	-	-	-	0%
Bond Origination Guarantee Fee	-	-	-	-	0%
Tax Exempt Bond Allocation Fee	600	-	600	8	0%
Other	-	-	-	-	0%
Total Permanent Loan Expense	**1,100**	**22,500**	**23,600**	**295**	**0%**
LEGAL FEES					
Borrower Legal Fee	75,000	-	75,000	938	1%
Other	-	-	-	-	0%
Total Attorney Expense	**75,000**	**-**	**75,000**	**938**	**1%**

USES OF FUNDS (Cont'd):	Acq/Rehab ($)	Permanent ($)	Total Development Costs		
			Permanent of Funds ($)	Per Unit per Unit	%
CONTRACT / REPORT COSTS					
Appraisal	10,000	-	10,000	125	0%
Market Study	14,000	-	14,000	175	0%
Physical Needs Assessment	-	-	-	-	0%
HUD Risk Share Environ. Review	-	-	-	-	0%
CalHFA EQ Waiver Seismic Review Fee	-	-	-	-	0%
Environmental Phase I / II Reports	-	-	-	-	0%
Soils / Geotech Reports	-	-	-	-	0%
Asbestos / Lead-based Paint Report	-	-	-	-	0%
Noise/Acoustical/Traffic Study Report	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Contract Costs	**24,000**	**-**	**24,000**	**300**	**0%**
CONTINGENCY					
Hard Cost Contingency	148,000	-	148,000	1,850	2%
Soft Cost Contingency	20,000	-	20,000	250	0%
Total Contingency	**168,000**	**-**	**168,000**	**2,100**	**2%**
RESERVES					
CalHFA Operating Expense Reserve	-	79,413	79,413	993	1%
Construction Defects Reserve	-	-	-	-	0%
Replacement Resv. Initial Deposit	-	80,000	80,000	1,000	1%
Capitalized Investor Req'd Reserve	-	-	-	-	0%
Transition Operating Reserve	-	238,000	238,000	2,975	3%
Total Reserves	**-**	**397,413**	**397,413**	**4,968**	**6%**
OTHER					
CTCAC App/Alloc/Monitor Fees	4,050	32,800	36,850	461	1%
Local Permit Fees	12,000	-	12,000	150	0%
Local Development Impact Fees	-	-	-	-	0%
Other Local Fees	-	-	-	-	0%
Advertising & Marketing Expenses	-	-	-	-	0%
1st Year Taxes & Insurance	42,610	-	42,610	533	1%
Furnishings	50,000	-	50,000	625	1%
Final Cost Audit Expense	-	-	-	-	0%
Miscellaneous Admin Fees	3,964	-	3,964	50	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Other Expenses	**112,624**	**32,800**	**145,424**	**1,818**	**2%**
SUBTOTAL PROJECT COSTS	**5,767,732**	**3,952,713**	**6,220,445**	**77,756**	**90%**
DEVELOPER COSTS					
Developer Overhead/Profit (5% Acq.)	726,000	-	726,000	9,075	10%
Developer Overhead/Profit (NC/Rehab)	-	-	-	-	0%
Consultant / Processing Agent	-	-	-	-	0%
Project Administration	-	-	-	-	0%
Broker Fees to a related party	-	-	-	-	0%
Construction Mgmt. Oversight	-	-	-	-	0%
Other	-	-	-	-	0%
Total Developer Fee / Costs	**726,000**	**-**	**726,000**	**9,075**	**10%**
Total Costs	**6,493,732**	**3,952,713**	**6,946,445**	**86,831**	**100%**

Annual Operating Budget — Hemet Estates

Final Commitment

INCOME:	$ Amount	Per Unit	% of Total
Total Rental Income	$826,572	$10,332	99.44%
Laundry	$4,638	$58	0.56%
Other Income	$0	$0	0.00%
Gross Potential Income (GPI)	**$831,210**	**$10,390**	100.00%
Less:			
Vacancy Loss	$37,083	$464	4.67%
Effective Gross Income	**$794,127**	**$9,927**	

EXPENSES:	Total Cost	Per Unit	% of Total
Payroll	$89,151	$1,114	25.07%
Administrative	$23,798	$297	6.69%
Management fee	$42,720	$534	12.01%
Utilities	$59,604	$745	16.76%
Operating and Maintenance	$78,830	$985	22.17%
Insurance and Business Taxes	$31,968	$400	8.99%
Locality Compliance Monitoring Fee	$0	$0	0.00%
Other	$0	$0	0.00%
Subtotal Expenses	**$326,071**	$4,076	91.69%
Replacement Reserves	$28,000	$350	7.87%
Taxes & Assessments	$1,558	$19	0.44%
Total Expenses	$355,629	$4,445	100.00%
Financial Expenses			
CalHFA First Mortgage	$178,850	$2,236	
CalHFA 2nd Mortgage -$500,000 taxable	$170,589	$2,132	
Other Required Debt Service	$0	$0	
NET OPERATING INCOME	**$89,059**	**$1,113**	

Cash Flow | Final Commitment | CalHFA Project Number: 05-013-A/S | Hemet Estates | CalHF

RENTAL INCOME	Rehab-Yr. 1	Rehab-Yr. 2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Affordable Rents	602,700	617,768	633,212	649,042	665,268	681,900	698,947	716,421	734,331	752,690	771,507	790,795
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%	2.50%
Rental Subsidies	223,872	228,349	232,916	237,575	242,326	247,173	252,116	257,159	0	0	0	0
Rental Subsidy Increases	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Unrestricted Units	0	0	0	0	0	0	0	0	0	0	0	0
Unrestricted Unit Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME	826,572	846,117	866,128	886,617	907,594	929,073	951,063	973,579	734,331	752,690	771,507	790,795
OTHER INCOME												
Laundry	4,638	4,731	4,826	4,922	5,021	5,121	5,224	5,328	5,435	5,543	5,654	5,767
Other Income	0	0	0	0	0	0	0	0	0	0	0	0
Other Income Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL OTHER INCOME	4,638	4,731	4,826	4,922	5,021	5,121	5,224	5,328	5,435	5,543	5,654	5,767
GROSS POTENTIAL INCOME	831,210	850,848	870,954	891,539	912,615	934,194	956,287	978,908	739,766	758,233	777,161	796,562
VACANCY ASSUMPTIONS												
Affordable (Blended Average)	5.00%	5.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Unrestricted Units	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	37,083	37,975	26,225	26,845	27,479	28,128	28,793	29,474	36,988	37,912	38,858	39,828
EFFECTIVE GROSS INCOME	794,127	812,873	844,729	864,694	885,136	906,065	927,494	949,434	702,778	720,321	738,303	756,734
OPERATING EXPENSES												
Expenses	326,071	337,483	349,295	361,521	374,174	387,270	400,825	414,853	429,373	444,401	459,955	476,054
Annual Expense Increase	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Taxes and Assessments	1,558	1,589	1,621	1,653	1,686	1,720	1,755	1,790	1,825	1,862	1,899	1,937
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%	2.00%
Replacement Reserve	0	0	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%	0.00%	0.00%	5.00%	0.00%	0.00%	0.00%	0.00%	5.00%
TOTAL EXPENSES	327,629	339,073	378,916	391,174	403,860	416,990	430,579	446,043	460,599	475,663	491,255	507,391
NET OPERATING INCOME	466,498	473,800	465,812	473,520	481,276	489,075	496,915	503,391	242,179	244,658	247,049	249,343
DEBT SERVICE												
CalHFA - 1st Mortgage	178,850	178,850	233,228	233,228	233,228	233,228	233,228	233,228	233,228	233,228	233,228	233,228
CalHFA - Bridge Loan	0	0	0	0	0							
CalHFA - 2nd Mortgage	170,589	170,589	170,589	170,589	170,589	170,589	170,589	170,589	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0	0	0
DEBT COVERAGE RATIO	1.33	1.36	1.15	1.17	1.19	1.21	1.23	1.25	1.04	1.05	1.06	1.07
Cash Available for distribution	117,059	124,361	61,995	69,703	77,459	85,258	93,098	99,574	8,951	11,430	13,821	16,115

Cash Flow | A Project Number: 05-013-A/S | Hemet Estates | CalHF

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Affordable Rents	810,564	830,829	851,599	872,889	894,712	917,079	940,006	963,506	987,594	1,012,284
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	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Unrestricted Units	0	0	0	0	0	0	0	0	0	0
Unrestricted Unit Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME	810,564	830,829	851,599	872,889	894,712	917,079	940,006	963,506	987,594	1,012,284
OTHER INCOME										
Laundry	5,883	6,000	6,120	6,243	6,368	6,495	6,625	6,757	6,892	7,030
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	5,883	6,000	6,120	6,243	6,368	6,495	6,625	6,757	6,892	7,030
GROSS POTENTIAL INCOME	816,447	836,829	857,720	879,132	901,079	923,574	946,631	970,264	994,487	1,019,314
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Unrestricted Units	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	40,822	41,841	42,886	43,957	45,054	46,179	47,332	48,513	49,724	50,966
EFFECTIVE GROSS INCOME	775,625	794,987	814,834	835,175	856,025	877,395	899,300	921,751	944,762	968,349
OPERATING EXPENSES										
Expenses	492,716	509,961	527,809	546,283	565,403	585,192	605,673	626,872	648,812	671,521
Annual Expense Increase	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Taxes and Assessments	1,976	2,015	2,056	2,097	2,139	2,182	2,225	2,270	2,315	2,361
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	525,562	542,846	560,735	579,250	598,411	619,787	640,312	661,555	683,541	706,296
NET OPERATING INCOME	250,063	252,141	254,099	255,926	257,614	257,609	258,987	260,195	261,221	262,053
DEBT SERVICE										
CalHFA - 1st Mortgage	233,228	233,228	233,228	233,228	233,228	233,228	233,228	233,228	233,228	233,228
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	1.07	1.08	1.09	1.10	1.10	1.10	1.11	1.12	1.12	1.12
Cash Available for distribution	16,835	18,913	20,871	22,698	24,386	24,381	25,760	26,967	27,993	28,825

Cash Flow | A Project Number: 05-013-A/S | Hemet Estates

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Affordable Rents	1,037,591	1,063,531	1,090,119	1,117,372	1,145,306	1,173,939	1,203,288	1,233,370	1,264,204	1,295,809
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	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Unrestricted Units	0	0	0	0	0	0	0	0	0	0
Unrestricted Unit Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME	1,037,591	1,063,531	1,090,119	1,117,372	1,145,306	1,173,939	1,203,288	1,233,370	1,264,204	1,295,809
OTHER INCOME										
Laundry	7,171	7,314	7,461	7,610	7,762	7,917	8,076	8,237	8,402	8,570
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	7,171	7,314	7,461	7,610	7,762	7,917	8,076	8,237	8,402	8,570
GROSS POTENTIAL INCOME	1,044,762	1,070,845	1,097,580	1,124,982	1,153,068	1,181,856	1,211,363	1,241,607	1,272,606	1,304,379
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Unrestricted Units	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	52,238	53,542	54,879	56,249	57,653	59,093	60,568	62,080	63,630	65,219
EFFECTIVE GROSS INCOME	992,524	1,017,303	1,042,701	1,068,733	1,095,415	1,122,763	1,150,795	1,179,526	1,208,976	1,239,160
OPERATING EXPENSES										
Expenses	695,024	719,350	744,527	770,586	797,556	819,634	840,125	861,128	882,656	904,723
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	2,409	2,457	2,506	2,556	2,607	2,659	2,713	2,767	2,822	2,879
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Replacement Reserve	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	731,467	755,841	781,067	807,176	834,198	858,029	878,573	899,631	921,214	943,337
NET OPERATING INCOME	261,057	261,462	261,633	261,557	261,217	264,734	272,222	279,896	287,761	295,823
DEBT SERVICE										
CalHFA - 1st Mortgage	233,228	233,228	233,228	233,228	233,228	233,228	233,228	233,228	233,228	233,228
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	1.12	1.12	1.12	1.12	1.12	1.14	1.17	1.20	1.23	1.27
Cash Available for distribution	27,829	28,234	28,405	28,329	27,990	31,506	38,994	46,668	54,533	62,595

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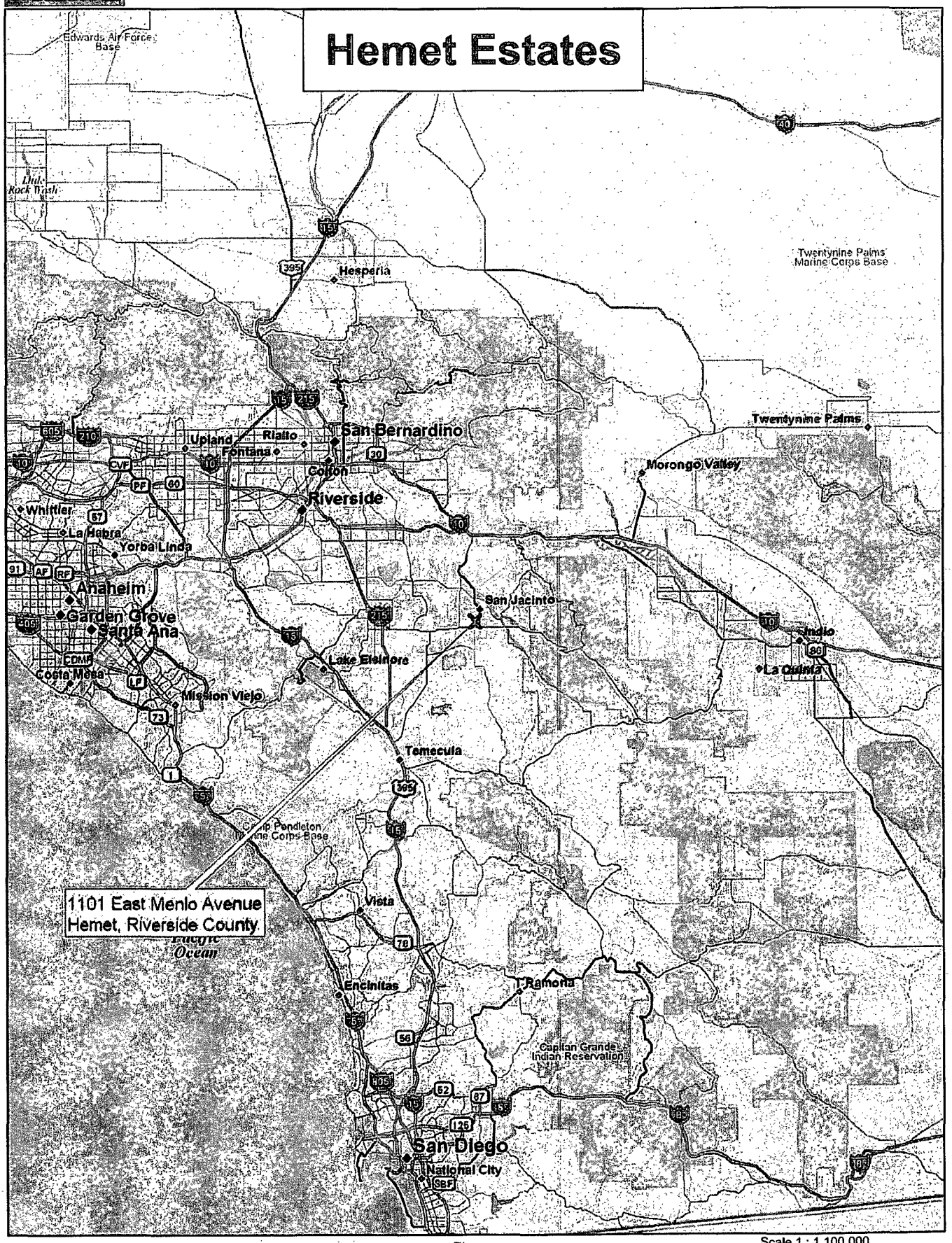
Hemet Estates



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Scale 1 : 1,100,000

1" = 17.36 mi

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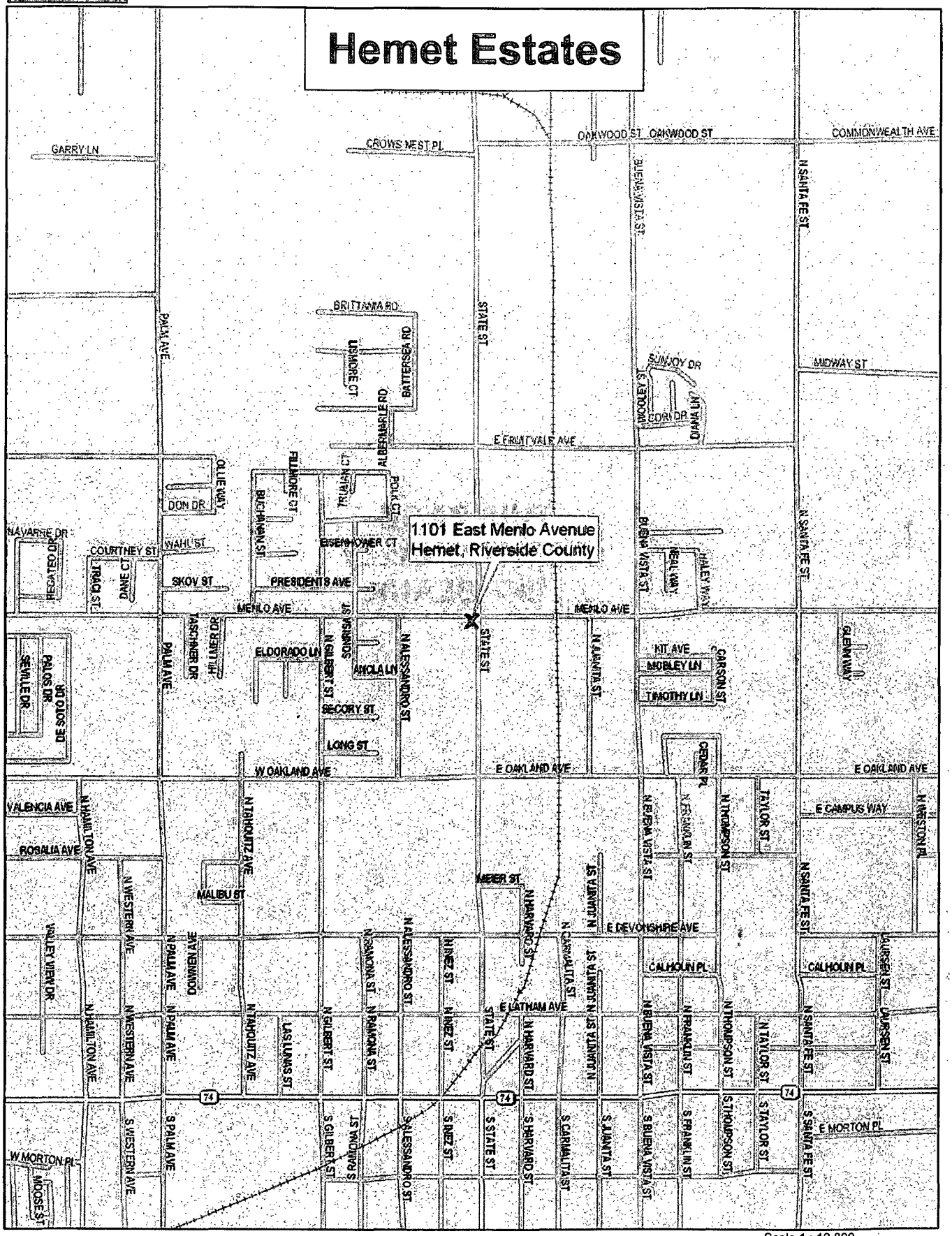
Hemet Estates



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1" = 1,066.7 ft

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RESOLUTION 05-31

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Hemet Estates Affordable, 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 Hemet, Riverside County, California, to be known as Hemet Estates 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 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
05-013-A/S	Hemet Estates Apartments Hemet, Riverside County, CA	$3,500,000 – Acq./Rehab 1st Mortgage $1,100,000 – Acq./Rehab 2nd Mortgage $3,500,000 – Permanent 1st Mortgage

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 05-31 adopted at a duly constituted meeting of the Board of the Agency held on September 8, 2005 at Burbank, California.

ATTEST:_____
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Sterling Village Apartments
San Bernardino, San Bernardino County, CA
CalHFA # 05-014 A/S

SUMMARY

This is a Final Commitment request. Security for the loans will be an 80-unit family apartment complex known as Sterling Village Apartments, located at 7360 Sterling Avenue, San Bernardino, California. Sterling Village Affordable, L.P., (to be formed), whose managing general partners are Sterling Village Residential, LLC and Las Palmas Foundation, a California nonprofit corporation, will own the project.

Sterling Village Apartments is an existing portfolio loan currently owned by Sterling Village, a California limited partnership, whose general partner is a real estate investment trust known as Apartment Investment & Management Company (AIMCO). The project was constructed in 1982 and will be an acquisition/rehabilitation of an 80-unit, two-story, garden style plus townhomes, family apartment complex in San Bernardino. The project is 100% Section 8 and the initial 20-year term of its HAP contract plus two (2) additional 5-year renewals expires on April 30, 2013.

LOAN TERMS

Acquisition/Rehabilitation

First Mortgage	$4,010,000
Interest Rate	5.11%, variable
Term	24 Months, interest only
Financing	Tax-exempt
Second Mortgage*	$500,000
Interest Rate	6.25%
Term	8 year fixed, fully amortized
Financing	Taxable

*At the time of permanent loan funding, this loan will remain on title and will be subordinate to the CalHFA's Permanent First Mortgage.

Permanent

First Mortgage	$4,075,000
Interest Rate	5.30%
Term	30 year fixed, fully amortized
Financing	Tax-exempt

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

OTHER FINANCING

There is no other financing involved in this transaction.

HOUSING ASSISTANCE PAYMENT ("HAP") CONTRACT

The original HAP contract was executed on April 29, 1983, for a term of 20 years. The HAP contract expired on April 30, 2003, and by its terms, was extended for the first of two (2) additional 5-year terms (10 years total). The contract is in the first 5-year renewal period. CalHFA is the Section 8 Contract Administrator.

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

CalHFA is currently seeking approval from the Los Angeles HUD office recommending that the existing 10-year HAP contract remain in place with HUD. A response from HUD is still pending. In addition, a transition reserve of $100,000 will be funded at permanent loan closing representing approximately 4.5 months of debt service reserve towards any potential shortfall in Section 8 funding.

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

This project is a post 1980 HAP contract with limited distribution to the project sponsor. The existing residual receipts reserve along with the existing replacement and operating reserves will be transferred with the property to Sterling Village Affordable, L.P upon ownership. In addition, the project is subject to a FAF Refunding Agreement dated June 1, 1992. The Rental Housing Construction Program (RHCP) contract is co-terminous with the original HAP contract that will expire on April 30, 2013.

PROJECT DESCRIPTION

Project Location

- The project is located in the eastern area of the city of San Bernardino, in San Bernardino County, abutting the eastern city limits of Highland.
- The eastern area of the city is served north and south by Interstate 215 and east and west by Interstate 10. Interstate 215 is located 3.25 miles east of the project and Interstate 10 is located 3.8 miles north of the project.
- San Bernardino is surrounded by the cities of Highland (east), Rialto (west), Colton (southwest), and Loma Linda (south).
- The site is located on the southwest corner of Sterling Avenue and Base Line Street with dual frontage. Sterling Avenue is a minor arterial with Base Line Street as a major east/west arterial that extends 30 miles into Claremont, before merging with Route 66.
- The subject is surrounded by a shopping center anchored by a supermarket (east), vacant land (adjacent south), single family residences and vacant commercial building (west), and zoned commercial land (north across Base Line).

- A bus stop is curbside at the project, a supermarket within 0.10 miles, an elementary school within 0.20 miles, and a medical clinic within 0.30 miles.

Site

- The site is an L shape parcel and is 5.11 acres in size.
- The site is zoned R-2, medium density land use for residential uses only, and is legally non-conforming.
- The project size is 80 units or 16 units per acre. The density allowed under the County of San Bernardino's general plan was higher when the project was originally approved. Since then, the general plan for the subject area was reduced to allow a maximum of 12 units per acre equating to 61 units. Under the revised general plan, these improvements could be rebuilt in their present configuration if damaged by fire or earthquake if no more than 50% of the improvement value is damaged and the improvements were not vacant more than 180 days.
- The subject and surrounding land uses are consistent with the zoning of the area.

Improvements

- This 80-unit project was built in 1982 and consists of twelve 2-story buildings. The basic structure is wood frame with stucco exterior. Access for all the units is through exterior walkways. Exterior stairs and walkway decks provide access to the second floor one-bedroom units. The roofing on all the buildings is just over 10 years old.
- The one-bedroom units are flat style units. The two and three-bedroom units are townhome-configured units. Each unit has a garbage disposal, ceiling fans, walk-in closets, and a patio or balcony with exterior storage closet. The townhome units also have a private fenced patio.
- The common area amenities include a community room with a kitchen, three laundry rooms, a leasing office, two children tot lots, and one play court.
- The project offers 184 uncovered, open parking spaces.

PHYSICAL NEEDS ASSESSMENT / SCOPE OF WORK

- The project is in average overall condition for a development of this type when compared to other developments of similar type and age in the City of San Bernardino/Highland.
- The scope of rehabilitation work totals $1,408,000 or $18,500 a unit and includes:
- **Site work, $489,800** – walkways/asphalt repair, seal coat, and restriping ($144,400), wrought iron fencing with security gates and automated entry system ($118,400), playground and landscaping ($42,500), termite remediation ($42,000), community and laundry room upgrades ($50,000), deck and stair coating, signage, and miscellaneous ($52,500).
- **Building and common areas, $173,800** – exterior painting ($130,000), and ADA compliance upgrades ($12,800), roof repair ($10,000), and rough carpentry ($21,000).
- **Mechanical systems, $187,725** – HVAC condenser replacement ($117,600), plumbing ($43,525), and electrical work ($26,600).
- **Residential Units, $398,915** – dual pane windows ($263,925), cabinets ($111,400), flooring ($18,590), and range hoods ($5,000 for 40 units).
- Work is scheduled to commence no later than January 2006 and be completed within 10 months after commencement.

Off-site improvements

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

Relocation

- There is approximately $53,500 in relocation expense allocated for this project. Most of the renovation will take place around the occupied units. The rehabilitation plan does not assume invasive construction activity. However, specific interior unit renovation such as window replacement, vinyl flooring, and cabinet replacement is going to take place on a building-by-building basis and is scheduled to be completed within 3 days per building. The residents will be offered a hotel voucher or cash equivalence for inconvenience. In addition, these temporary displaced residents shall be entitled to compensation for all reasonable out of pocket expenses incurred in connection with temporary relocation.

  The Borrower will conduct tenant orientation meetings prior to the purchase of the property and before and during the rehabilitation period regarding the scope of work, timelines, and address any tenant issue or concerns regarding the project.

MARKET

Market Overview

The Primary Market Area (PMA) includes the central and eastern area of the city of San Bernardino and part of the city of Highland. PMA boundaries extend approximately 1.5 miles north to Highway 30; 3.5 miles south to Interstate 10; 4 miles east in the city of Highland, and 3.5 miles west to Interstate 215. It is estimated that 80+% of the tenant population will be from this area.

There are 37,369 households representing 129,672 people in the PMA. Incomes are below the county median, with one out of every four in the PMA (26%) falling within the targeted income range for units at 50% to 60% AMI. The population base is estimated to grow by 1.92% per year from 2005-2010. Within the PMA, 50% or 18,781 are renter households, exceeding the county median of 34%. There is an estimated 6,100 of these renter households that would qualify for 50% and 60% AMI rental units.

The largest employers in the City of San Bernardino are California State University, San Bernardino, San Bernardino Valley Colleges, San Bernardino Unified School District, Corona Regional Medical Center, the City of San Bernardino, and Renzenberger, Inc (passenger transport). The unemployment rate for the City of San Bernardino is 6.6% is higher than the 4.8% unemployment rate for the County of San Bernardino.

Housing Supply and Demand

- The rental housing stock in the PMA is primarily comprised of 1980s-era garden style product. There has been considerable investment activity in the area, with numerous sales having occurred since 2003. The most recent sale was a 190-unit project that sold in March 2005 for $80,000 per unit.

- Rents have increase citywide by 4.3% during the 12-month period between March 2004 and March 2005.
- Occupancy rates for market rate units range from 95-98%. LIHTC properties have an average occupancy rate of 98.1%.
- The existing stock of affordable LIHTC units at 50%-60% AMI in the City of San Bernardino is 294 units (which Sterling Village represents 79 or 27% of existing stock).
- There are no new affordable or market rate housing currently planned within the PMA.

PROJECT FEASIBILITY

Estimated Lease-up Period

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

ENVIRONMENTAL

Barr & Clark Environmental completed a Phase I Environmental Assessment report on June 20, 2005. The report concludes that there are no adverse environmental conditions that warrant further investigation or remedial action.

SEISMIC

A seismic review assessment was performed by URS Corporation on August 1, 2005. The risks met the Agency's seismic risk criteria and no further review is needed.

DEVELOPMENT TEAM

Borrower

Sterling Village Affordable, L.P. (to be formed)

- The non-profit Managing General Partner will be Las Palmas Foundation, located in Carlsbad, California.
- The co-general partner and sponsor/developer, Sterling Village Residential LLC, a subsidiary of Bentall Residential LLC (Bentall), will be an initial general partner in the LP. Bentall was founded in 2002 in Irvine, California to acquire and manage affordable and market rate multifamily housing in the United States. Bentall has over 20 years of experience developing affordable quality rental housing. Bentall has developed 6 senior/family facilities representing over 2,251 units, in San Jose, Oakland, and various cities throughout Southern California.

  Bentall has developed projects with CalHFA including Baywood (77-unit, senior facility), El Rancho Verde (700-unit, senior facility), Coronado Terrace (312-unit family facility), Summercrest (372-unit, family and senior facility) and Vista Terrace Hills (262-unit, family facility)

Management Agent

The John Stewart Company

- The John Stewart Company will manage the property. The John Stewart Company was founded in 1978 and provides management, development and consulting services for non-profit and private sector clients throughout California. The John Stewart Company services approximately 200 housing developments representing 20,000 residential units for low-income to extremely low-income persons. The John Stewart Company manages various types of properties including senior communities, tax credit projects, HUD, and Section 8 properties.

Architect

Gary R. Collins and Associates (GRC+A)

- GRC+A. located in Costa Mesa, has provided planning and design services since 1976. The Borrower has engaged GRC+A to assist them in project design, renovation, and construction management during the rehabilitation process. GRC+A has designed over 37 multifamily projects in Southern California, including The Ronald McDonald House in Orange, California.

Contractor

ICON Builders

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

PROJECT SUMMARY — PROJECT NUMBER: 05-014-A/S

Final Commitment

Project:	**Sterling Village**		
Location:	7360 Sterling Avenue	***Developer:***	**Bentall Residential**
City:	San Bernardino	***Partner:***	Las Palmas
County:	San Bernardino	***Investor:***	Yet to be determined
Zip Code:	92410-4257		

		No. of Buildings:	12	
Project Type:	Rehabilitation	*No. of Stories:*	2	
Occupancy:	Family	*Residential Space*	67,771	sq. ft.
Total Units:	80	*Community/Leasing Spa*	9,427	sq. ft.
Style Units:	Townhomes & Flats	*Commercial Space*	0	sq. ft.
Elevators:	no	*Gross Area*	77,198	sq. ft.
Total Parking	184	*Land Area*	222,592	sq. ft.
Covered	0	*Units per acre*	16	

CalHFA Acquisition/Rehab Financing	Amount	Rate	Term (Mths)
CalHFA Acquisition Financing	$4,010,000	5.110%	24

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	**$4,075,000**	**5.30%**	**30**
CalHFA Bridge Loan	**$0**	**0.00%**	**0**
CalHFA Second Mortgage - Taxable (funded at acquisition)	**$500,000**	**6.25%**	**8**
Existing Reserves	$161,123	0.00%	0
Earned Surplus	$204,069	0.00%	0
Source 4	$0	0.00%	0
Source 5	$0	0.00%	0
Source 6	$0	0.00%	0
Source 7	$0	0.00%	0
Source 8	$0	0.00%	0
Source 9	$0	0.00%	0
Source 10	$0	0.00%	0
Source 11	$0	0.00%	0
Source 12	$0	0.00%	0
Income from Operations	$0		
Developer Contribution - Mezz.Loan	$0		
Deferred Dev. Fee	$85,000		
Tax Credit Equity	$163,319		

Construction Valuation		Appraisal		Value Upon Completion	
Investment Value	$7,660,000	**Appraisal Date:**	**7/1/05**	**Restricted Value**	$6,190,000
Loan / Cost	71%	**Cap Rate:**	**7.00%**	**Perm. Loan / Cost**	69%
Loan / Value	59%			**Perm. Loan / Value**	74%

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	**Amount**	**Required Reserves**	**Amount**
CalHFA Acquisition Loan Fee	$45,100	Other Reserve	$0
CalHFA Permanent Loan Fees	$22,875	Replacement Resv. Initial Deposit	$80,000
Other Fee	$0	Repl. Reserve - Per Unit/ Per Yr	$350
Construction Loan - Guarantees and Fees		CalHFA Operating Expense Reserve	$71,850
Completion Guarantee Fee	$222,000	Rent Up Reserve	$0
Contractors Payment/Perf. Bond	$1,480,005	Transitional Operating Reserve	$100,000
	$0	Other Reserve	$0

Date: 8/24/2005 **Senior Staff Date:** 8/23/2005

UNIT MIX AND RENT SUMMARY — Sterling Village

05-014-A/S

Total Unit Mix

# of Units	Unit Type	# of Baths	Average Sq. Ft.
20	1 Bedroom Flat	1	602
	2 Bedroom Flat	1	
40	2 Bedroom Townhome	1	819
	2 Bedroom Townhome	2	
20	3 Bedroom Townhome	1.5	1,140
	4 Bedroom Townhome	2.5	
80			

Number of Regulated Units By Agency

Agency	35%	45%	50%	60%	80%
CalHFA			16		
Tax Credits				80	
Locality					
HCD					
AHP					
Zoning					
Other					

Restricted Rents Compared to Average Market Rents

Median Income Rent Levels	Units Restricted	Restricted Rents	Avg. Market Rate Rents	Dollars Difference	% of Market
One Bedroom			$700		
35%	0	$0		$0	0%
45%	0	$0		$0	0%
50%	6	$479		$221	68%
60%	14	$584		$116	83%
80%	0	$0		$0	0%
Two Bedroom			$800		
35%	0	$0		$0	0%
45%	0	$0		$0	0%
50%	12	$573		$227	72%
60%	27	$698		$102	87%
80%	0	$0		$0	0%
Three Bedroom			$1,100		
35%	0	$0		$0	0%
45%	0	$0		$0	0%
50%	6	$631		$469	57%
60%	14	$803		$297	73%
80%	0	$0		$0	0%
Four Bedroom			$0		
35%	0	$0		$0	0%
45%	0	$0		$0	0%
50%	0	$0		$0	0%
60%	0	$0		$0	0%
80%	0	$0		$0	0%

Sources and Uses of Funds — Sterling Village

05-014-A/S
Final Commitment

SOURCES OF FUNDS:	Funds in during Acq/Rehab ($)	Funds in at Permanent ($)	Total Development Sources: Total Sources of Funds ($)	Sources per Unit	%
CalHFA Acquisition Financing	4,010,000				
Construction Only Source 2	-				
Construction Only Source 3	-				
CalHFA First Mortgage		4,075,000	4,075,000	50,938	61%
CalHFA Second Mortgage - Taxable	500,000	-	500,000	6,250	8%
Existing Reserves	161,123	-	161,123	2,014	2%
Earned Surplus	204,069	-	204,069	2,551	3%
Source 4	-	-	-	-	0%
Source 5	-	-	-	-	0%
Source 6	-	-	-	-	0%
Source 7	-	-	-	-	0%
Source 8	-	-	-	-	0%
Source 9	-	-	-	-	0%
Source 10	-	-	-	-	0%
Source 11	-	-	-	-	0%
Source 12	-	-	-	-	0%
Income from Operations	-	-	-	-	0%
Developer Contribution - Mezz.Loan	-	-	-	-	0%
Deferred Developer Fee	1,944	85,000	86,944	1,087	1%
Tax Credit Equity	1,469,869	163,319	1,633,188	20,415	25%
Total Sources	6,347,005	4,323,319	6,660,324	83,254	100%
(Gap)/Surplus	-	0	0		

USES OF FUNDS:	Acq/Rehab ($)	Permanent ($)	Total Development Costs: Total Uses of Funds ($)	Cost per Unit	%
LOAN PAYOFFS & ROLLOVERS					
Construction Loan payoffs		**$4,010,000**			
ACQUISITION					
Lesser of Land Cost or Value	3,418,975	-	3,418,975	42,737	51%
Seller's Prepayment Penalty	181,025	-	181,025	2,263	3%
Legal - Acquisition Related Fees	15,000	-	15,000	188	0%
Subtotal - Land Cost / Value	3,615,000	-	3,615,000		
Existing Improvements Value	-	-	-	-	0%
Off-Site Improvements	-	-	-	-	0%
Other	-	-	-	-	0%
Total Acquisition	**3,615,000**	**-**	**3,615,000**	**45,188**	**54%**
REHABILITATION					
Site Work	489,800	-	489,800	6,123	7%
Rehab to Structures	760,440	-	760,440	9,506	11%
General Requirements	75,014	-	75,014	938	1%
Contractors Overhead	26,505	-	26,505	331	0%
Contractors Profit	81,106	-	81,106	1,014	1%
Contractor's Bond	25,075	-	25,075	313	0%
General Liability Insurance	22,065	-	22,065	276	0%
Environmental Mitigation Expense	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Rehabilitation	**1,480,005**	**-**	**1,480,005**	**18,500**	**22%**
RELOCATION EXPENSES					
Relocation Expense	53,500	-	53,500	669	1%
Relocation Compliance Monitoring	-	-	-	-	0%
Total Relocation	**53,500**	**-**	**53,500**	**669**	**1%**

(Continued on Next 2 Pages)

USES OF FUNDS (Cont'd):	Acq/Rehab ($)	Permanent ($)	Total Development Costs		
			Total Uses of Funds ($)	Cost per Unit per Unit	%
NEW CONSTRUCTION					
Site Work	-	-	-	-	0%
Structures (Hard Costs)	-	-	-	-	0%
General Requirements	-	-	-	-	0%
Contractors Overhead	-	-	-	-	0%
Contractors Profit	-	-	-	-	0%
Contractor's Perf. & Pymt Bond	-	-	-	-	0%
General Liability Insurance	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total New Construction	**-**	**-**	**-**	**-**	**0%**
ARCHITECTURAL & ENGINEERING					
Architectural Design	15,000	-	15,000	188	0%
Architect's Supv during Construction	-	-	-	-	0%
Total Architectural	**15,000**	**-**	**15,000**	**188**	**0%**
Engineering Expense	20,000	-	20,000	250	0%
Engineers Supv. during Construction	-	-	-	-	0%
ALTA Survey	-	-	-	-	0%
Total Engineering & Survey	**20,000**	**-**	**20,000**	**250**	**0%**
ACQUISITION LOAN COSTS					
Construction Loan Interest	-		-	-	0%
CalHFA Acquisition Loan Fee	45,100		45,100	564	1%
Other Construction Loan Fees	-		-	-	0%
CalHFA Outside Legal Counsel Fees	-		-	-	0%
Other Lender Req'd Legal Fees	-		-	-	0%
Title and Recording fees	5,000		5,000	63	0%
CalHFA Req'd Inspection Fees	9,000		9,000	113	0%
Other Req'd Inspection Fees	-		-	-	0%
Prevailing Wage Monitoring Expense	5,000		5,000	63	0%
Taxes & Insurance during rehab	-		-	-	0%
Predevelopment Interest	-		-	-	0%
Cost for Completion Guarantee	-		-	-	0%
Other	-		-	-	0%
Total Construction Loan Expense	**64,100**	**-**	**64,100**	**801**	**1%**
PERMANENT LOAN COSTS					
CalHFA Perm Loan Fees	22,875	-	22,875	286	0%
CalHFA Bridge Loan Fees	-	-	-	-	0%
CalHFA Loan Application Fee	500	-	500	6	0%
Other Lender Perm. Loan Fees	-	-	-	-	0%
Title and Recording	-	5,000	5,000	63	0%
Perm. Bridge Loan Interest Expense	-	-	-	-	0%
Bond Origination Guarantee Fee	-	-	-	-	0%
Tax Exempt Bond Allocation Fee	600	-	600	8	0%
Other	-	-	-	-	0%
Total Permanent Loan Expense	**23,975**	**5,000**	**28,975**	**362**	**0%**
LEGAL FEES					
Borrower Legal Fee	75,000	-	75,000	938	1%
Other	-	-	-	-	0%
Total Attorney Expense	**75,000**	**-**	**75,000**	**938**	**1%**

USES OF FUNDS (Cont'd):	Acq/Rehab ($)	Permanent ($)	Total Development Costs		
			Permanent of Funds ($)	Per Unit per Unit	%
CONTRACT / REPORT COSTS					
Appraisal	10,000	-	10,000	125	0%
Market Study	14,000	-	14,000	175	0%
Physical Needs Assessment	4,500	-	4,500	56	0%
HUD Risk Share Environ. Review	-	-	-	-	0%
CalHFA EQ Seismic Review Fee	3,500	-	3,500	44	0%
Environmental Phase I / II Reports	5,000	-	5,000	63	0%
Soils / Geotech Reports	-	-	-	-	0%
Asbestos / Lead-based Paint Report	-	-	-	-	0%
Noise/Acoustical/Traffic Study Report	-	-	-	-	0%
Termite/dry rot	2,000	-	2,000	25	0%
Other	-	-	-	-	0%
Total Contract Costs	**39,000**	**-**	**39,000**	**488**	**1%**
CONTINGENCY					
Hard Cost Contingency	148,000	-	148,000	1,850	2%
Soft Cost Contingency	15,000	-	15,000	188	0%
Total Contingency	**163,000**	**-**	**163,000**	**2,038**	**2%**
RESERVES					
CalHFA Operating Expense Reserve	-	71,850	71,850	898	1%
Construction Defects Reserve	-	-	-	-	0%
Funded Replacement Reserve	-	80,000	80,000	1,000	1%
Capitalized Investor Req'd Reserve	-	-	-	-	0%
Transitional Operating Reserve	-	100,000	100,000	1,250	2%
Total Reserves	**-**	**251,850**	**251,850**	**3,148**	**4%**
OTHER					
CTCAC App/Alloc/Monitor Fees	16,698	20,519	37,217	465	1%
Local Permit Fees	10,000	-	10,000	125	0%
Local Development Impact Fees	-	-	-	-	0%
Other Local Fees	-	-	-	-	0%
Advertising & Marketing Expenses	-	-	-	-	0%
1st-Year Taxes & Insurance	41,214	-	41,214	515	1%
Furnishings	50,000	-	50,000	625	1%
Final Cost Audit Expense	-	-	-	-	0%
Miscellaneous Admin Fees	3,513	-	3,513	44	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Other Expenses	**121,425**	**20,519**	**141,944**	**1,774**	**2%**
SUBTOTAL PROJECT COSTS	**5,670,005**	**4,287,369**	**5,947,374**	**74,342**	**89%**
DEVELOPER COSTS					
Developer Overhead/Profit (5% Acq.)	-	-	-	-	0%
Developer Overhead/Profit (NC/Rehab)	677,000	35,950	712,950	8,912	11%
Consultant / Processing Agent	-	-	-	-	0%
Project Administration	-	-	-	-	0%
Broker Fees to a related party	-	-	-	-	0%
Construction Mgmt. Oversight	-	-	-	-	0%
Other	-	-	-	-	0%
Total Developer Fee / Costs	**677,000**	**35,950**	**712,950**	**8,912**	**11%**
Total Costs	**6,347,005**	**4,323,319**	**6,660,324**	**83254**	**100%**

Annual Operating Budget — Sterling Village

Final Commitment

INCOME:	$ Amount	Per Unit	% of Total
Total Rental Income	$750,904	$9,386	99.28%
Laundry	$5,408	$68	0.72%
Other Income	$0	$0	0.00%
Gross Potential Income (GPI)	**$756,312**	**$9,454**	100.00%
Less:			
Vacancy Loss	$37,816	$473	5.26%
Effective Gross Income	**$718,496**	**$8,981**	

EXPENSES:	Total Cost	Per Unit	% of Total
Payroll	$72,701	$909	21.84%
Administrative	$20,768	$260	6.24%
Management fee	$42,720	$534	12.83%
Utilities	$61,109	$764	18.36%
Operating and Maintenance	$73,312	$916	22.02%
Insurance and Business Taxes	$32,454	$406	9.75%
Locality Compliance Monitoring Fee	$0	$0	0.00%
Other	$0	$0	0.00%
Subtotal Expenses	**$303,064**	$3,788	91.03%
Replacement Reserves	$28,000	$350	8.41%
Taxes & Assessments	$1,860	$23	0.56%
Total Expenses	$332,924	$4,162	100.00%
Financial Expenses			
CalHFA First Mortgage	$204,911	$2,561	
CalHFA Second Mortgage - Taxable	$79,581	$995	
Other Required Debt Service	$0	$0	
NET OPERATING INCOME	**$101,080**	**$1,264**	

Cash Flow | Final Commitment | CalHFA Project Number: 05-014-A/S | Sterling Village

RENTAL INCOME	Rehab Yr.1	Rehab Yr.2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Affordable Rents	621,600	637,140	653,069	669,395	686,130	703,283	720,865	738,887	757,359	776,293	795,701	815,593
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%	2.50%
Rental Subsidies	129,304	131,890	134,527	137,218	139,962	142,762	145,617	148,529	0	0	0	0
Rental Subsidy Increases	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Unrestricted Units	0	0	0	0	0	0	0	0	0	0	0	0
Unrestricted Unit Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME	750,904	769,030	787,596	806,613	826,092	846,045	866,482	887,416	757,359	776,293	795,701	815,593
OTHER INCOME												
Laundry	5,408	5,516	5,626	5,739	5,854	5,971	6,090	6,212	6,336	6,463	6,592	6,724
Other Income	0	0	0	0	0	0	0	0	0	0	0	0
Other Income Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL OTHER INCOME	5,408	5,516	5,626	5,739	5,854	5,971	6,090	6,212	6,336	6,463	6,592	6,724
GROSS POTENTIAL INCOME	756,312	774,546	793,222	812,352	831,946	852,016	872,573	893,628	763,696	782,756	802,293	822,317
VACANCY ASSUMPTIONS												
Affordable (Blended Average)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Unrestricted Units	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	37,816	38,727	39,661	40,618	41,597	42,601	43,629	44,681	38,185	39,138	40,115	41,116
EFFECTIVE GROSS INCOME	718,496	735,819	753,561	771,735	790,349	809,415	828,944	848,947	725,511	743,618	762,178	781,201
OPERATING EXPENSES												
Expenses	303,064	313,671	324,650	336,012	347,773	359,945	372,543	385,582	399,077	413,045	427,502	442,464
Annual Expense Increase	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Taxes and Assessments	1,860	1,897	1,935	1,974	2,013	2,054	2,095	2,137	2,179	2,223	2,267	2,313
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%	2.00%
Replacement Reserve	0	0	28,000	28,000	28,000	28,000	28,000	28,000	29,400	29,400	29,400	29,400
Percentage Increase Yearly	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.00%	0.00%	0.00%	0.00%	0.00%
TOTAL EXPENSES	304,924	315,568	354,585	365,986	377,786	389,999	402,638	415,719	430,657	444,668	459,169	474,177
NET OPERATING INCOME	413,572	420,250	398,976	405,748	412,563	419,416	426,306	433,228	294,854	298,950	303,009	307,024
DEBT SERVICE												
CalHFA - 1st Mortgage	204,911	204,911	271,544	271,544	271,544	271,544	271,544	271,544	271,544	271,544	271,544	271,544
CalHFA - Bridge Loan	0	0	0	0	0	0	0					
CalHFA - 2nd Mortgage	79,581	79,581	79,581	79,581	79,581	79,581	79,581	79,581	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0	0	0
DEBT COVERAGE RATIO	1.45	1.48	1.14	1.16	1.17	1.19	1.21	1.23	1.09	1.10	1.12	1.13
Cash Available for distribution	129,080	135,758	47,852	54,623	61,438	68,292	75,181	82,103	23,310	27,406	31,465	35,480

Cash Flow	CalHFA Project Number: 05-014-A/S								Sterling Village	
RENTAL INCOME	**Year 11**	**Year 12**	**Year 13**	**Year 14**	**Year 15**	**Year 16**	**Year 17**	**Year 18**	**Year 19**	**Year 20**
Affordable Rents	**835,983**	**856,882**	**878,305**	**900,262**	**922,769**	**945,838**	**969,484**	**993,721**	**1,018,564**	**1,044,028**
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	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Unrestricted Units	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Unrestricted Unit Increases	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
TOTAL RENTAL INCOME	**835,983**	**856,882**	**878,305**	**900,262**	**922,769**	**945,838**	**969,484**	**993,721**	**1,018,564**	**1,044,028**
OTHER INCOME										
Laundry	**6,859**	**6,996**	**7,136**	**7,278**	**7,424**	**7,573**	**7,724**	**7,878**	**8,036**	**8,197**
Other Income	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other Income Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
TOTAL OTHER INCOME	**6,859**	**6,996**	**7,136**	**7,278**	**7,424**	**7,573**	**7,724**	**7,878**	**8,036**	**8,197**
GROSS POTENTIAL INCOME	**842,842**	**863,878**	**885,440**	**907,541**	**930,193**	**953,410**	**977,208**	**1,001,599**	**1,026,600**	**1,052,225**
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	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Unrestricted Units	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Laundry & Other Income	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
LESS: VACANCY LOSS	**42,142**	**43,194**	**44,272**	**45,377**	**46,510**	**47,671**	**48,860**	**50,080**	**51,330**	**52,611**
EFFECTIVE GROSS INCOME	**800,699**	**820,684**	**841,168**	**862,164**	**883,683**	**905,740**	**928,347**	**951,519**	**975,270**	**999,614**
OPERATING EXPENSES										
Expenses	457,951	473,979	490,568	507,738	525,509	543,902	562,938	582,641	603,033	624,140
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	2,359	2,406	2,454	2,503	2,553	2,604	2,657	2,710	2,764	2,819
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	29,400	30,870	30,870	30,870	30,870	30,870	32,414	32,414	32,414	32,414
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	**489,709**	**507,255**	**523,892**	**541,111**	**558,932**	**577,376**	**598,008**	**617,764**	**638,211**	**659,372**
NET OPERATING INCOME	**310,990**	**313,429**	**317,276**	**321,052**	**324,751**	**328,364**	**330,339**	**333,755**	**337,059**	**340,241**
DEBT SERVICE										
CalHFA - 1st Mortgage	271,544	271,544	271,544	271,544	271,544	271,544	271,544	271,544	271,544	271,544
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	**1.15**	**1.15**	**1.17**	**1.18**	**1.20**	**1.21**	**1.22**	**1.23**	**1.24**	**1.25**
Cash Available for distribution	**39,446**	**41,886**	**45,732**	**49,508**	**53,207**	**56,820**	**58,795**	**62,211**	**65,515**	**68,697**

Cash Flow — CalHFA Project Number: 05-014-A/S — Sterling Village

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Affordable Rents	1,070,129	1,096,882	1,124,304	1,152,412	1,181,222	1,210,752	1,241,021	1,272,047	1,303,848	1,336,444
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	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Unrestricted Units	0	0	0	0	0	0	0	0	0	0
Unrestricted Unit Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME	1,070,129	1,096,882	1,124,304	1,152,412	1,181,222	1,210,752	1,241,021	1,272,047	1,303,848	1,336,444
OTHER INCOME										
Laundry	8,361	8,528	8,698	8,872	9,050	9,231	9,415	9,604	9,796	9,992
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	8,361	8,528	8,698	8,872	9,050	9,231	9,415	9,604	9,796	9,992
GROSS POTENTIAL INCOME	1,078,489	1,105,410	1,133,002	1,161,284	1,190,272	1,219,983	1,250,437	1,281,651	1,313,644	1,346,436
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	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Unrestricted Units	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	53,924	55,270	56,650	58,064	59,514	60,999	62,522	64,083	65,682	67,322
EFFECTIVE GROSS INCOME	1,024,565	1,050,139	1,076,352	1,103,220	1,130,758	1,158,984	1,187,915	1,217,568	1,247,962	1,279,114
OPERATING EXPENSES										
Expenses	645,984	668,594	691,995	716,214	741,282	767,227	794,080	821,873	850,638	880,410
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	2,876	2,933	2,992	3,052	3,113	3,175	3,238	3,303	3,369	3,437
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	32,414	34,034	34,034	34,034	34,034	34,034	35,736	35,736	35,736	35,736
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	681,273	705,561	729,021	753,300	778,429	804,436	833,054	860,912	889,743	919,583
NET OPERATING INCOME	343,292	344,578	347,332	349,920	352,329	354,548	354,861	356,657	358,219	359,531
DEBT SERVICE										
CalHFA - 1st Mortgage	271,544	271,544	271,544	271,544	271,544	271,544	271,544	271,544	271,544	271,544
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	1.26	1.27	1.28	1.29	1.30	1.31	1.31	1.31	1.32	1.32
Cash Available for distribution	71,748	73,034	75,788	78,376	80,786	83,004	83,317	85,113	86,675	87,987

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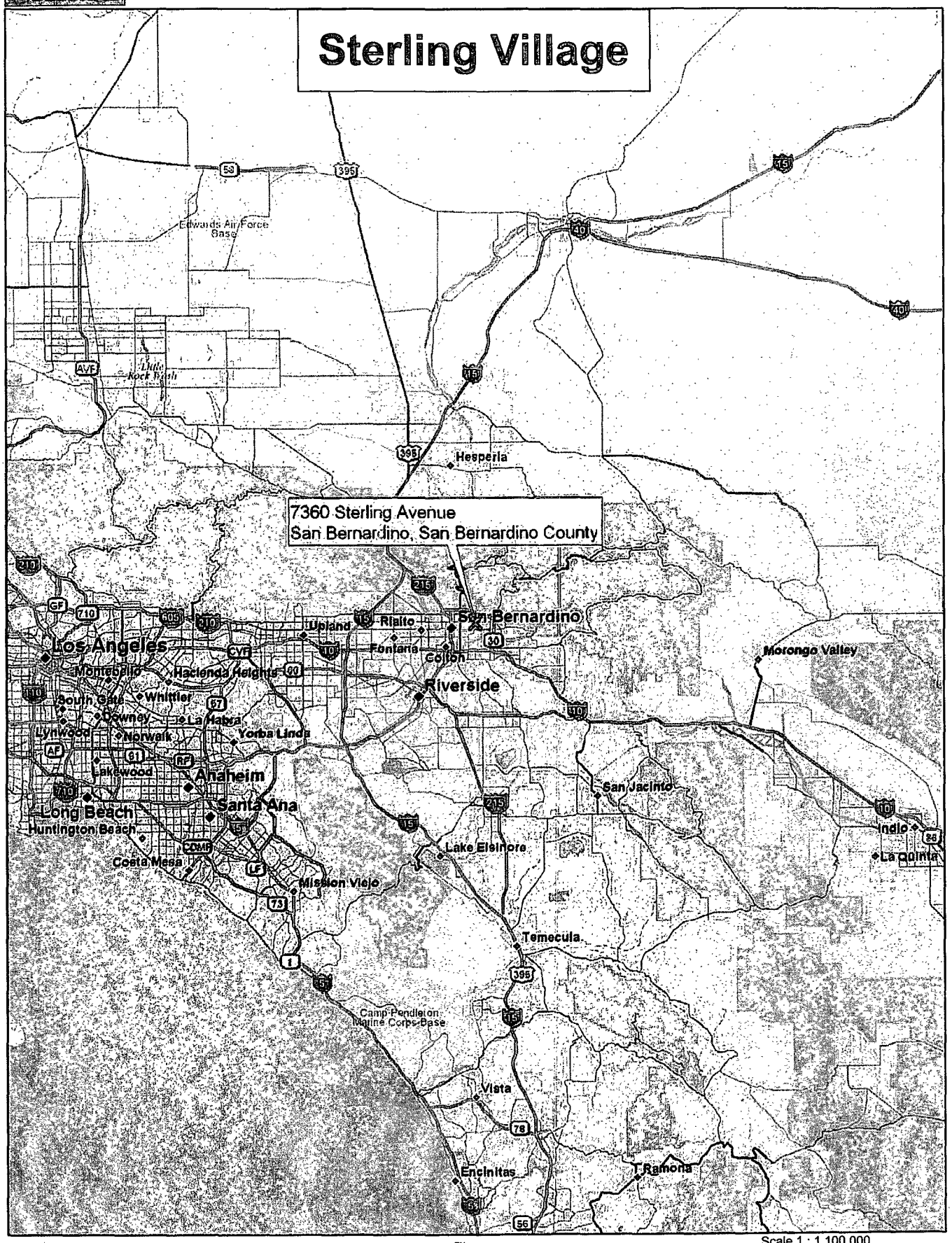
Street Atlas USA® 2004

Sterling Village



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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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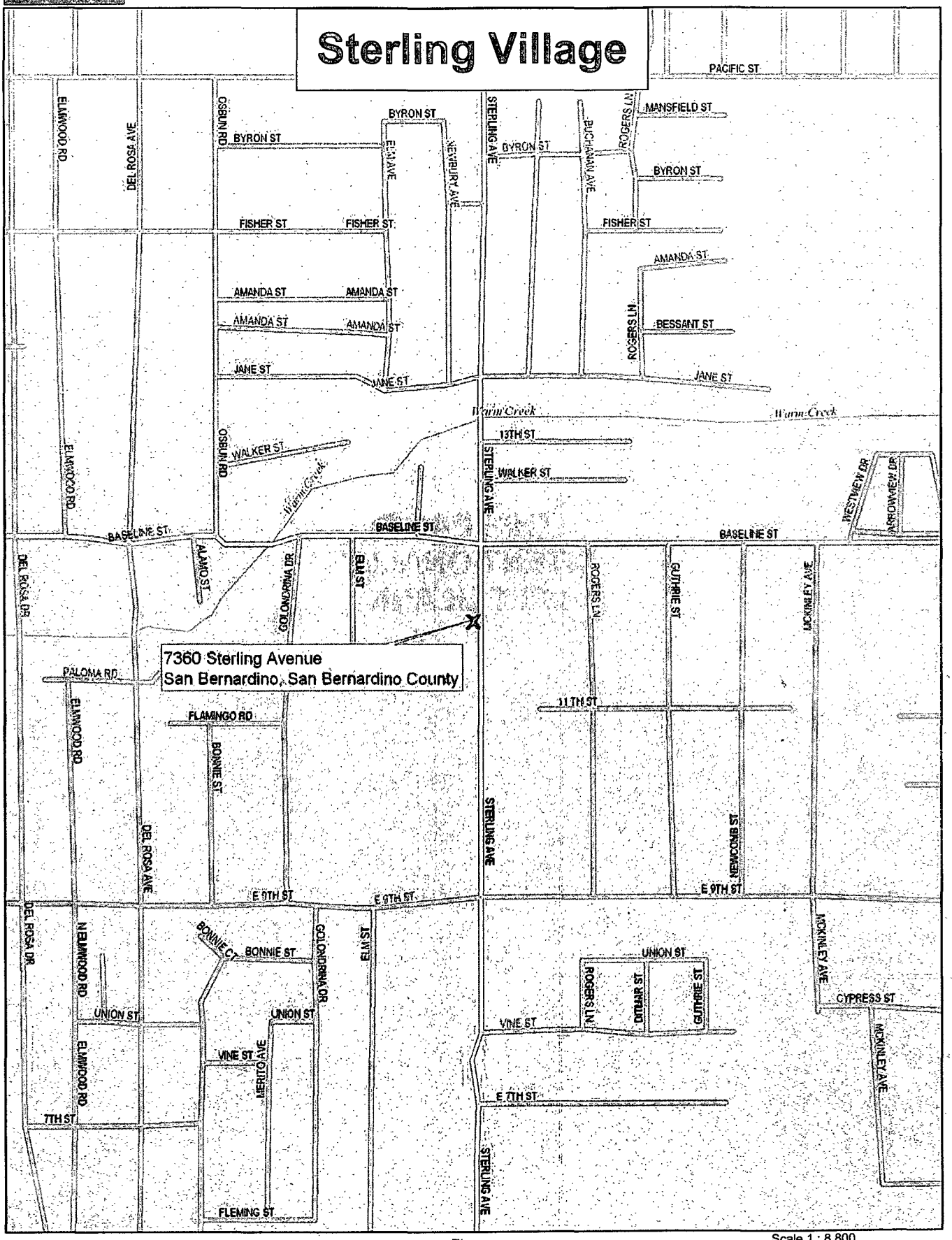
Sterling Village



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TN
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Scale 1 : 8,800
1" = 733.3 ft
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RESOLUTION 05-32

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Sterling Village Affordable, 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 Bernardino, San Bernardino County, California, to be known as Sterling Village 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 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
05-014-A/S	Sterling Village Apartments San Bernardino, San Bernardino County, CA	$4,010,000–Acq/Rehab 1st Mortgage $ 500,000–Acq/Rehab 2nd Mortgage $4,075,000–Permanent 1st Mortgage

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 05-32 adopted at a duly constituted meeting of the Board of the Agency held on September 8, 2005 at Burbank, 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 Wells Fargo 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 is 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	5.0%, 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 and CalHFA loan to lender interest rates have increased from 3% to 5%. 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 delayed 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 1.12 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 are currently projected to be at 5% and Wells Fargo Bank may add up to 200 basis points to this rate under the terms of the Loan to Lender Agreement.

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 mid October, 2005 and start of construction immediately thereafter. The project has received all local approvals and CalHFA is currently approving the final plans and specifications.

Project Summary — Villa Victoria

Final Commitment Amendment
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:	6.75%
Constructior	$11,395,000
Market	$9,075,000
Final Value:	$9,075,000

LTC/LTV:	*Construction*	*Permanent*
Loan/Cost	N/A	27.94%
Loan/Value	N/A	49.70%

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	$829,765	$15,366		-
General Partner Contribution	$255,900	$4,739		
Tax Credit Equity	$5,365,198	$99,356		
CalHFA Loan to Lender	$9,675,000		5.00%	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

Fees	**Basis of Requirements**	**Amount**	**Security**
Commitment Fee	1.00% of Loan to Lender Loan	$96,750	Prior to Board Approval
Loan Fee	0.50% of Perm. & Bridge Loan	$22,550	Due at Construction Close
Escrows			
Bond Origination Guarantee	1.00% of Tax Exempt Loans	$0	Waived
Inspection fee	$1,500 x months of construction	$31,500	Due at Construction Close
Construction Defect Reserve	2.50% of Hard Costs for 12 mths	$145,000	LOC due at Perm.
Reserves			
Operating Expense Reserve	10.00% of Gross Income	$67,927	Cash at Perm.
Annual Replacement Reserve	$500 per unit per year	$27,000	From Operations

Permanent Sources and Uses (amended) — Villa Victoria

SOURCES	2003 Est.	2005 Est.		
Name of Lender / Source	**Amount**	**Amount**	**$ per unit**	**% of Total**
CalHFA First Mortgage	3,525,000	4,110,000	76,111	25%
CalHFA 2nd Mortgage	400,000	400,000	7,407	2%
Rural Development Section 514	1,100,000	1,100,000	20,370	7%
Joe Serna Jr. Farmworker Loan	2,977,367	2,977,367	55,136	18%
City of Oxnard	865,150	1,101,500	20,398	7%
Total Institutional Financing	8,867,517	**9,688,867**	**179,423**	**60%**
Equity Financing				
Tax Credits	3,620,400	5,365,198	99,356	33%
General Partner Contribution	0	255,900	4,739	2%
Deferred Developer Equity	495,395	829,765	15,366	5%
Total Equity Financing	4,115,795	**6,450,863**	**119,460**	**40%**
TOTAL SOURCES	**12,983,312**	**16,139,730**	**298,884**	**100%**

USES	2003 Est.	2005 Est.	$ Per Unit	% of Total
Acquisition	0	0	0	0%
Rehabilitation	0	0	0	0%
New Construction				
Off-Site Improvements (Turn lane)	0	474,750	8,792	3%
Site Work & Landscaping	1,055,000	1,920,250	35,560	12%
Structures	5,344,118	5,648,394	104,600	35%
General Reqmts	650,400	311,000	5,759	2%
Contractor Overhead/Supervision	498,981	490,404	9,082	3%
Contractor Profit	527,961	525,000	9,722	3%
Insurance	0	575,000	10,648	4%
Furnishings	0	130,000	2,407	1%
Architectual Fees	300,000	386,000	7,148	2%
Survey and Engineering	40,000	56,500	1,046	0%
Construction Loan Interest Expense	284,000	847,600	3,764	5%
Construction Loan Fees & Misc. Exp.	172,990	203,240	2,311	1%
Permanent Financing	99,050	124,790	2,311	1%
Loan Extension Fees	0	42,000	778	0%
Legal Fees	63,000	38,000	704	0%
Reserves	358,300	119,300	2,209	1%
Contract Costs	11,000	21,500	398	0%
Contingency Funds	727,599	565,404	10,470	4%
Local Fees				
Permit Processing Fees	100,000	680,473	12,601	4%
Impact Fees	1,000,000	1,006,486	18,639	6%
TCAC Costs	28,038	28,939	536	0%
Other Costs	62,500	71,200	1,319	0%
PROJECT COSTS	**11,322,937**	**14,266,230**	**264,189**	**88%**
Developer Overhead/Profit	1,629,300	1,788,500	33,120	11%
Consultant/Processing Agent	40,000	40,000	741	0%
Legal - Syndication	0	45,000	833	0%
TOTAL USES	**12,992,237**	**16,139,730**	**298,884**	**100%**

Annual Operating Budget — Villa Victoria

INCOME:	Total	$ per unit	% of Total
Total Rental Income	610,104	$11,298	90%
Laundry	0	$0	
Rental Subsid Income	69,167	$1,281	10%
Gross Potential Income (GPI)	**679,271**	**$12,579**	100%
Less:			
Vacancy Loss	33,964	$629	5%
Total Net Revenue	**645,307**	**$11,950**	

EXPENSES:			
Payroll	65,000	$1,204	11%
Administrative	20,000	$370	3%
Management fee	22,680	$420	4%
Utilities	26,000	$481	4%
Operating and Maintenance	58,000	$1,074	10%
Insurance and Business Taxes	11,000	$204	2%
Taxes and Assessments	5,000	$93	1%
Reserve for Replacement Deposits	27,000	$500	5%
Subtotal Operating Expenses	**234,680**	**$4,346**	39%
Financial Expenses			
CalHFA 1st Mortgage	273,876	$5,072	46%
CalHFA 2nd Mortgage	51,500	$954	9%
RD Section 514 Loan	39,700	$735	7%
Total Financial	**365,076**	**$6,761**	61%
Total Project Expenses	**599,756**	**$11,107**	100%

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	202,680	210,787	219,219	227,987	237,107	246,591	256,455	266,713	277,382	288,477
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	**234,680**	**242,887**	**251,421**	**260,293**	**269,519**	**280,462**	**290,436**	**300,806**	**311,590**	**322,802**
NET OPERATING INCOME	**410,627**	**418,552**	**426,555**	**434,632**	**442,779**	**449,644**	**457,923**	**466,261**	**474,654**	**483,098**
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	**45,551**	**104,976**	**152,679**	**160,755**	**168,903**	**175,768**	**184,046**	**192,384**	**200,778**	**209,221**
DEBT COVERAGE RATIO	**1.12**	**1.14**	**1.17**	**1.19**	**1.21**	**1.23**	**1.25**	**1.28**	**1.30**	**1.32**

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	300,016	312,017	324,497	337,477	350,976	365,015	379,616	394,800	410,592	427,016
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	**335,878**	**348,001**	**360,606**	**373,713**	**387,341**	**403,000**	**417,736**	**433,058**	**448,990**	**465,556**
NET OPERATING INCOME	**406,057**	**412,483**	**418,890**	**425,271**	**431,617**	**436,431**	**442,682**	**448,871**	**454,987**	**461,020**
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	**132,181**	**138,607**	**145,014**	**151,394**	**157,741**	**162,555**	**168,806**	**174,994**	**181,110**	**187,143**
DEBT COVERAGE RATIO	**1.29**	**1.32**	**1.34**	**1.36**	**1.38**	**1.39**	**1.41**	**1.43**	**1.45**	**1.47**

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	444,097	461,861	480,335	499,549	519,530	540,312	561,924	584,401	607,777	632,088
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	**484,345**	**502,258**	**520,884**	**540,252**	**560,391**	**582,974**	**604,751**	**627,395**	**650,942**	**675,427**
NET OPERATING INCOME	**465,395**	**471,226**	**476,937**	**482,515**	**487,944**	**491,569**	**496,657**	**501,547**	**506,224**	**510,668**
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	**191,519**	**197,350**	**203,061**	**208,638**	**214,068**	**217,693**	**222,780**	**227,671**	**232,348**	**236,792**
DEBT COVERAGE RATIO	**1.48**	**1.50**	**1.52**	**1.54**	**1.56**	**1.57**	**1.58**	**1.60**	**1.61**	**1.63**

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
Bldge Type	New Construction
Buildings	11
Stories	1 & 2
Gross Sq Ft	72,879
Land Sq Ft	134,600
Units/Acre	17
Total Parking	106
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	$19,825	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 & 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**	**122,987**	**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

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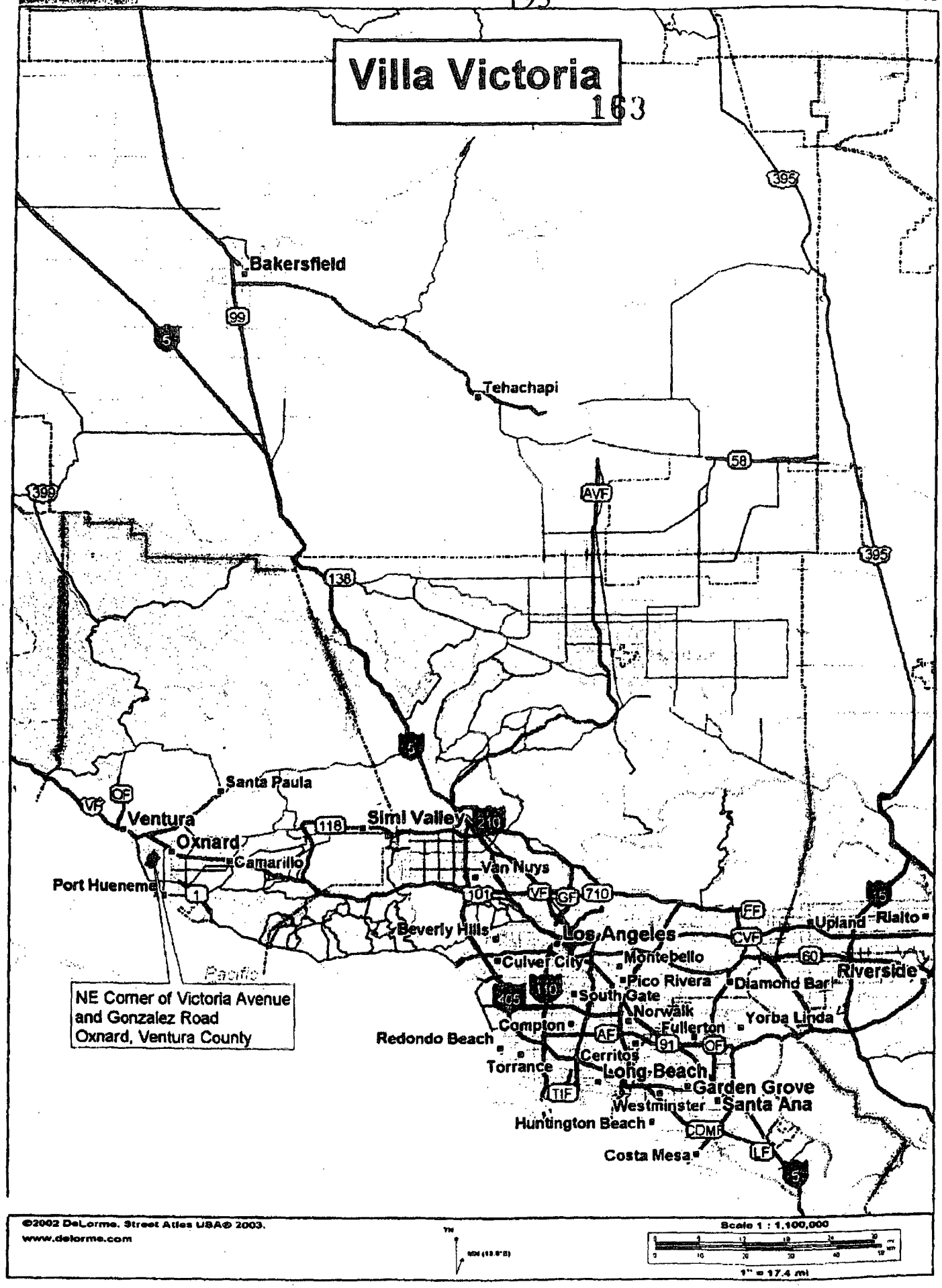

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Scale 1 : 1,100,000

1" = 17.4 mi

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Villa Victoria

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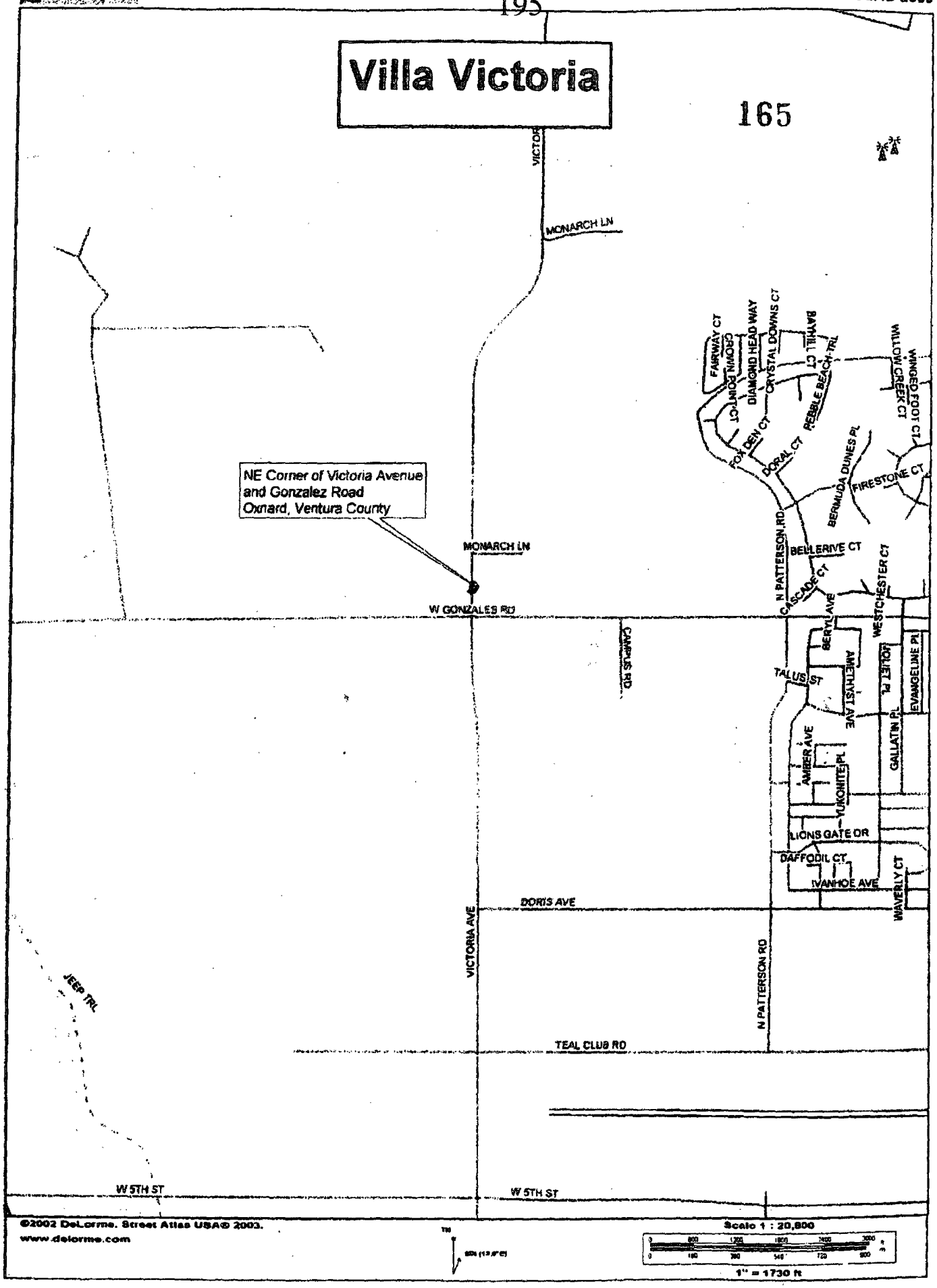

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Scale 1 : 20,800

1" = 1730 ft

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RESOLUTION 03-38

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Cabrillo Economic Development Corporation (the "Borrower"), seeking a loan commitment under the Agency's Loan-to-Lender and Tax-Exempt Loan Programs in the mortgage amounts described herein, the proceeds of which are to be used to provide financing for a 54-unit multifamily housing development located in the City of Oxnard to be known as Villa Victoria (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated August 29, 2003 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

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

WHEREAS, on July 9, 2003, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

1. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to execute and deliver a final commitment letter, subject to his/her recommended terms and conditions set forth in the CalHFA Staff Report, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNT
03-045-L/S	Villa Victoria Oxnard/Ventura	54	
		Loan-to-Lender:	$7,100,000
		Permanent First Mortgage:	$3,525,000
		Permanent Second Mortgage:	$ 400,000

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STATE OF CALIFORNIA
STD. 113 (REV. 3-95)
OSP 98 10924

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

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

I hereby certify that this is a true and correct copy of Resolution 03-38 adopted at a duly constituted meeting of the Board of the Agency held on September 18, 2003, at Burbank, California.

ATTEST:_____
Secretary

COURT PAPER
STATE OF CALIFORNIA
STD. 113 (REV. 3-95)
OSP 98 10924

RESOLUTION 03-38

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Cabrillo Economic Development Corporation (the "Borrower"), seeking a loan commitment under the Agency's Loan-to-Lender and Tax-Exempt Loan Programs in the mortgage amounts described herein, the proceeds of which are to be used to provide financing for a 54-unit multifamily housing development located in the City of Oxnard to be known as Villa Victoria (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated August 29, 2003 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

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

WHEREAS, on July 9, 2003, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

1. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to execute and deliver a final commitment letter, subject to his/her recommended terms and conditions set forth in the CalHFA Staff Report, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNT
03-045-L/S	Villa Victoria Oxnard/Ventura	54	
		Loan-to-Lender:	$7,100,000
		Permanent First Mortgage:	$3,525,000
		Permanent Second Mortgage:	$ 400,000

COURT PAPER
STATE OF CALIFORNIA
STD. 113 (REV. 3-95)
OSP 98 10924

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

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

I hereby certify that this is a true and correct copy of Resolution 03-38 adopted at a duly constituted meeting of the Board of the Agency held on September 18, 2003, at Burbank, California.

ATTEST: _____
Secretary

COURT PAPER
STATE OF CALIFORNIA
STD. 113 (REV. 3-95)
OSP 98 10924

RESOLUTION 05-33

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Cabrillo Economic Development Corporation, a nonprofit, public benefit corporation (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, Ventura County, 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 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 Oxnard, Ventura County, CA	$9,675,000–Loan-to-Lender Loan $4,110,000–Permanent 1st Mortgage $ 400,000–Permanent 2nd Mortgage

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 05-33 adopted at a duly constituted meeting of the Board of the Agency held on September 8, 2005 at Burbank, California.

ATTEST:_____
Secretary

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

SUMMARY

In May 2005, the CalHFA Board of Directors approved a tax-exempt Acquisition and Permanent Loan for Woodhaven Manor Apartments. The project is being developed by HB Housing Partners, L.P., whose managing general partner is The Southern California Development Corporation of the Inland Empire ("SoCal") and the administrative general partner, National Housing Development Corporation ("NHDC"). SoCal will be the sponsor, general contractor, and property management agent.

This Loan Modification is to request an increase of $975,000 in the acquisition financing and the addition of a $1,030,000 Bridge Loan. The combined original commitment, as attached and revised terms are as follows:

	ORIGINAL	REVISED
LOAN TERMS		
Acquisition		
First Mortgage	$7,605,000	$8,580,000
Interest Rate	4.65%	5.35%, variable
Term	12 Months, interest only	same
Financing	Tax-exempt	same
Bridge Loan	$0	$1,030,000
Interest Rate		5.40%
Term		1 year
Financing		Tax-exempt
Permanent		
First Mortgage	$1,500,000	$1,500,000
Interest Rate	5.9%	5.60%
Term	30 year fixed, fully amortized	same
Financing	Tax-exempt	same
Second Mortgage	$3,000,000	$3,000,000
Interest Rate	5.0%	5.30%
Term	17 years, fully amortized	same
Financing	Tax-exempt	same

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

REASONS FOR THE LOAN MODIFICATION/INCREASE

1. The construction budget has increased by 2.2% to $369,188 over the last 6 months.
2. The Rancho RDA funds will pay the prepayment fee of $337,774. Rancho RDA sources reduced to $7,662,226 in construction financing and $8,662,226 in permanent financing.
3. A tax-exempt bridge loan has been added to meet the 50% basis test for tax credits.

The tax credit equity has been increased to approximately $610,272 and will be paid in during construction. SoCal will defer the $250,000 of developer fee if this request materially reduces estimated equity. The deferred developer fee has been increased to $534,499; The construction loan interest has been increased to reflect the new construction loan interest rate and bridge loan interest has been added to the permanent loan.

OTHER FINANCING

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

HOUSING ASSISTANCE PAYMENT ("HAP") CONTRACT

The original HAP contract was executed on May 13, 1983, for a term of 20 years. The HAP contract expired on September 30, 2003, and by its terms, was extended for the first of four (4) additional 5-year terms (20 years total). The contract is in the first 5-year renewal period. CalHFA is the Section 8 Contract Administrator.

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

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

This project is a post 1980 HAP contract with limited distribution to the project sponsor. The existing replacement reserves will be transferred to the property and HB Housing Partners, L.P. upon ownership. In addition, the project is subject to a FAF Refunding Agreement dated August 1, 1992. The Rental Housing Construction Program (RHCP) contract terminates in 2012.

PROJECT DESCRIPTION

Project Location

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

Site

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

Improvements

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

PHYSICAL NEEDS ASSESSMENT / SCOPE OF WORK

- The project is in average condition for a development of this type and in average condition when compared to other developments of similar type and age in the City of Rancho Cucamonga.

- The scope of rehabilitation work is as follows:
- Site work, $180,000 – demolition of old leasing building, handicap ramps, pavement, curbs & gutters, utilities-sewer repairs.
- Landscaping, $1,150,000 – drainage ($55,000), fencing, wrought iron ($128,000), landscaping ($86,000), rec. bldg./laundry/maint. bldg. ($498,000), tot lot upgrade ($30,000), lighting & signage ($107,000), and flatwork.
- Mechanical systems/Painting/Roofs, $1,154,000 – HVAC – heating & air ($122,850), exterior painting ($236,000), plumbing ($175,000), Roofs ($635,000), misc. ($60,400,000).
- Residential Units, $400,000 – allowance as needed for replacing/repairing interiors as needed.
- Windows, ($81,000) – Retrofit dual glazed windows in all units.
- The total amount of immediate rehabilitation is $3,114,250 or $26,617 per unit.
- Work is scheduled to commence upon closing and be completed within 12 months after commencement.

Off-site improvements

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

Relocation

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

MARKET

Market Overview

The Primary Market Area (PMA) consists of the City of Rancho Cucamonga. It is estimated that 80+% of the tenant population will be from this area. The estimated PMA population is 153,876 persons (2004) and is expected to grow by 19.59% to 184,027 by 2009. There are 49,020 households within the PMA population, of which the majority are homeowners.

Housing Supply and Demand

- The subject is the only Section 8 project in the City of Rancho Cucamonga.
- The subject location is generally defined as a "bedroom" community, serving the larger employment centers in Los Angeles and Orange County. The Ontario Airport area is also exhibiting strong business growth, with an increasing employment base.
- Occupancy rates for market rate units ranged from 93% to 96%.
- The subject has a tenant waiting list in excess of two years.
- The largest category of existing apartment units in the city consists of one-bedroom/one bath units, followed by two-bedroom/two-bath units.

- The rental market is stable and the average rental rate increased 9.8 percent during the past twelve months. The three-bedroom townhouse units experienced the largest rental rate increase at 18.9 percent. The two-bedroom units increased 14.2 percent. The studio and one-bedroom units increased 11.5 and 9.1 percent, respectively.

Estimated Lease-up Period

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

ENVIRONMENTAL

A Phase I Environmental Assessment report was completed on February 16, 2005. The report concludes that there are no adverse environmental conditions that warrant further investigation or remedial action with the exception of the development and implementation of a Water Moisture/Mold Prevention Program (Program) for the project. This Program will ensure that effective controls and measures are in place to prevent and/or address moisture intrusion. The new owners are in the process of setting up a program with the assistance of a health and safety professional firm experienced in performing microbial investigations. A condition of acquisition closing by our Agency will be to approve the Program.

A seismic evaluation is currently in process.

DEVELOPMENT TEAM

Borrower

HB Housing Partners, L.P.

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

Management Agent

The Southern California Housing Development Corporation (SoCal)

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

Architect

Not applicable

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

Contractor

The Southern California Housing Development Corporation (SoCal)

- Over the past 12 years, SoCal has successfully completed 16 major apartment community rehabilitations totaling 2,080 apartment homes, 10 minor apartment community rehabilitations totaling 1,472 units and 7 new apartment communities totaling 684 units. All but five of these projects were accomplished with SoCal as General Contractor. In addition, SoCal has 1 project in moderate rehabilitation, 1 project in substantial rehabilitation and 4 new construction projects in process at this time, totaling 391 units.

PROJECT SUMMARY — PROJECT NUMBER: 05-010A/S

Final Commitment

Project:	**Woodhaven Manor**		
Location:	6230 North Haven Avenue	***Developer:***	**SoCal Housing**
City:	Rancho Cucamonga	***Partner:***	Same
County:	San Bernardino	***Investor:***	Related Capital
Zip Code:	91737		

		No. of Buildings:	32	
Project Type:	Acq/Rehab	*No. of Stories:*	2	
Occupancy:	Family	*Residential Space*	119,700	sq. ft.
Total Units:	117	*Office Space*	0	sq. ft.
Style Units:	Flats	*Commercial Space*	0	sq. ft.
Elevators:	none	*Gross Area*	119,700	sq. ft.
Total Parking	233	*Land Area*	328,442	sq. ft.
Covered	102	*Units per acre*	16	

CalHFA Construction Financing	Arpproved 5/0	Revised 8/05	Rate	Term (Mths)
CalHFA Acquisition Financing	$7,605,000	$8,580,000	5.35%	12

Permanent Sources of Funds		Amount	Rate	Years
CalHFA First Mortgage	**$1,500,000**	**$1,500,000**	**5.60%**	**30**
CalHFA Bridge Loan	**$0**	**$1,030,000**	**5.60%**	**1**
CalHFA Second Mortgage	**$3,000,000**	**$3,000,000**	**5.30%**	**17**
Rancho RDA Loan	$8,996,235	$8,662,226	3.00%	55
Source 3		$0	0.00%	0
Source 4		$0	0.00%	0
Source 5		$0	0.00%	0
Source 6		$0	0.00%	0
Source 7		$0	0.00%	0
Source 8		$0	0.00%	0
Source 9		$0	0.00%	0
Source 10		$0	0.00%	0
Source 11		$0	0.00%	0
Source 12		$0	0.00%	0
Income from Operations	$530,000	$530,000		
Developer Contribution	$0	$0		
Deferred Dev. Fee	$9,033	$534,499		
Tax Credit Equity	$4,576,203	$4,686,012		

Construction Valuation		Appraisal		Value Upon Completion	
Investment Value	$18,850,000	**Appraisal Date:**	**03/17/05**	**Restricted Value**	$11,780,000
Loan / Cost	50%	**Cap Rate:**	**6.00%**	**Perm. Loan / Cost**	8%
Loan / Value	46%			**Perm. Loan / Value**	13%

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	**Amount**	**Required Reserves**	**Amount**
CalHFA Construction Loan Fee	$85,800	Other Reserve	$0
CalHFA Permanent Loan Fees	$22,500	Replacement Resv. Initial Deposit	$117,000
Bridge Loan Fee	$0	Repl. Reserve - Per Unit/ Per Yr	$600
Construction Loan - Guarantees and Fees		CalHFA Operating Expense Reserve	$231,175
Completion Guarantee Fee	$0	Rent Up Reserve	$0
Contractors Payment Bond	$0	Transition Operating Reserve	$500,000
Contractors Performance Bond	$0	Other Reserve	$0

Date: 8/24/2005 **Senior Staff Date:** 8/17/2005

UNIT MIX AND RENT SUMMARY — Woodhaven Manor

05-010A/S

Total Unit Mix

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

Number of Regulated Units By Agency

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

Restricted Rents Compared to Average Market Rents

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

Sources and Uses of Funds — Woodhaven Manor

05-010A/S
Final Commitment

SOURCES OF FUNDS:	Funds in during Construction ($)	Funds in at Permanent ($)	Total Sources of Funds ($)	Sources per Unit	%
CalHFA Acquisition Financing	8,580,000	$0			
Existing Replacement Reserve	-				
Construction Only Source 3	-				
CalHFA First Mortgage		1,500,000	1,500,000	12,821	8%
CalHFA Second Mortgage		3,000,000	3,000,000	25,641	16%
Rancho RDA Loan	7,662,226	1,000,000	8,662,226	74,036	46%
Source 3	-	-	-	-	0%
Source 4	-	-	-	-	0%
Source 5	-	-	-	-	0%
Source 6	-	-	-	-	0%
Source 7	-	-	-	-	0%
Source 8	-	-	-	-	0%
Source 9	-	-	-	-	0%
Source 10	-	-	-	-	0%
Source 11	-	-	-	-	0%
Source 12	-	-	-	-	0%
Income from Operations	375,762	154,238	530,000	4,530	3%
Developer Contribution	-	-	-	-	0%
Deferred Developer Fee	-	534,499	534,499	4,568	3%
Tax Credit Equity	610,272	4,075,740	4,686,012	40,051	25%
Total Sources	17,228,260	10,264,477	18,912,737	161,647	100%
(Gap)/Surplus	-	0	0		

Total Development Sources

USES OF FUNDS:	Construction ($)	Permanent ($)	Total Uses of Funds ($)	Cost per Unit	%
LOAN PAYOFFS & ROLLOVERS					
Construction Loan payoffs		**$8,580,000**			
ACQUISITION					
Lesser of Land Cost or Value	4,095,000	-	4,095,000	35,000	22%
Demolition	-	-	-	-	0%
Legal - Acquisition Related Fees	20,000	-	20,000	171	0%
Subtotal - Land Cost / Value	4,115,000	-	4,115,000		
Existing Improvements Value	7,605,000	-	7,605,000	65,000	40%
Off-Site Improvements	-	-	-	-	0%
Other	-	-	-	-	0%
Total Acquisition	**11,720,000**	**-**	**11,720,000**	**100,171**	**62%**
REHABILITATION					
Site Work	-	-	-	-	0%
Rehab to Structures	3,114,250	-	3,114,250	26,618	16%
General Requirements	144,000	-	144,000	1,231	1%
Contractors Overhead	145,997	-	145,997	1,248	1%
Contractors Profit	145,997	-	145,997	1,248	1%
Contractor's Bond	-	-	-	-	0%
Builder's Risk & Liability Insurance	97,632	-	97,632	834	1%
Environmental Mitigation Expense	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Rehabilitation	**3,647,876**	**-**	**3,647,876**	**31,178**	**19%**
RELOCATION EXPENSES					
Relocation Expense	-	-	-	-	0%
Relocation Compliance Monitoring	-	-	-	-	0%
Total Relocation	**-**	**-**	**-**	**-**	**0%**

Total Development Costs

(Continued on Next 2 Pages)

USES OF FUNDS (Cont'd):	Construction ($)	Permanent ($)	Total Development Costs		
			Total Uses of Funds ($)	Cost per Unit per Unit	%
NEW CONSTRUCTION					
Site Work	-	-	-	-	0%
Structures (Hard Costs)	-	-	-	-	0%
General Requirements	-	-	-	-	0%
Contractors Overhead	-	-	-	-	0%
Contractors Profit	-	-	-	-	0%
Contractor's Perf. & Pymt Bond	-	-	-	-	0%
Builder's Risk & Liability Insurance	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total New Construction	**-**	**-**	**-**	**-**	**0%**
ARCHITECTURAL & ENGINEERING					
Architectural Design	110,000	-	110,000	940	1%
Architect's Supv during Construction	10,000	-	10,000	85	0%
Total Architectural	**120,000**	**-**	**120,000**	**1,026**	**1%**
Engineering Expense	20,000	-	20,000	171	0%
Engineers Supv. during Construction	-	-	-	-	0%
ALTA Survey	-	-	-	-	0%
Total Engineering & Survey	**20,000**	**-**	**20,000**	**171**	**0%**
CONSTRUCTION LOAN COSTS					
Construction Loan Interest	459,030		459,030	3,923	2%
CalHFA Construction Loan Fee	85,800		85,800	733	0%
Other Construction Loan Fees	-		-	-	0%
CalHFA Outside Legal Counsel Fees	20,000		20,000	171	0%
Other Lender Req'd Legal Fees	-		-	-	0%
Title and Recording fees	40,000		40,000	342	0%
CalHFA Req'd Inspection Fees	18,000		18,000	154	0%
Other Req'd Inspection Fees	-		-	-	0%
Prevailing Wage Monitoring Expense	-		-	-	0%
Taxes & Insurance during construction	23,627		23,627	202	0%
Predevelopment Interest	-		-	-	0%
Cost for Completion Guarantee	-		-	-	0%
Other	-		-	-	0%
Total Construction Loan Expense	**646,457**	**-**	**646,457**	**5,525**	**3%**
PERMANENT LOAN COSTS					
CalHFA Perm Loan Fees	22,500	-	22,500	192	0%
CalHFA Bridge Loan Fees	-	-	-	-	0%
CalHFA Loan Application Fee	500	-	500	4	0%
Other Lender Perm. Loan Fees	-	-	-	-	0%
Title and Recording	-	-	-	-	0%
Perm. Bridge Loan Interest Expense	-	87,306	87,306	746	0%
Bond Origination Guarantee Fee	-	-	-	-	0%
Tax Exempt Bond Allocation Fee	600	-	600	5	0%
Other	-	-	-	-	0%
Total Permanent Loan Expense	**23,600**	**87,306**	**110,906**	**948**	**1%**
LEGAL FEES					
Borrower Legal Fee	45,000	-	45,000	385	0%
Other	35,000	-	35,000	299	0%
Total Attorney Expense	**80,000**	**-**	**80,000**	**684**	**0%**

USES OF FUNDS (Cont'd)	Construction ($)	Permanent ($)	Total Development Costs		
			Permanent of Funds ($)	Per Unit per Unit	%
CONTRACT / REPORT COSTS					
Appraisal	6,000	-	6,000	51	0%
Market Study	6,000	-	6,000	51	0%
Physical Needs Assessment	6,000	-	6,000	51	0%
HUD Risk Share Environ. Review	-	-	-	-	0%
CalHFA EQ Waiver Seismic Review Fee	-	-	-	-	0%
Environmental Phase I / II Reports	10,000	-	10,000	85	0%
Soils / Geotech Reports	-	-	-	-	0%
Asbestos / Lead-based Paint Report	-	-	-	-	0%
Noise/Acoustical/Traffic Study Report	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Contract Costs	**28,000**	**-**	**28,000**	**239**	**0%**
CONTINGENCY					
Hard Cost Contingency	355,025	-	355,025	3,034	2%
Soft Cost Contingency	35,000	-	35,000	299	0%
Total Contingency	**390,025**	**-**	**390,025**	**3,334**	**2%**
RESERVES					
CalHFA Operating Expense Reserve	-	230,171	230,171	1,967	1%
Construction Defects Reserve	-	-	-	-	0%
Rent-Up Reserve	-	-	-	-	0%
Initial Deposit to Replacement Reserve	-	117,000	117,000	1,000	1%
Other	-	-	-	-	0%
Total Reserves	**-**	**347,171**	**347,171**	**2,967**	**2%**
OTHER					
CTCAC App/Alloc/Monitor Fees	71,889	-	71,889	614	0%
Local Permit Fees	100,000	-	100,000	855	1%
Local Development Impact Fees	-	-	-	-	0%
Other Local Fees	-	-	-	-	0%
Advertising & Marketing Expenses	15,000	-	15,000	128	0%
1st Year Taxes & Insurance	-	-	-	-	0%
Furnishings	100,000	-	100,000	855	1%
Final Cost Audit Expense	15,000	-	15,000	128	0%
Miscellaneous Admin Fees	413	-	413	4	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Other Expenses	**302,302**	**-**	**302,302**	**2,584**	**2%**
SUBTOTAL PROJECT COSTS	**16,978,260**	**9,014,477**	**17,412,737**	**148,827**	**92%**
DEVELOPER COSTS					
Developer Overhead/Profit (5% Acq.)	250,000	1,250,000	1,500,000	12,821	8%
Developer Overhead/Profit (NC/Rehab)	-	-	-	-	0%
Consultant / Processing Agent	-	-	-	-	0%
Project Administration	-	-	-	-	0%
Broker Fees to a related party	-	-	-	-	0%
Construction Mgmt. Oversight	-	-	-	-	0%
Other	-	-	-	-	0%
Total Developer Fee / Costs	**250,000**	**1,250,000**	**1,500,000**	**12,821**	**8%**
Total Costs	**17,228,260**	**10,264,477**	**18,912,737**	**161,647**	**100%**

Annual Operating Budget — Woodhaven Manor

Final Commitment

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

EXPENSES:	Total Cost	Per Unit	% of Total
Payroll	$143,100	$1,223	23.49%
Administrative	$69,580	$595	11.42%
Management fee	$56,160	$480	9.22%
Utilities	$92,000	$786	15.10%
Operating and Maintenance	$120,600	$1,031	19.80%
Insurance and Business Taxes	$52,557	$449	8.63%
Locality Compliance Monitoring Fee	$0	$0	0.00%
Other	$0	$0	0.00%
Subtotal Expenses	**$533,997**	$4,564	87.66%
Replacement Reserves	$70,200	$600	11.52%
Taxes & Assessments	$5,000	$43	0.82%
Total Expenses	$609,197	$5,207	100.00%
Financial Expenses			
CalHFA First Mortgage	$103,334	$883	
CalHFA Second Mortgage	$268,115	$2,292	
Other Required Debt Service	$0	$0	
NET OPERATING INCOME	**$166,057**	**$1,419**	

Cash Flow | Final Commitment | CalHFA Project Number: 05-010A/S | Woodhaven Manor

RENTAL INCOME	1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Affordable Rents	848,425	865,740	883,055	900,716	918,730	937,105	955,847	974,964	994,463	1,014,352	1,034,639
Affordable Rent Increase		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Rental Subsidies	311,535	317,892	324,250	330,735	337,350	344,097	350,978	357,998	365,158	372,461	379,910
Rental Subsidy Increases		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Unrestricted Units		0	0	0	0	0	0	0	0	0	0
Unrestricted Unit Increases		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME	1,159,960	1,183,632	1,207,305	1,231,451	1,256,080	1,281,201	1,306,825	1,332,962	1,359,621	1,386,814	1,414,550
OTHER INCOME											
Laundry	15,895	16,731	17,066	17,407	17,755	18,110	18,472	18,842	19,219	19,603	19,995
Other Income		0	0	0	0	0	0	0	0	0	0
Other Income Increase		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL OTHER INCOME	15,895	16,731	17,066	17,407	17,755	18,110	18,472	18,842	19,219	19,603	19,995
GROSS POTENTIAL INCOME	1,175,855	1,200,363	1,224,370	1,248,858	1,273,835	1,299,312	1,325,298	1,351,804	1,378,840	1,406,417	1,434,545
VACANCY ASSUMPTIONS											
Affordable (Blended Average)		5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income		3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Unrestricted Units		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income		5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	117,585	53,660	54,734	55,828	56,945	58,084	59,245	60,430	61,639	62,872	64,129
EFFECTIVE GROSS INCOME	1,058,270	1,146,703	1,169,637	1,193,029	1,216,890	1,241,228	1,266,052	1,291,373	1,317,201	1,343,545	1,370,416
OPERATING EXPENSES											
Expenses	523,315	533,997	552,686	572,030	592,052	612,773	634,220	656,418	679,393	703,172	727,783
Annual Expense Increase		3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Taxes and Assessments		5,000	5,100	5,202	5,306	5,412	5,520	5,631	5,743	5,858	5,975
Annual Tax Increase		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Replacement Reserve		70,200	71,604	73,036	74,497	75,987	61,425	61,425	61,425	61,425	61,425
Percentage Increase Yearly		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL EXPENSES	523,315	609,197	629,390	650,269	671,854	694,172	701,166	723,474	746,561	770,455	795,183
NET OPERATING INCOME	534,955	537,506	540,246	542,761	545,036	547,056	564,887	567,900	570,640	573,090	575,233
DEBT SERVICE											
CalHFA - 1st Mortgage		103,334	103,334	103,334	103,334	103,334	103,334	103,334	103,334	103,334	103,334
CalHFA - Bridge Loan		558,653	558,653	0	0	0					
CalHFA - 2nd Mortgage		268,115	268,115	268,115	268,115	268,115	268,115	268,115	268,115	268,115	268,115
None		0	0	0	0	0	0	0	0	0	0
None		0	0	0	0	0	0	0	0	0	0
DEBT COVERAGE RATIO	0	1.45	1.45	1.46	1.47	1.47	1.52	1.53	1.54	1.54	1.55
Cash Available for distribution	534,955	166,057	168,798	171,312	173,587	175,607	193,438	196,451	199,191	201,641	203,784
Transition Operating Reserve	231,175	50,000	50,000	50,000	50,000	68,825					

Cash Flow	CalHFA Project Number: 05-010A/S							Woodhaven Manor		
RENTAL INCOME	**Year 11**	**Year 12**	**Year 13**	**Year 14**	**Year 15**	**Year 16**	**Year 17**	**Year 18**	**Year 19**	**Year 20**
Affordable Rents	**1,055,332**	**1,076,439**	**1,097,968**	**1,119,927**	**1,142,326**	**1,165,172**	**1,188,475**	**1,212,245**	**1,236,490**	**1,261,220**
Affordable Rent Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Rental Subsidies	**387,509**	**395,259**	**403,164**	**411,227**	**419,452**	**427,841**	**0**	**0**	**0**	**0**
Rental Subsidy Increases	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Unrestricted Units	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Unrestricted Unit Increases	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
TOTAL RENTAL INCOME	**1,442,841**	**1,471,698**	**1,501,132**	**1,531,154**	**1,561,777**	**1,593,013**	**1,188,475**	**1,212,245**	**1,236,490**	**1,261,220**
OTHER INCOME										
Laundry	**20,395**	**20,803**	**21,219**	**21,643**	**22,076**	**22,518**	**22,968**	**23,427**	**23,896**	**24,374**
Other Income	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other Income Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
TOTAL OTHER INCOME	**20,395**	**20,803**	**21,219**	**21,643**	**22,076**	**22,518**	**22,968**	**23,427**	**23,896**	**24,374**
GROSS POTENTIAL INCOME	**1,463,236**	**1,492,501**	**1,522,351**	**1,552,798**	**1,583,853**	**1,615,531**	**1,211,444**	**1,235,672**	**1,260,386**	**1,285,594**
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*4.16%*	*4.16%*	*4.16%*	*4.16%*
Rental Subsidy Income	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Unrestricted Units	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Laundry & Other Income	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
LESS: VACANCY LOSS	**65,412**	**66,720**	**68,054**	**69,415**	**70,804**	**72,220**	**50,589**	**51,601**	**52,633**	**53,685**
EFFECTIVE GROSS INCOME	**1,397,824**	**1,425,781**	**1,454,296**	**1,483,382**	**1,513,050**	**1,543,311**	**1,160,855**	**1,184,072**	**1,207,753**	**1,231,908**
OPERATING EXPENSES										
Expenses	753,255	779,619	806,905	835,147	864,377	894,631	901,336	932,883	965,534	999,327
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Taxes and Assessments	6,095	6,217	6,341	6,468	6,597	6,729	6,864	7,001	7,141	7,284
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Replacement Reserve	58,500	58,500	59,670	60,863	62,081	52,650	52,650	53,703	54,777	55,873
Percentage Increase Yearly	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
TOTAL EXPENSES	**817,850**	**844,336**	**872,917**	**902,479**	**933,055**	**954,010**	**960,850**	**993,587**	**1,027,452**	**1,062,484**
NET OPERATING INCOME	**579,974**	**581,445**	**581,380**	**580,904**	**579,994**	**589,301**	**200,005**	**190,485**	**180,301**	**169,424**
DEBT SERVICE										
CalHFA - 1st Mortgage	103,334	103,334	103,334	103,334	103,334	103,334	103,334	103,334	103,334	103,334
CalHFA - Bridge Loan										
CalHFA - 2nd Mortgage	268,115	268,115	268,115	268,115	268,115	268,115	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	**1.56**	**1.57**	**1.57**	**1.56**	**1.56**	**1.59**	**1.94**	**1.84**	**1.74**	**1.64**
Cash Available for distribution	**208,526**	**209,996**	**209,931**	**209,455**	**208,546**	**217,852**	**96,670**	**87,150**	**76,967**	**66,090**
Transition Operating Reserve										

Cash Flow — CalHFA Project Number: 05-010A/S — Woodhaven Manor

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Affordable Rents	1,286,444	1,312,173	1,338,416	1,365,185	1,392,488	1,420,338	1,448,745	1,477,720	1,507,274	1,537,420
Affordable Rent Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Rental Subsidies	0	0	0	0	0	0	0	0	0	0
Rental Subsidy Increases	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Unrestricted Units	0	0	0	0	0	0	0	0	0	0
Unrestricted Unit Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME	1,286,444	1,312,173	1,338,416	1,365,185	1,392,488	1,420,338	1,448,745	1,477,720	1,507,274	1,537,420
OTHER INCOME										
Laundry	24,861	25,359	25,866	26,383	26,911	27,449	27,998	28,558	29,129	29,712
Other Income	0	0	0	0	0	0	0	0	0	0
Other Income Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL OTHER INCOME	24,861	25,359	25,866	26,383	26,911	27,449	27,998	28,558	29,129	29,712
GROSS POTENTIAL INCOME	1,311,305	1,337,532	1,364,282	1,391,568	1,419,399	1,447,787	1,476,743	1,506,278	1,536,403	1,567,131
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	4.16%	4.16%	4.16%	4.16%	4.16%	4.16%	4.16%	4.16%	4.16%	4.16%
Rental Subsidy Income	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Unrestricted Units	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	54,759	55,854	56,971	58,111	59,273	60,459	61,668	62,901	64,159	65,442
EFFECTIVE GROSS INCOME	1,256,546	1,281,677	1,307,311	1,333,457	1,360,126	1,387,329	1,415,075	1,443,377	1,472,244	1,501,689
OPERATING EXPENSES										
Expenses	1,034,304	1,070,504	1,107,972	1,146,751	1,186,887	1,228,428	1,271,423	1,315,923	1,361,981	1,409,650
Annual Expense Increase	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Taxes and Assessments	7,430	7,578	7,730	7,884	8,042	8,203	8,367	8,534	8,705	8,879
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Replacement Reserve	40,950	40,950	41,769	42,604	43,456	35,100	35,100	35,802	36,518	37,248
Percentage Increase Yearly	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL EXPENSES	1,082,684	1,119,033	1,157,471	1,197,240	1,238,386	1,271,731	1,314,891	1,360,260	1,407,204	1,455,778
NET OPERATING INCOME	173,863	162,645	149,840	136,217	121,740	115,597	100,185	83,117	65,041	45,912
DEBT SERVICE										
CalHFA - 1st Mortgage	103,334	103,334	103,334	103,334	103,334	103,334	103,334	103,334	103,334	103,334
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	1.68	1.57	1.45	1.32	1.18	1.12	0.97	0.80	0.63	0.44
Cash Available for distribution	70,529	59,310	46,506	32,883	18,406	12,263	(3,149)	(20,217)	(38,294)	(57,423)
Transition Operating Reserve										

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

SUMMARY

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

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

LOAN TERMS

Acquisition

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

Permanent

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

OTHER FINANCING

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

HOUSING ASSISTANCE PAYMENT ("HAP") CONTRACT

The original HAP contract was executed on May 13, 1983, for a term of 20 years. The HAP contract expired on September 30, 2003, and by its terms, was extended for the first of four (4) additional 5-year terms (20 years total). The contract is in the first 5-year renewal period. CalHFA is the Section 8 Contract Administrator.

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

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

This project is a post 1980 HAP contract with limited distribution to the project sponsor. The existing replacement reserves will be transferred to the property and HB Housing Partners, L.P. upon ownership.

PROJECT DESCRIPTION

Project Location

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

Site

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

Improvements

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

PHYSICAL NEEDS ASSESSMENT / SCOPE OF WORK

- The project is in average condition for a development of this type and in average condition when compared to other developments of similar type and age in the City of Rancho Cucamonga.
- The scope of rehabilitation work is as follows:
- Site work, $180,000 – demolition of old leasing building, handicap ramps, pavement, curbs & gutters, utilities-sewer repairs.
- Landscaping, $1,150,000 – drainage ($55,000), fencing, wrought iron ($128,000), landscaping ($86,000), rec. bldg./laundry/maint. bldg. ($498,000), tot lot upgrade ($30,000), lighting & signage ($107,000), and flatwork.
- Mechanical systems/Painting/Roofs, $1,154,000 – HVAC – heating & air ($122,850), exterior painting ($236,000), plumbing ($175,000), Roofs ($635,000), misc. ($60,400,000).
- Residential Units, $400,000 – allowance as needed for replacing/repairing interiors as needed.
- Windows, ($81,000) – Retrofit dual glazed windows in all units.
- The total amount of immediate rehabilitation is $3,114,250 or $26,617 per unit.
- Work is scheduled to commence upon closing and be completed within 12 months after commencement.

Off-site improvements

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

Relocation

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

MARKET

Market Overview

The Primary Market Area (PMA) consists of the City of Rancho Cucamonga. It is estimated that 80+% of the tenant population will be from this area. The estimated PMA population is 153,876 persons (2004) and is expected to grow by 19.59% to 184,027 by 2009. There are 49,020 households within the PMA population, of which the majority are homeowners.

Housing Supply and Demand

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

Estimated Lease-up Period

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

ENVIRONMENTAL

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

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

A seismic evaluation is currently in process.

DEVELOPMENT TEAM

Borrower

HB Housing Partners, L.P.

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

Management Agent

The Southern California Housing Development Corporation (SoCal)

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

Architect

Not applicable

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

Contractor

The Southern California Housing Development Corporation (SoCal)

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

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

PROJECT SUMMARY — PROJECT NUMBER: 05-010A/S

Final Commitment

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

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

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	**$1,500,000**	**5.90%**	**30**
CalHFA Bridge Loan	**$0**	**5.00%**	**1**
CalHFA Second Mortgage	**$3,000,000**	**5.90%**	**17**
Rancho RDA Loan	**$8,996,235**	**3.00%**	**55**
Source 3	**$0**	**0.00%**	**0**
Source 4	**$0**	**0.00%**	**0**
Source 5	**$0**	**0.00%**	**0**
Source 6	**$0**	**0.00%**	**0**
Source 7	**$0**	**0.00%**	**0**
Source 8	**$0**	**0.00%**	**0**
Source 9	**$0**	**0.00%**	**0**
Source 10	**$0**	**0.00%**	**0**
Source 11	**$0**	**0.00%**	**0**
Source 12	**$0**	**0.00%**	**0**
Income from Operations	**$530,000**		
Developer Contribution	**$0**		
Deferred Dev. Fee	**$9,033**		
Tax Credit Equity	**$4,576,203**		

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

CalHFA Fees and Reserve Requirements

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

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

UNIT MIX AND RENT SUMMARY — Woodhaven Manor

05-010A/S

Total Unit Mix

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

Number of Regulated Units By Agency

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

Restricted Rents Compared to Average Market Rents

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

Sources and Uses of Funds — Woodhaven Manor

05-010A/S

Final Commitment

SOURCES OF FUNDS:	Funds in during Construction ($)	Funds in at Permanent ($)	Total Development Sources: Total Sources of Funds ($)	Sources per Unit	%
CalHFA Acquisition Financing	7,605,000	$0			
Existing Replacement Reserve	76,246				
Construction Only Source 3	-				
CalHFA First Mortgage		1,500,000	1,500,000	12,821	8%
CalHFA Second Mortgage		3,000,000	3,000,000	25,641	16%
Rancho RDA Loan	8,996,235	-	8,996,235	76,891	48%
Source 3	-	-	-	-	0%
Source 4	-	-	-	-	0%
Source 5	-	-	-	-	0%
Source 6	-	-	-	-	0%
Source 7	-	-	-	-	0%
Source 8	-	-	-	-	0%
Source 9	-	-	-	-	0%
Source 10	-	-	-	-	0%
Source 11	-	-	-	-	0%
Source 12	-	-	-	-	0%
Income from Operations	181,591	348,409	530,000	4,530	3%
Developer Contribution	-	-	-	-	0%
Deferred Developer Fee		9,033	9,033	77	0%
Tax Credit Equity	-	4,576,203	4,576,203	39,113	25%
Total Sources	16,859,072	9,433,645	18,611,471	159,072	100%
(Gap)/Surplus	-	-	-		

USES OF FUNDS:	Construction ($)	Permanent ($)	Total Development Costs: Total Uses of Funds ($)	Cost per Unit	%
LOAN PAYOFFS & ROLLOVERS					
Construction Loan payoffs		$7,681,246			
ACQUISITION					
Lesser of Land Cost or Value	4,095,000	-	4,095,000	35,000	22%
Demolition	-	-	-	-	0%
Legal - Acquisition Related Fees	20,000	-	20,000	171	0%
Subtotal - Land Cost / Value	4,115,000	-	4,115,000		
Existing Improvements Value	7,605,000	-	7,605,000	65,000	41%
Off-Site Improvements	-	-	-	-	0%
Other	-	-	-	-	0%
Total Acquisition	**11,720,000**	-	**11,720,000**	**100,171**	**63%**
REHABILITATION					
Site Work	-	-	-	-	0%
Rehab to Structures	3,114,250	-	3,114,250	26,618	17%
General Requirements	144,000	-	144,000	1,231	1%
Contractors Overhead	145,997	-	145,997	1,248	1%
Contractors Profit	145,997	-	145,997	1,248	1%
Contractor's Bond	-	-	-	-	0%
Builder's Risk & Liability Insurance	97,632	-	97,632	834	1%
Environmental Mitigation Expense	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Rehabilitation	**3,647,876**	-	**3,647,876**	**31,178**	**20%**
RELOCATION EXPENSES					
Relocation Expense	-	-	-	-	0%
Relocation Compliance Monitoring	-	-	-	-	0%
Total Relocation	-	-	-	-	**0%**

(Continued on Next 2 Pages)

6

USES OF FUNDS (Cont'd):	Construction ($)	Permanent ($)	Total D elopment Costs		
			Total Uses of Funds ($)	Cost per Unit per Unit	%
NEW CONSTRUCTION					
Site Work	-	-			0%
Structures (Hard Costs)	-	-			0%
General Requirements	-	-			0%
Contractors Overhead	-	-			0%
Contractors Profit	-	-			0%
Contractor's Perf. & Pymt Bond	-	-			0%
Builder's Risk & Liability Insurance	-	-			0%
Other	-	-			0%
Other	-	-			0%
Total New Construction	-	-			0%
ARCHITECTURAL & ENGINEERING					
Architectural Design	110,000		110,000	940	1%
Architect's Supv during Construction	10,000		10,000	85	0%
Total Architectural	120,000		120,000	1,026	1%
Engineering Expense	20,000		20,000	171	0%
Engineers Supv. during Construction	-				0%
ALTA Survey	-				0%
Total Engineering & Survey	20,000		20,000	171	0%
CONSTRUCTION LOAN COSTS					
Construction Loan Interest	353,632		353,632	3,022	2%
CalHFA Construction Loan Fee	76,050		76,050	650	0%
Other Construction Loan Fees	-		-	-	0%
CalHFA Outside Legal Counsel Fees	20,000		20,000	171	0%
Other Lender Req'd Legal Fees	-		-	-	0%
Title and Recording fees	40,000		40,000	342	0%
CalHFA Req'd Inspection Fees	18,000		18,000	154	0%
Other Req'd Inspection Fees					0%
Prevailing Wage Monitoring Expense					0%
Taxes & Insurance during construction	20,000		20,000	171	0%
Predevelopment Interest					0%
Cost for Completion Guarantee					0%
Other					0%
Total Construction Loan Expense	527,682		527,682	4,510	3%
PERMANENT LOAN COSTS					
CalHFA Perm Loan Fees	22,500		22,500	192	0%
CalHFA Bridge Loan Fees	-		-	-	0%
CalHFA Loan Application Fee	500		500	4	0%
Other Lender Perm. Loan Fees			-	-	0%
Title and Recording		20,000	20,000	171	0%
Perm. Bridge Loan Interest Expense					0%
Bond Origination Guarantee Fee					0%
Tax Exempt Bond Allocation Fee	600		600	5	0%
Other	-		-	-	0%
Total Permanent Loan Expense	23,600	20,000	43,600	373	0%
LEGAL FEES					
Borrower Legal Fee	45,000		45,000	385	0%
Other	35,000		35,000	299	0%
Total Attorney Expense	80,000		80,000	684	0%

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

Annual Operating Budget — Woodhaven Manor

Final Commitment

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

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

Cash Flow	Final Commitment			CalHFA Project Number: 05-010A/S					Woodhaven Manor		
RENTAL INCOME	1	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Affordable Rents	848,425	865,740	883,055	900,716	918,730	937,105	955,847	974,964	994,463	1,014,352	1,034,639
Affordable Rent Increase		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Rental Subsidies	311,535	317,892	324,250	330,735	337,350	344,097	350,978	357,998	365,158	372,461	379,910
Rental Subsidy Increases		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Unrestricted Units		0	0	0	0	0	0	0	0	0	0
Unrestricted Unit Increases		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME	1,159,960	1,183,632	1,207,305	1,231,451	1,256,080	1,281,201	1,306,825	1,332,962	1,359,621	1,386,814	1,414,550
OTHER INCOME											
Laundry	15,895	16,731	17,066	17,407	17,755	18,110	18,472	18,842	19,219	19,603	19,995
Other Income		0	0	0	0	0	0	0	0	0	0
Other Income Increase		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL OTHER INCOME	15,895	16,731	17,066	17,407	17,755	18,110	18,472	18,842	19,219	19,603	19,995
GROSS POTENTIAL INCOME	1,175,855	1,200,363	1,224,370	1,248,858	1,273,835	1,299,312	1,325,298	1,351,804	1,378,840	1,406,417	1,434,545
VACANCY ASSUMPTIONS											
Affordable (Blended Average)		5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income		3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Unrestricted Units		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income		5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	117,585	53,660	54,734	55,828	56,945	58,084	59,245	60,430	61,639	62,872	64,129
EFFECTIVE GROSS INCOME	1,058,270	1,146,703	1,169,637	1,193,029	1,216,890	1,241,228	1,266,052	1,291,373	1,317,201	1,343,545	1,370,416
OPERATING EXPENSES											
Expenses	523,315	526,743	545,179	564,260	584,009	604,449	625,605	647,501	670,164	693,619	717,896
Annual Expense Increase		3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Taxes and Assessments		5,000	5,100	5,202	5,306	5,412	5,520	5,631	5,743	5,858	5,975
Annual Tax Increase		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Replacement Reserve		58,500	58,500	58,500	58,500	58,500	61,425	61,425	61,425	61,425	61,425
Percentage Increase Yearly		0.00%	0.00%	0.00%	0.00%	0.00%	5.00%	0.00%	0.00%	0.00%	0.00%
TOTAL EXPENSES	523,315	590,243	608,779	627,962	647,815	668,361	692,550	714,557	737,332	760,903	785,297
NET OPERATING INCOME	534,955	556,460	560,858	565,068	569,075	572,866	573,502	576,817	579,869	582,642	585,119
DEBT SERVICE											
CalHFA - 1st Mortgage		106,765	106,765	106,765	106,765	106,765	106,765	106,765	106,765	106,765	106,765
CalHFA - Bridge Loan		0	0	0	0	0					
CalHFA - 2nd Mortgage		279,922	279,922	279,922	279,922	279,922	279,922	279,922	279,922	279,922	279,922
None		0	0	0	0	0	0	0	0	0	0
None		0	0	0	0	0	0	0	0	0	0
DEBT COVERAGE RATIO	0	1.44	1.45	1.46	1.47	1.48	1.48	1.49	1.50	1.51	1.51
Cash Available for distribution	534,955	169,774	174,172	178,382	182,389	186,180	186,816	190,130	193,183	195,956	198,433

Cash Flow — CalHFA Project Number: 05-010A/S — Woodhaven Manor

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
RENTAL INCOME										
Affordable Rents	1,058,332	1,076,439	1,097,968	1,119,927	1,142,326	1,165,172	1,188,475	1,212,245	1,236,490	1,261,220
Affordable Rent Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Rental Subsidies	387,509	395,259	403,164	411,227	419,452	427,841	0	0	0	0
Rental Subsidy Increases	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Unrestricted Units	0	0	0	0	0	0	0	0	0	0
Unrestricted Unit Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME	1,442,841	1,471,698	1,501,132	1,531,154	1,561,777	1,593,013	1,188,475	1,212,245	1,236,490	1,261,220
OTHER INCOME										
Laundry	20,395	20,803	21,219	21,643	22,076	22,518	22,968	23,427	23,896	24,374
Other Income	0	0	0	0	0	0	0	0	0	0
Other Income Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL OTHER INCOME	20,395	20,803	21,219	21,643	22,076	22,518	22,968	23,427	23,896	24,374
GROSS POTENTIAL INCOME	1,463,236	1,492,501	1,522,351	1,552,798	1,583,853	1,615,531	1,211,444	1,235,672	1,260,386	1,285,594
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	4.16%	4.16%	4.16%	4.16%
Rental Subsidy Income	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Unrestricted Units	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	65,412	66,720	68,054	69,415	70,804	72,220	50,589	51,601	52,633	53,685
EFFECTIVE GROSS INCOME	1,397,824	1,425,781	1,454,296	1,483,382	1,513,050	1,543,311	1,160,855	1,184,072	1,207,753	1,231,908
OPERATING EXPENSES										
Expenses	743,022	769,028	795,944	823,802	852,635	882,478	901,336	932,883	965,534	999,327
Annual Expense Increase	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Taxes and Assessments	6,095	6,217	6,341	6,468	6,597	6,729	6,864	7,001	7,141	7,284
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Replacement Reserve	58,500	58,500	58,500	58,500	58,500	52,650	52,650	52,650	52,650	52,650
Percentage Increase Yearly	5.00%	0.00%	0.00%	0.00%	0.00%	5.00%	0.00%	0.00%	0.00%	0.00%
TOTAL EXPENSES	807,617	833,745	860,785	888,770	917,733	941,857	960,850	992,534	1,025,325	1,059,261
NET OPERATING INCOME	590,207	592,036	593,511	594,612	595,317	601,454	200,005	191,538	182,428	172,647
DEBT SERVICE										
CalHFA - 1st Mortgage	106,765	106,765	106,765	106,765	106,765	106,765	106,765	106,765	106,765	106,765
CalHFA - Bridge Loan										
CalHFA - 2nd Mortgage	279,922	279,922	279,922	279,922	279,922	279,922	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0
DEBT COVERAGE RATIO	1.53	1.53	1.53	1.54	1.54	1.88	1.87	1.79	1.71	1.62
Cash Available for distribution	203,521	206,349	206,825	207,926	208,631	214,768	93,240	84,773	75,664	65,882

Cash Flow CalHFA Project Number: 05-010A/S Woodhaven Manor

	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
RENTAL INCOME										
Affordable Rents	1,286,444	1,312,173	1,338,416	1,365,185	1,392,488	1,420,338	1,448,745	1,477,720	1,507,274	1,537,420
Affordable Rent Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Rental Subsidies	0	0	0	0	0	0	0	0	0	0
Rental Subsidy Increases	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Unrestricted Units	0	0	0	0	0	0	0	0	0	0
Unrestricted Unit Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME	1,286,444	1,312,173	1,338,416	1,365,185	1,392,488	1,420,338	1,448,745	1,477,720	1,507,274	1,537,420
OTHER INCOME										
Laundry	24,861	25,359	25,886	26,383	26,911	27,449	27,998	28,558	29,129	29,712
Other Income	0	0	0	0	0	0	0	0	0	0
Other Income Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL OTHER INCOME	24,861	25,359	25,886	26,383	26,911	27,449	27,998	28,558	29,129	29,712
GROSS POTENTIAL INCOME	1,311,305	1,337,532	1,364,282	1,391,568	1,419,399	1,447,787	1,476,743	1,506,278	1,536,403	1,567,131
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	4.16%	4.16%	4.16%	4.16%	4.16%	4.16%	4.16%	4.16%	4.16%	4.16%
Rental Subsidy Income	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Unrestricted Units	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	54,759	55,854	56,971	58,111	59,273	60,459	61,668	62,901	64,159	65,442
EFFECTIVE GROSS INCOME	1,256,546	1,281,677	1,307,311	1,333,457	1,360,126	1,387,329	1,415,075	1,443,377	1,472,244	1,501,689
OPERATING EXPENSES										
Expenses	1,034,304	1,070,504	1,107,972	1,146,751	1,186,887	1,228,428	1,271,423	1,315,923	1,361,981	1,409,650
Annual Expense Increase	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Taxes and Assessments	7,430	7,578	7,730	7,884	8,042	8,203	8,367	8,534	8,705	8,879
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Replacement Reserve	40,950	40,950	40,950	40,950	40,950	35,100	35,100	35,100	35,100	35,100
Percentage Increase Yearly	5.00%	0.00%	0.00%	0.00%	0.00%	5.00%	0.00%	0.00%	0.00%	0.00%
TOTAL EXPENSES	1,082,684	1,119,033	1,156,652	1,195,586	1,235,880	1,271,731	1,314,891	1,359,558	1,405,786	1,453,629
NET OPERATING INCOME	173,863	162,645	150,659	137,871	124,247	115,597	100,185	83,819	66,459	48,060
DEBT SERVICE										
CalHFA - 1st Mortgage	106,765	106,765	106,765	106,765	106,765	106,765	106,765	106,765	106,765	106,765
CalHFA - Bridge Loan										
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0
DEBT COVERAGE RATIO	1.63	1.52	1.41	1.29	1.16	1.08	0.94	0.79	0.62	0.45
Cash Available for distribution	67,098	55,880	43,894	31,107	17,482	8,833	(6,580)	(22,945)	(40,306)	(58,705)

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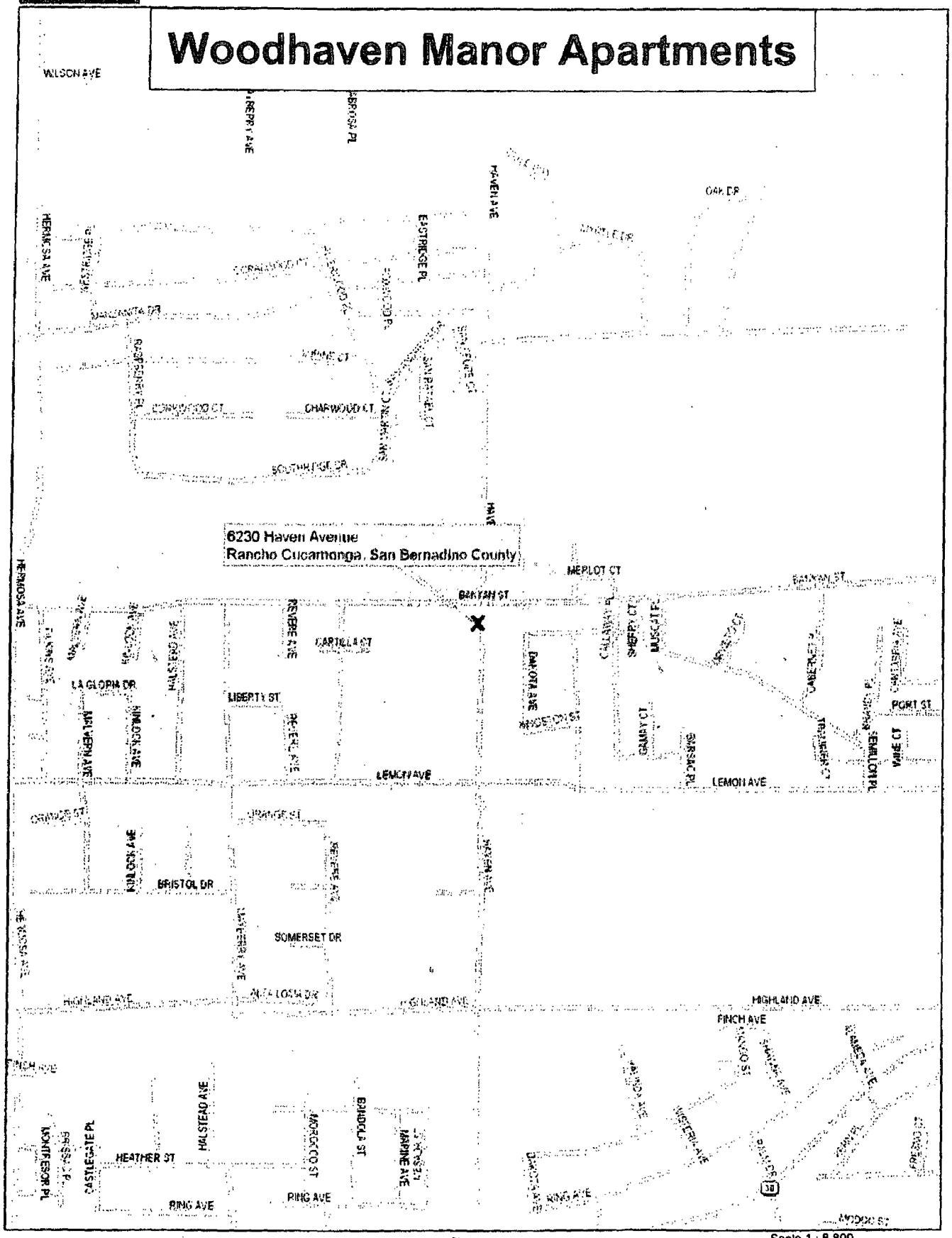
Street Atlas USA® 2004

Woodhaven Manor Apartments



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TN

MN (13.1°E)

Scale 1 : 8,800

1" = 733.3 ft

Data Zoom 14-5

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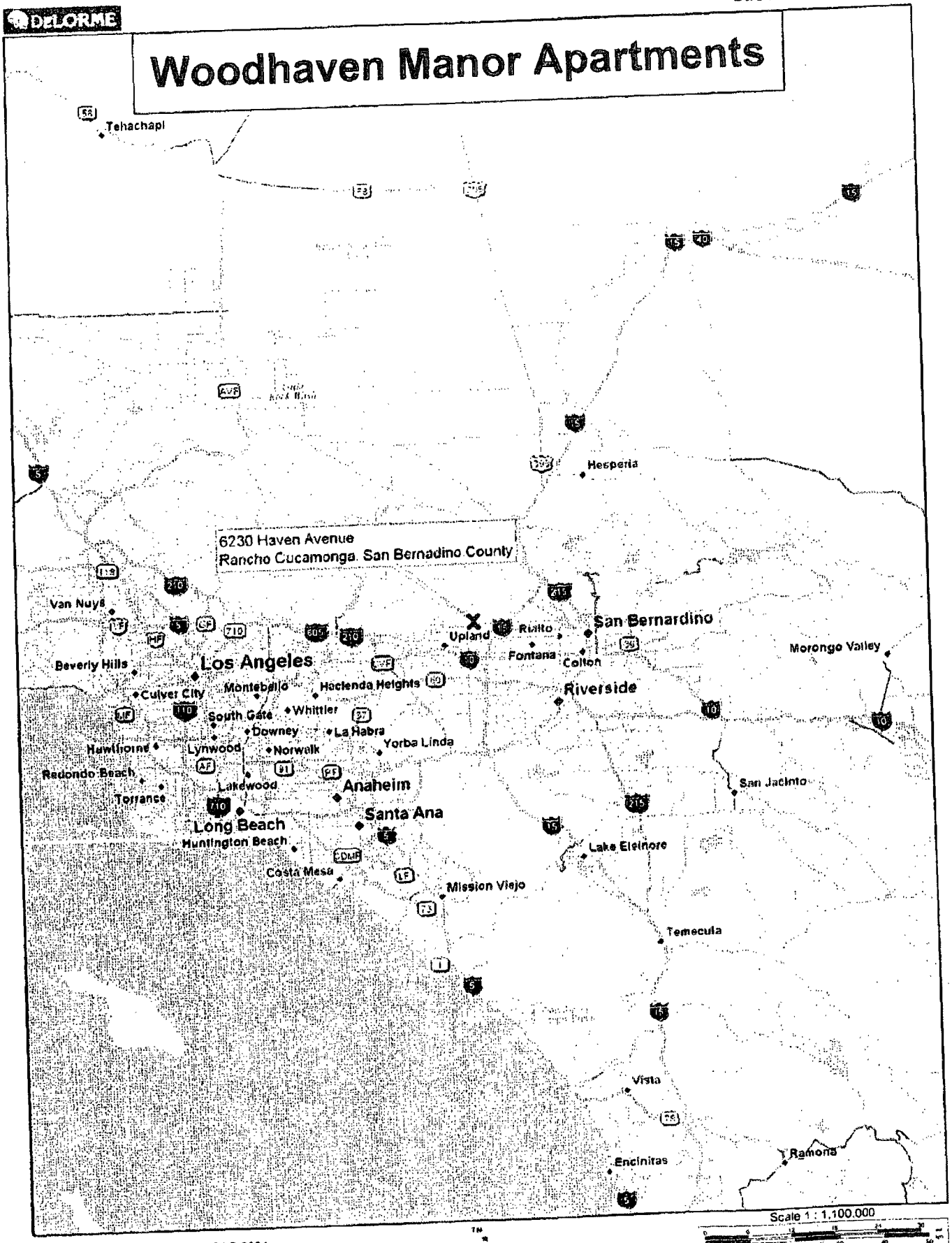
Woodhaven Manor Apartments



Scale 1 : 1,100,000

1" = 17.36 mi

Data Zoom 7-5

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RESOLUTION 05-18

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

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

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated April 22, 2005 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

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

WHEREAS, on April 22, 2005, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

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

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	LOAN AMOUNT
05-010-A/S	Woodhaven Manor Rancho Cucamonga/San Bernardino	117	

CalHFA Acquisition/Rehabilitation First Mortgage:	$7,605,000
Permanent First Mortgage:	$1,500,000
Permanent Second Mortgage:	$3,000,000

Resolution 05-18
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2. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to increase the loan amount so stated in this resolution by an amount not to exceed seven percent (7%) without further Board approval.

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

I hereby certify that this is a true and correct copy of Resolution 05-18 adopted at a duly constituted meeting of the Board of the Agency held on May 12, 2005, at Burbank, California.

ATTEST: _____
Secretary

RESOLUTION 05-34

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of HB 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 Rancho Cucamonga, San Bernardino County, California, to be known as Woodhaven Manor 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 April 22, 2005, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

WHEREAS, based upon the recommendation of staff and due deliberation by the Board, the Board has determined that a 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 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
05-010-A/S	Woodhaven Manor Apartments Rancho Cucamonga, San Bernardino County, CA	$8,580,000–Acquisition 1st Mortgage $1,030,000–Acquisition Bridge Loan $1,500,000–Permanent 1st Mortgage $3,000,000–Permanent 2nd Mortgage

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 05-34 adopted at a duly constituted meeting of the Board of the Agency held on September 8, 2005 at Burbank, California.

ATTEST:_____
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Bay Area Housing Plan
CalHFA #'s TBD

SUMMARY

This is a final commitment request for $20,000,000, and a preliminary request for approval of an additional $80,000,000 in permanent financing under the Bay Area Housing Plan (BAHP). Security for the loans will be annual lease payments authorized by the Regional Centers. The lease payments will be funded by the State Legislature through annual appropriations. Approximately 65 to 78 single family homes will be modified for use by developmentally disabled adults.

The BAHP is part of the closure plan for the Agnews Developmental Center. It involves acquiring and rehabilitating, or new construction of, between 65 and 78 individual homes in the San Francisco Bay Area to house an estimated 264 individuals with severe developmental disabilities who currently reside in Agnews. Each home will house between three and five individuals plus full-time service staff.

The properties will be owned initially by the Hallmark Community Services Group, a not-for-profit corporation. Ownership will be transferred at permanent financing to one of three non-profit housing organizations (referenced as an NPO). Each Regional Center has designated and approved an NPO to be the ultimate owner of the homes that are located in its catchment area.

The basic financial structure of the BAHP is a lease/purchase/conveyance model where the ultimate property owner is one of the three NPOs, which in turn, leases the property to a selected Service Provider. The Regional Centers are responsible for funding all necessary housing and service costs under the lease, the funding of which is included in an annual legislative appropriation.

LOAN TERMS

Permanent

Total First Mortgages	$ 20,000,000
Interest Rate	150 basis points above the Agency's cost of funds
Term	15 year fixed, fully amortized
Financing	Tax-exempt and Taxable fixed rate bonds
Total Preliminary Commitments	
First Mortgage	$ 80,000,000
Interest Rate	150 basis points above the Agency's cost of funds
Term	15 year fixed, fully amortized
Financing	Tax-exempt and Taxable fixed rate bonds

This final commitment gives staff authority to enter into a series of loan commitments on properties up to an aggregate amount of $20,000,000.

STRUCUTURE OF THE BAY AREA HOUSING PLAN

Under the Bay Area Housing Plan, Hallmark Community Services will be retained by the San Andreas Regional Center, the Regional Center of the East Bay, and the Golden Gate Regional Center (the Regional Centers) to develop approximately 65 to 78 houses. The Regional Centers are private non-profit corporations which are 100 percent funded through State appropriations. Operating under a development agreement, Hallmark will arrange the financing, complete the due diligence, acquire the properties, hire the contractors, oversee the rehabilitation or new construction process, and arrange the permanent financing.

The Regional Centers, operating through a steering committee composed of the directors of the three Regional Centers, will approve the purchase of a property and a development budget. Immediately upon Hallmark obtaining short-term financing, Hallmark will purchase the property and sign a Long-Term Residency Lease Agreement (Lease Agreement) with individual service providers for each housing unit. The initial Service Provider may be a place-holder non-profit organization that will stay in the project until permanent financing, at which time the lease will be assigned to the active Service Provider.

The Service Providers will be individuals or organizations with the capabilities of providing 24-hour care for individuals with developmental disabilities. The Service Providers will be the named Tenants in the Lease Agreements, which are intended to be effective for 18 months past the term of the Agency's permanent financing. Service Providers will pay rent through contracts between the Service Provider and the applicable Regional Center. The Regional Center, in turn, obtains its funding through an annual contract with the Department of Developmental Services (DDS), subject to appropriation by the Legislature in the annual Budget Act.

DDS will provide $11.11 million for predevelopment financing and a commercial lender will provide acquisition and construction financing. Once the housing is available for occupancy, Hallmark will obtain permanent financing from the California Housing Finance Agency. It is expected that one-half of the permanent financing will be tax-exempt bond financing, and the remainder will be taxable. The type of financing will be dependent upon the non-profit status of the Service Provider.

At the time the permanent financing is placed on the property, Hallmark will transfer title to the housing and responsibilities as Landlord under the Lease Agreement, and the obligations as borrower for the long-term financing, to one of three NPOs. The NPO for the Regional Center of the East Bay is the Housing Consortium of the East Bay; the NPO for the Golden Gate Regional Center is West Bay Housing Corporation; and the NPO for the San Andreas Regional Center is the Bay Area Housing Corporation.

The housing portion of the lease payment will be assigned by the Lessee and the Landlord to the Agency but the Agency will receive its payment directly from the appropriate Regional Center until the maturity of the Agency loan. The rental portion of the lease payment will be adjusted to finance 100% of the cost of the property. Taxes and insurance will be escrowed by the Agency, but the replacement reserves will be held by the NPO subject to a control-agreement with the Agency. The Service Providers, as Tenant, will receive the remainder of the

lease payment to pay for the maintenance of the property, staffing, and the services required by the residents.

The Regional Centers will be a third-party beneficiary to the Lease Agreements, as will the Agency. The Regional Centers will sign a separate Lease Assurance Agreement for the benefit of the Landlord (NPO) and Tenant (Service Provider), which provides that the Regional Centers will be "jointly and severally liable with the Tenant for the performance of each and every provision of the Lease." This Lease Assurance Agreement will be assigned to the Agency. The Agency will enter into additional guarantee agreements with the Regional Centers, as well as a Memorandum of Understanding (MOU) with DDS, which agreements will detail the understandings between the parties and their respective obligations.

BAHP FUNDING SOURCES

Predevelopment Funding

DDS has requested appropriation of $11.11 million dollars in predevelopment funding for the project. These funds will be available for costs associated with due diligence involved in the purchase of the properties and for earnest money deposits. These funds will be controlled by a steering committee made up of the directors of the three Regional Centers, and may be assigned to the Construction lender. These funds are not available as a permanent source.

Construction Funding

Bank of America has tentatively agreed to act as the lender for the acquisition and construction phase of the BAHP and is structuring a revolving line of credit of sufficient size to accommodate the plan. Bank of America would make loans on the individual houses, contingent upon a take out commitment from the Agency subject to the following;

The construction loan and predevelopment funds will be retired by the permanent financing.

Start Up Lease Payments and Other Regional Center Funding

The Regional Centers will make lease payments available to pay certain expenses during the acquisition period under the lease. Up to 10% of the cost of the project may be covered by the lease payments during start-up. The Regional Centers will utilize other available funds to provide construction guarantees and project equity if required by the construction lender and the Agency.

Permanent Financing

The Agency will make the permanent loans, which will be secured by a deed of trust on the individual properties with debt service paid from the lease payments from the Regional Centers. The Regional Center "Use restrictions" will be subordinate to the Agency deed of trust, and will require a concurrence from DDS which has statutory rights under AB 2100 to approve all transfers of the property (Welfare and Institutions Code Sec. 4688.6).

The interest rate for the loans will be set at the time of permanent financing, and subject to existing market conditions. The Agency is currently contemplating a 15-year fixed rate plan of finance to fund the permanent loans.

The financing plan contemplates Lease Assurance Agreements which will be executed by the Regional Centers for the benefit of the Agency. The Regional Centers are funded by annual appropriations by the Legislature to DDS for the Regional Centers' budget, which will include the lease costs. The financing plan also contemplates that the homes would receive interim permanent funding by the Agency on a monthly or bi-monthly basis. Interim permanent funding by the Agency would be through its warehouse credit facilities. Final funding would be accomplished through two or three large bond financings of $30 to $50 million in size.

Security for the Permanent Loans / Exit Strategy

The Agency has consented to the State's requirement that the State and DDS have no liability for any funding of the BAHP obligations beyond annual appropriations, as articulated in Section 1.5 of the Housing Development Agreement and elsewhere in the Bay Area Housing Plan documents. One result of the State's requirement that it have no liability for funding is that in the event of a failure of the State to make annual appropriations for the project, the only remedy available to the Agency will be foreclosing its loans against the real estate. In the event of a foreclosure, the State, DDS, the Regional Centers and all other parties have recognized that while displacing developmentally disabled persons from community housing will be unpleasant and unpopular, the Agency's fiduciary and contractual obligations require that it take such action.

In addition to taking the annual appropriation risk, the Agency will also be making loans which may exceed the 100% of the value of the property for some period of time after permanent funding.

If the lease payments cease, the Agency has designed an exit strategy to retire its underlying bonds.

The following will be required:

- A deed of trust and a regulatory agreement recorded on each property.
- A subordination agreement recorded on each property subordinating the Regional Center's regulatory agreement and use restrictions, which agreement will be assented to by DDS.
- Cross default provisions in the deeds of trust.
- Control of the escrowed taxes and insurance.
- A reserve equal to one year's debt service. This reserve is intended to provide a financial cushion to allow the Agency to continue to service our bonds in the event of a default and subsequent foreclosure.
- An agreement with DDS and the Regional Centers that in the event of a default the Agency will provide a one month cure period, after which it will file a pre-notice of Default.
- An agreement with the Regional Centers that they provide alternate placements for the residents within three months of a pre-notice of default to allow the Agency time to acquire/foreclose on the properties and arrange for the sale of the properties.
- An agreement with the Regional Centers that in the event of a default and foreclosure, they are financially responsible for the cost of converting the properties

from specialized facilities to homes appropriate for sale to the general public. This includes but is not limited removing specialized medical equipment, specially designed bathrooms, ramps, and special hardening features, and making required repairs.

- An assignment of the Regional Center Lease Guarantees, and other guarantees as required by the Agency.
- An agreement with the Regional Centers that payment of this obligation will be first priority of legally available funds.
- An agreement with DDS that they will place this obligation in their budget request to the Legislature every year for the term of the Agency loans.

LEGISLATIVE BACKGROUND

Agnews Developmental Center (Agnews) is a medical facility which was built to handle a large population of severely developmentally disabled people who need acute, skilled and intermediate levels of care. The facility is subject to codes and standards typical for California medical facilities. Agnews has serious fire, accessibility and life safety deficiencies. It is also seismically unsafe. Code deficiency waivers for the building ended in 1998. The estimated cost of replacement of the facility was $196,900,000 in 1998. The average cost of housing a resident in the facility is $311,188 per year, of which approximately $44,000 can be attributed to the cost of maintaining the facility. Between forty and sixty percent of the costs are paid by Medicare and /or Medicaid in any given year, depending on the number of persons who are Medicaid and Medicare eligible (currently 85%).

It is anticipated that 100% of the total cost of housing and services for the Bay Area Housing Program will be covered under an existing Center for Medicare and Medicaid Services (CMS) waiver, "Home and Community-Based Services Waiver for the Developmentally Disabled" (Waiver). Under the Waiver, 50% of the costs are borne by the State (DDS) with the federal government (CMS) providing reimbursement for the remaining 50% of costs. While the reimbursement is important to the BAHP, the Agency will rely ultimately on the annual appropriated lease payments to debt service our loans.

There have been significant changes in care delivery for the developmentally disabled since Agnews was constructed with the result that an institutional setting like Agnews is no longer viewed as an adequate care delivery model for most individuals. Over the years, few residents have been placed at Agnews, and it currently houses only 314 residents.

In 1999, the United States Supreme Court in the Olmstead decision mandated to the extent possible that persons living in institutionalized settings be moved to community placements. The Olmstead decision was followed by a federal district court decision (Sanchez) which identified the DDS community placement plan (which is the model for the BAHP) as an effectively working Olmstead plan.

In 2003-04, the California's Department of Developmental Services (DDS) developed a plan to close Agnews, located in Santa Clara County, by June of 2007. Approximately 50 of the current residents can be moved to other facilities funded by the Regional Centers but new facilities are needed for 264 residents. Current best practice replacement facilities are small homes for 3 to 5 residents in community settings.

To facilitate the closure of Agnews, the California Legislature, through the passage of Assembly Bill 2100, on September 28, 2004, allowed DDS to approve one or more proposals from three Regional Centers (Golden Gate Regional Center, Regional Center of the East Bay, and San Andreas Regional Center) to "provide for, secure and assure the payment of a lease or leases on housing" for a multiyear basis. The service rate would pay for both the housing and the service costs (daily rate) for individuals with developmental disabilities eligible for services from the Regional Centers.

On January 10, 2005, DDS submitted "The Plan for the Closure of Agnews Developmental Center" to the Legislature for approval (Agnews Closure Plan) as part of the State budget. The Agnews Closure Plan was approved through the budget process, and included the concept for the Bay Area housing process. As part of the budget process the Legislature appropriated to DDS $11,115,000.00 for the purpose of facilitating the development of community based living options for current residents of Agnew. The release of these funds required review of the Plan by the Department of Finance, a positive opinion letter from the Attorney General's Office, and approval by the Governor's office, all of which have been received. Still required is review and approval of the housing plan and the expenditure plan by the Joint Legislative Budget Committee (JLBC). Both of these will be submitted to the JLBC in August 2005. Approval on both of these items is expected to take 60 days.

DESCRIPTION OF THE ENTITLEMENT

Under the Lanterman Developmental Disabilities Services Act, the State has a responsibility for persons with developmental disabilities and an obligation to them to provide "an array of services and supports....which is sufficiently complete to meet the needs and choices of each person with developmental disabilities, regardless of age or degree of disability, at each stage of life and to support their integration into the mainstream of life in the community". The Lanterman Act has been interpreted in a series of court decisions as an entitlement service, the most important decision of which was a California Supreme Court ruling on March 21, 1985 in the case of ARC vs. DDS. The State implements many of its responsibilities under the Lanterman Act through contracts with a network of 21 Regional Centers, all of which are private non-profit corporations. DDS's budget and the contracts with the Regional Centers are subject to appropriations. DDS's current budget is $3.7 billion dollars of which $2.93 billion is distributed to the Regional Centers, $708.5 million to the developmental centers, and $38.5 million for headquarters support. The Regional Centers budget has steadily grown over the years from $600,000 at passage to their current budget of $2.93 billion dollars.

HOME AND COMMUNITY-BASED SERVICES WAIVER

DDS anticipates receiving federal reimbursement for up to 50% of the cost of community placement and services for Medicaid-eligible residents by the under an existing Home and Community-Based and Services Waiver.

The current five-year Waiver, which expires in 2007, has an enrollment cap that increases by 5,000 slots each federal fiscal year to a maximum of 70,000 enrollees in year five. DDS manages the cap by allocating slots to the Regional Centers each fiscal year using an algorithm that identifies the number of potentially Waiver-eligible consumers at each regional center.

All service types anticipated in the BAHP are included in the current Waiver and as such are "allowable" Waiver services. The State is effectively billing for the costs of similar services for Regional Center consumers currently residing in the community. The DDS does not anticipate that Medicaid will require an amendment to the current Waiver.

Should the Centers for Medicaid and Medicare Services determine that the residential (Agency debt) component of the service fee is ineligible, the State would not receive federal reimbursement for the lease component under the BAHP. In the past, at least two instances occurred where the DDS was no longer able to bill for previously approved waiver services: 1) when a Regional Center was decertified, and 2) when a federal audit of California's Developmental Services Waiver program resulted in the reduction of federal reimbursements. In both instances, the Legislature approved the continuation of those services through the use of State General Funds.

To participate in the Waiver, Federal law requires states to demonstrate that, in the aggregate, the cost of providing services in the community is less than or equal to the cost of providing services in an institution. California fulfills this requirement in its annual filing of form CMS 372 with CMS. Cost neutrality for the CMS 372 is calculated as follows: Information is pulled from DDS and Department of Health Services (DHS) databases. The data includes costs for all services provided to consumers under the Waiver in accordance with their individual plans of care. Data for determining the average per capita cost of institutionalization and the number of persons living in such facilities is drawn from the DDS and DHS databases on institutional living, including costs of intermediate care facilities and the State Developmental Centers.

It is important to note that, on an individual basis, CMS allows the State to enroll persons whose annual cost of services exceeds the average cost of institutionalization as long as the *aggregate average* costs of living in the community do not exceed the *aggregate average* costs of living in an institution. In the most recent CMS 372 report for the federal fiscal year ended September 30, 2004, the State of California demonstrated the cost neutrality of its HCBS Waiver showing the average cost of maintaining a person in the community was approximately $30,901 per year, substantially less than the average cost of maintaining persons in an institutional setting, thereby ensuring the State's compliance with the cost neutrality requirement.

Only 23% of California's total spending for the developmentally disabled is funded by the Waiver. This compares favorably to other states which fund as much as 80% of their total developmentally disabled budget from similar waivers California's aggregate average cost per recipient was only 50% of the national aggregate average cost in 2002, the last year for which data is available. Because of this lower utilization, California ranks 41st out of 51 states and the District of Columbia in terms of waiver spending per disabled resident. California has the lowest utilization of any of the high population states.

The cost of maintaining current Agnews residents in the developmental center is $311,188 per person. While two of the three service models in the Bay Area Plan are new and actual costs are not available, it is anticipated that the cost of maintaining someone in the most service intensive of the three service models, the SB 962 home for people with enduring medical needs, will be only $250,000. A very preliminary estimate for the Family Teaching Model is $160,000, and the preliminary estimate for the Specialized Residential Facilities is $110,000 Similarly, the housing portion of the Agnews cost is currently at $44,000, without debt service. The anticipated housing cost in the BAHP is anticipated to be $49,810/year including debt service.

LICENSING

The DSS has statutory authority for the licensing of two of the three housing types. The Family Teaching Model received statutory approval in 2004 as part of the passage of AB 2100. By statute, these will not be licensed facilities. Instead the Regional Centers are authorized to contract with operators who have the ability to meet statutory and regulatory requirements. The Specialized Residential Facilities will be licensed as community care facilities through DSS under an existing licensing category. There is pending legislation to allow the SB 962 homes, to be licensed by DSS as Adult Residential Facilities for persons with Special Health Care Needs for to up to five adults with developmental disabilities who have special health care and intensive support needs. SB 962 will be heard in the Assembly Finance Committee during this legislative session, action on the bill is expected within 60 days. The bill is sponsored by the Administration, has broad support, no opponents, and is expected to be enacted in this legislative session.

HOUSING TYPES

SB 962 Homes. There will be 24 to 30 homes for a total of 120 residents with stable but chronic medical challenges or personal care needs. The homes will house three to five residents each and have space for round-the-clock nursing staff. Typically there will be one person per bedroom and a minimum of two baths per house. The houses will be between 2,000 and 3,500 square feet. All of the homes will require specialized medical features. Typically these homes will involve new construction but in some instances will be acquisition with substantial rehabilitation. They will be licensed through the DSS and will require 24-hour skilled nursing care. The licensing category is not new (it is currently a DHS licensure category) but the rules around staffing are new and are currently before the Legislature.

The Family Teaching Model There will be 20 homes built to accommodate 60 moderately to severely developmentally disabled residents who may have moderate behavioral challenges. These homes will be duplexes to accommodate an apartment for a teaching couple who will live on the premises. Each resident will have his or her own bedroom, and there will be two bedrooms for staff. The homes will be universally designed and will be hardened to withstand behavioral challenges. These facilities will not be licensed but will be regulated by DDS.

The Specialized Residential Facilities. There will be 21 to 28 homes acquired and rehabilitated for individuals with serious behavioral challenges. These homes will have three to four residents. They will be operated by staff but staff will not live in the home. They will have a minimum of one bedroom per person and two baths per home. These facilities will require special hardening. Hardening includes installing Plexiglas instead of glass in windows; strengthening doors and door hardware, strengthening walls, and providing more secure installation of bathroom and kitchen fixtures. The Specialized Residential Facilities will be licensed through the DSS under an existing license category.

Improvements

- All of the buildings will be single family homes, which will be modified for the developmentally disabled. All houses will have universal design features. Some will require special medical features, and some will require special hardening for the developmentally disabled.

- All will have normal single family home amenities in terms of furnishing, landscaping and parking.
- Twenty of the homes will be duplexes. All of the homes will have one bedroom per resident and at least two baths.

Project Location

- The 65-78 residential homes will be located in the catchment areas of the Golden Gate Regional Center, The Regional Center of the East Bay, and the San Andreas Regional Center
- They will be located in safe, residential communities with proximity to parks, schools, shopping, hospitals, grocery stores, transportation and community centers.

OCCUPANCY RESTRICTIONS

CalHFA 20% of the units will be restricted at 50% or less of AMI.

Regional Centers 100% of the units will be restricted to persons with developmental disabilities.

100% of the units will be restricted to persons with incomes of 80% of AMI (or less as required for the welfare tax exemption).

DEVELOPMENT TEAM

Developer: Hallmark Group/Hallmark Community Services

Formed in 2001, the Hallmark Group is part of a family of professional businesses that provide organizational leadership, strategic planning, and capital program management for owners. The principals of Hallmark have considerable prior experience in residential building and development, including land acquisition, permitting, agency approvals, and the management of large multi-facility programs. The staff of 20 includes design and construction management professionals. In addition to providing services to clients for quality assurance, managed cost and on-time delivery of their projects, Hallmark is known for its creative approach to solving complex problems. The company specializes in public-private partnerships.

The Hallmark Group was awarded the project management contract for the entitlement process on the 1,100-acre campus by the KT Company. The Hallmark Group is currently the project management/owner's representative for the University of California Merced campus. Hallmark's duties include management of the $400,000,000 program budget, maintaining the master schedule, oversight and selection of contractors and consultants, and bidding of all projects. The projects include construction of a 600-student housing complex, the central plant, the library building, the science and engineering building, a classroom and office building, a dining facility, and all related infrastructure required to support the campus. Hallmark has developed a move-in plan and schedule to sequence the tasks and services required for the successful opening of the campus. Included in that plan is coordination for the furniture and equipment installation necessary to house and educate 1000 students on opening day.

The co-founders of the Hallmark Group are heavily involved in local and national efforts to address the issues of autism. Hallmark constructed the nation's first school designed to respond to the unique learning needs of children with autism, the A.B.C. School. They have been instrumental in establishing education and treatment programs relating to autism including the Land Park Academy, Capital Autism Services and the Listening Clinic.

Charles Gardner, Executive Officer: Chuck Gardner is Chief Executive Officer of Gardner Contractors, Inc. Founded in 1992, Gardner Contractors handled both residential and commercial construction projects. In 2001 Mr. Gardner co-founded The Hallmark Group. In 2003, he founded Hallmark Community Services, a non-profit corporation to provide education, community services, and housing opportunities for people with developmental disabilities. Mr. Gardner serves on the Board of Directors for Hallmark Community Services.

Mr. Gardner has a child with autism and has a personal interest in helping the developmentally disabled. In 1998 Mr. Gardner assembled a team of university administrators and scientists who wrote the business plan for The MIND Institute, to help the State deal with the current autism epidemic in young children. The result was a $28 million one-time appropriation from the State of California and over $9 million in annual on going funds to develop The MIND Institute on the UC Davis Campus. To date, The MIND Institute has raised approximately $100 million.

NON – PROFIT OWNERS (NPO)

Bay Area Housing Corporation (BAHC)
BAHC is a nonprofit organization that was created by the San Andreas Regional Center, the Regional Center of the East Bay, and Golden Gate Regional Center, to facilitate the development of a housing plan to transition residents of Agnews Developmental Center into the community. In the summer of 2003, BAHC signed a contract with the Regional Center Directors to coordinate the development of a housing plan for the Bay Area Project. Together with the Hallmark Group, they have developed 4 duplexes which are the prototype for the Family Teaching Model in the Bay Area Housing Plan

Kris McCann, who serves as the Executive Director of BAHC, has worked in creating homes for people with developmental disabilities for the past eight years. Kris facilitated the Housing Work Group that gave input to the 2005 Agnews' Closure Plan. She was also a principal of Housing Choices Coalition, which helped developed the 15-unit Life Services Alternatives housing development that was financed by the Agency in 2004. That project serves adults with developmental disabilities who have enduring medical needs.

West Bay Housing Corporation (WBHC)
WBHC was established in March, 2004 by combining three distinct housing organizations that served the Golden Gate Regional Center clients. They have a staff of four full-time employees. The Executive Director, Vera Ciammetti, has eight years experience in affordable housing management, financing, new construction and rehabilitation and twenty years experience in management of disabled housing programs.

Housing Consortium of the East Bay (HCEB)
HCEB was established in 1996. They have managed 70 plus set-aside units for owners which house 100 persons with developmental disabilities. They provide a housing clearing house for persons with developmental disabilities, and have assisted 300 developmentally disabled

persons obtained Section 8 vouchers. They assist developmentally disabled persons and their families to purchase homes through the Home Choice mortgage loan program offered by Fannie Mae and CalHFA.

They are developing an 11-unit apartment building in Fremont through the HUD 811 program, with the assistance of a CalHFA construction loan. They are also under contract with the RCEB to assist in planning for optimal housing solutions for residents leaving Agnews Developmental Center.

Management Agent

- Hallmark Community Services will manage the properties from acquisition to permanent financing for which they will receive a management fee.

- The three NPOs will manage the properties in their respective target areas from permanent financing until the maturity of the Agency's loans. Their management will be limited to oversight of the asset, and handling major repairs. The day-to-day management of the properties will be the responsibility of the lessees. All operating costs and replacement costs will be ultimately paid for by the Regional Centers.

Contractor

- Hallmark will be responsible for hiring contractors to construct the residences and/or rehabilitate the homes.

PROJECT SUMMARY — PROJECT NUMBER: TBD

Final Commitment

Project:	**Bay Area Housing Project**		
Location:	65 to 78 Locations	***Developer:***	**Hallmark Community Services**
Cities:	Various	***Borrowers:***	Hallmark Community Services
Counties:	Alameda		Bay Area Housing Corporation
	Contra Costa		West Bay Housing Corporation
	Marin		Housing Consortium of the East Bay
	Monterey	**Regional Centers:**	San Andreas Regional Center
	San Benito		Golden Gate Regional Center
	Santa Clara		Regional Center of the East Bay
	Santa Cruz		
	San Mateo		
	San Francisco		

Project Type:	New Construction & Acquisition/Rehab	*No. of Buildings:*	65-78	
Occupancy:	Family/Special Needs/Developmentally Disabled	*No. of Stories:*	1	
Total Units:	264	*Residential Space:*	2000 to 3500	sq. ft.
Style Units:	Rooms in single family homes	*Office Space*	NA	sq. ft.
Elevators:	NA	*Commercial Space*	NA	sq. ft.
Total Parking	NA	*Gross Area*	NA	sq. ft.
Covered	NA	*Land Area*	NA	sq. ft.
		Units per acre	NA	

Permanent Commitment - Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	**$20,000,000**	**TBD**	**15**
Regional Center Initial Lease Payments & Start Up Funds	TBD		

Initial Commitment - Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	**$80,000,000**	**TBD**	**15**
Regional Center Initial Lease Payments & Start Up Funds	TBD		

CalHFA Fees and Reserve Requirements

Required Fees and Reserves	Amount
CalHFA Permanent Loan Fee 1%	$ 200,000
Estimated Debt Service Reserve	$ 2,039,461
One year Debt Service on $20,000,000 Loan	
50% taxable and 50% tax-exempt rates	

Required Reserves	Amount
Replacement Reserve	$960-cash at perm
	RR will be held by owner
CalHFA Operating Expense Reserve	NA
Rent Up Reserve	NA
Other Reserve	NA

Date: 8/23/2005 **Senior Staff Date:** 8/23/2005

Acquisition and Construction Summary

Projected Acquisition & Construction Totals By Housing Type											
	Number of clients	Number of Homes	Cost Per Home	FY 2005-2006	Number of clients	Number of Homes	Cost Per Home	FY 2006-2007	Total Clients	Total Homes	Total Cost
SB962 Home - 5 clients per home	14	3	$1,661,008	$4,650,821	106	21	$1,661,008	$34,881,160	120	24	$39,531,981
Family Teaching Home 3 clients per home	18	6	$1,440,285	$8,641,708	42	14	$1,440,285	$20,163,986	60	20	$28,805,695
Specialized Residential 3 clients per home	37	12	$1,107,620	$13,291,446	47	16	$1,107,620	$17,721,928	84	28	$31,013,374
Totals by Fiscal Year	**69**	**21**		**$21,933,154**	**195**	**51**		**$72,767,074**	**264**	**72**	**$99,351,050**

Acquisition and Construction

	Specialized Residential - 4		Specialized Residential - 3		Family Teaching Home		SB962 Home - 5		SB962 Home - 4	
Building/Sq Ft	Bldg. SF:	2,225 SF	Bldg. SF:	2,000 SF	Bldg. SF:	3,000 SF	Bldg. SF:	3,500 SF	Bldg. SF:	3,275 SF
Site Area/Acres	Site Area:	0.15 A	Site Area:	0.15 A	Site Area:	0.15 A	Site Area:	0.2 A	Site Area:	0.18 A
Site Area/Sq Ft		6,534 SF		6,534 SF		6,534 SF		8,712 SF		7,841 SF
Number of Beds	# of Beds:	4 EA	# of Beds:	3 EA	# of Beds:	5 EA	# of Beds:	5 EA	# of Beds:	4 EA
Number of Clients	# of Clients:	4 EA	# of Clients:	3 EA	# of Clients:	3 EA	# of Clients:	5 EA	# of Clients:	4 EA
	Cost/SF	Cost	Cost/SF	Cost	Cost/SF	Cost	Cost/SF	Cost	Cost/SF	Cost
Construction	$80.00	$178,000	$80.00	$160,000	$80.00	$240,000	$179.00	$626,500	$181.00	$592,775
Sitework	$0.00	$0	$0.00	$0	$0.00	$0	$4.25	$37,026	$4.25	$33,323
Sub-Total		$178,000		$160,000		$240,000		$663,526		$626,098
Equipment & Furnishings		$0		$0		$0		$0		$0
Sub-Total		$0		$0		$0		$0		$0
Building Permits & Fees	$2	$4,450	$2	$4,000	$2	$6,000	$9	$31,500	$9	$29,475
Other Soft Cost	$7	$15,575	$7	$14,000	$7	$21,000	$25	$87,500	$25	$81,875
Land Cost/Home Purchase Price		$845,347		$749,040		$936,000		$542,496		$488,247
Property Tax	9 mo.	$7,418	9 mo.	$6,573	9 mo.	$8,213	15 mo.	$7,934	15 mo.	$7,141
Construction Contingency	10%	$17,800	10%	$16,000	10%	$24,000	10%	$66,353	10%	$62,610
Sub-Total		$890,590		$789,613		$995,213		$735,783		$669,347
Loan Fee	1.0%	$10,686	1.0%	$9,496	1.0%	$12,352	1.0%	$13,993	1.0%	$12,954
Escrow and Title	0.3%	$2,536	0.3%	$2,247	0.3%	$2,808	0.3%	$1,627	0.3%	$1,465
Legal/Acct fees	0.2%	$2,137	0.2%	$1,899	0.2%	$2,470	0.2%	$2,799	0.2%	$2,591
Interest Reserve	9 mo.	$55,616	9 mo.	$49,404	9 mo.	$63,919	15 mo.	$103,349	15mo.	$95,311
Development Fee	10.0%	$106,859	10.0%	$94,961	10.0%	$123,521	10.0%	$139,931	10.0%	$129,545
Sub-Total		$177,834		$158,008		$205,071		$261,699		$241,866
Real Estate Commission	3%	$25,360	3%	$22,471	3%	$28,080	3%	$16,275	3%	$14,647
Grand Total of Acquisition and Construction:		$1,246,424		$1,107,620		$1,440,285		$1,661,008		$1,537,312
	Cost/Bed:	$311,606	Cost/Bed:	$369,207	Cost/Bed:	$288,057	Cost/Bed:	$332,202	Cost/Bed:	$384,328
	Cost/Client	$311,606	Cost/Client	$369,207	Cost/Client:	$480,095	Cost/Client:	$332,202	Cost/Client:	$384,328

Total Residential Cost Projections - 15 years at 6.25% (taxable) and 5.45% (tax-exempt)

Projected Monthly Totals for Residential Costs (Debt Service and Operating Costs)								
	Number of clients	Monthly Cost per Client	FY 2005-2006	Number of clients	Monthly Cost per Client	FY 2006-2007	Total Clients	Total Cost
SB962 Home - 5 clients per home	14	50% - $3,874, 50% - $3,460	$51,952	106	50% - $3,874, 50% - $3,460	$393,348	120	$445,300
Family Teaching Home 3 clients per home	18	$5,140	$92,514	42	$5,140	$215,865	60	$308,378
Specialized Residential 3 clients per home	37	50% - $4,350, 50% - $3,908	$155,069	47	50% - $4,350, 50% - $3,908	$196,980	84	$352,049
Totals by Fiscal Year	**69**		**$299,534**	**195**		**$806,193**	**264**	**$1,105,728**

Projected Annual Totals for Residential Costs (Debt service and Operating Costs)								
	Number of clients	Annual Cost Per Client	FY 2005-2006	Number of clients	Annual Cost per Client	FY 2006-2007	Total Clients	Total Cost
SB962 Home - 5 clients per home	14	50% - $46,491, 50% - $41,516	$623,420	106	50% - $46,491, 50% - $41,516	$4,720,181	120	$5,343,601
Family Teaching Home 3 clients per home	18	$61,676	$1,110,162	42	$61,676	$2,590,379	60	$3,700,542
Specialized Residential 3 clients per home	37	50% - $52,206, 50% - $46,901	$1,860,830	47	50% - $52,206, 50% - $46,901	$2,363,757	84	$4,224,587
Totals by Fiscal Year	**69**		**$3,594,413**	**195**		**$9,674,317**	**264**	**$13,268,730**

Plan Totals Based on:

1: Client requirements provided by GGRC, SARC, RCEB. Based on RC Resource Development Plan
2: SRH Models 50% Tax-Exempt, 50% Taxable
3: FTH Models 100% Tax Exempt
4: SB962 Models 50% Tax-Exempt, 50% Taxable
5: Family Teaching Home model assumes 5 beds/3 consumers
6: Includes monthly based rent plus operations costs

Specialized Residential, Habilitation
3 Clients per Facility

			TAXABLE RATES	TAX-EXEMPT RATES
Residential Cost Component Projections			15 years @ 6.25%	15 years @ 5.45%
Permanent Loan Amount				
Construction Loan Take Out Amount			$ 1,107,620	$ 1,107,620
Loan Fees			$ 11,076	$ 11,076
Estimated Debt Service Reserve			$ 115,104	$ 109,332
Total Projected Permanent Loan Amount			**$1,233,800**	**$1,228,029**
Monthly Debt Service/Home			**$10,579**	**$10,001**
Monthly Debt Service/Client			**$3,526**	**$3,334**
Operations Costs				
Property Management Fee	5.0%		$ 529	$ 500
Utilities	6,480	per/year	$ 540	$ 540
Landscape Maintenance	1,200	per/year	$ 100	$ 100
Minor Maintenance	1,200	per/year	$ 100	$ 100
Property Taxes	8,764	per/year	$ 730	$ -
Property Insurance	7,000	per/year	$ 583	$ 583
Major Maintenance Reserve	960	per/year	$ 80	$ 80
Total Monthly Operating Expenses			**$ 2,663**	**$ 1,903**
Total of Debt Service and Operating Costs				
Projected Annual Cost Per Facility			**$158,898**	**$142,859**
Projected Annual Cost Per Client			**$52,966**	**$47,620**
Projected Monthly Cost Per Facility			**$13,241**	**$11,905**
Projected Monthly Cost Per Client			**$4,414**	**$3,968**

Specialized Residential, Habilitation
4 Clients per Facility

Residential Cost Component Projections			TAXABLE RATES 15 years @ 6.25%	TAX-EXEMPT RATES 15 years @ 5.45%
Perr Permanent Loan Amount				
Take-out amount			$ 1,246,424	$ 1,246,424
Loan Fees			$ 12,464	$ 12,464
Estimated Debt service Reserve			$ 129,528	$ 123,034
Subtotal				
Total Projected Permanent Loan Amount			**$1,388,416**	**$1,381,922**
Monthly Debt Service/Home			**$11,905**	**$11,255**
Monthly Debt Service/Client			**$2,976**	**$2,814**
Operations Costs				
Property Management Fee	5.0%		$ 595	$ 563
Utilities	8,640	per/year	$ 720	$ 720
Landscape Maintenance	1,200	per/year	$ 100	$ 100
Minor Maintenance	1,200	per/year	$ 100	$ 100
Property Taxes	9,891	per/year	$ 824	$ -
Property Insurance	7,000	per/year	$ 583	$ 583
Major Maintenance Reserve	960	per/year	$ 80	$ 80
Total Monthly Operating Expenses			**$ 3,003**	**$ 2,146**
Total Debt Service and Operating Costs				
Projected Annual Cost Per Facility			**$178,888**	**$160,811**
Projected Annual Cost Per Client			**$44,722**	**$40,203**
Projected Monthly Cost Per Facility			**$14,907**	**$13,401**
Projected Monthly Cost Per Client			**$3,727**	**$3,350**

Family Teaching Home
5 Beds/3 Clients per Facility

Residential Cost Component Projections			TAXABLE RATES 15 years @ 6.25%	TAX-EXEMPT RATES 15 years @ 5.45%
Permanent Loan Amount				
Construction Loan Take-out amount			$ 1,440,285	$ 1,440,285
Loan Fees			$ 14,403	$ 14,403
Estimated Debt Service Reserve			$ 149,674	$ 142,169
Total Projected Permanent Loan Amount			**$1,604,361**	**$1,596,857**
Monthly Debt Service/Home			**$13,756**	**$13,005**
Monthly Debt Service/Client			**$4,585**	**$4,335**
Operations Costs				
Property Management Fee	5.0%		$ 688	$ 650
Utilities	10,800	per/year	$ 900	$ 900
Landscape Maintenance	1,200	per/year	$ 100	$ 100
Minor Maintenance	1,200	per/year	$ 100	$ 100
Property Taxes	10,951	per/year	$ 913	$ -
Property Insurance	7,000	per/year	$ 583	$ 583
Major Maintenance Reserve	960	per/year	$ 80	$ 80
Total Monthly Operating Expenses			**$ 3,364**	**$ 2,414**
Total of Debt Service and Operating Costs				
Projected Annual Cost Per Facility			**$205,439**	**$185,027**
Projected Annual Cost Per Client			**$68,480**	**$61,676**
Projected Monthly Cost Per Facility			**$17,120**	**$15,419**
Projected Monthly Cost Per Client			**$5,707**	**$5,140**
Projected Monthly Cost Per Bed			**$3,424**	**$3,084**

SB962 Home
5 Clients per Facility

Residential Cost Component Projections			TAXABLE RATES 15 years @ 6.25%	TAX-EXEMPT RATES 15 years @ 5.45%
Permanent Loan Amount				
Take-out amount			$ 1,661,008	$ 1,661,008
Loan Fees			$ 16,610	$ 16,610
Estimated Payment Reserve			$ 172,611	$ 163,957
Total Projected Permanent Loan Amount			**$1,850,229**	**$1,841,574**
Monthly Debt Service/Home			**$15,864**	**$14,998**
Monthly Debt Service/Client			**$3,173**	**$3,000**
Operations Costs				
Property Management Fee	5.0%		$ 793	$ 750
Utilities	10,800	per/year	$ 900	$ 900
Landscape Maintenance	1,200	per/year	$ 100	$ 100
Minor Maintenance	1,200	per/year	$ 100	$ 100
Property Taxes	14,110	per/year	$ 1,176	$ -
Property Insurance	7,000	per/year	$ 583	$ 583
Major Maintenance Reserve	960	per/year	$ 80	$ 80
Total Monthly Operating Expenses			**$ 3,732**	**$ 2,513**
Total of Debt Service and Operating Costs				
Projected Annual Cost Per Facility			**$235,160**	**$210,140**
Projected Annual Cost Per Client			**$47,032**	**$42,028**
Projected Monthly Cost Per Facility			**$19,597**	**$17,512**
Projected Monthly Cost Per Client			**$3,919**	**$3,502**

SB962 Home
4 Clients per Facility

Residential Cost Component Projections			TAXABLE RATES 15 years @ 6.25%	TAX-EXEMPT RATES 15 years @ 5.45%
Permanent Loan Amount				
Take-out amount			$ 1,537,312	$ 1,537,312
Loan Fees			$ 15,373	$ 15,373
Estimated Payment Reserve			$ 159,757	$ 151,747
Total Projected Permanent Loan Amount			**$1,712,442**	**$1,704,432**
Monthly Debt Service/Home			**$14,683**	**$13,881**
Monthly Debt Service/Client			**$3,671**	**$3,470**
Operations Costs				
Property Management Fee	5.0%		$ 734	$ 694
Utilities	8,640	per/year	$ 720	$ 720
Landscape Maintenance	1,200	per/year	$ 100	$ 100
Minor Maintenance	1,200	per/year	$ 100	$ 100
Property Taxes	14,110	per/year	$ 1,176	$ -
Property Insurance	7,000	per/year	$ 583	$ 583
Major Maintenance Reserve	960	per/year	$ 80	$ 80
Total Monthly Operating Expenses			**$ 3,493**	**$ 2,277**
Total of Debt Service and Operating Costs				
Projected Annual Cost Per Facility			**$218,115**	**$193,906**
Projected Annual Cost Per Client			**$54,529**	**$48,477**
Projected Monthly Cost Per Facility			**$18,176**	**$16,159**
Projected Monthly Cost Per Client			**$4,544**	**$4,040**

RESOLUTION 05-35

RESOLUTION AUTHORIZING A SERIES OF FINAL LOAN COMMITMENTS AND ONE OR MORE PRELIMINARY LOAN COMMITMENTS

WHEREAS, the California Department of Developmental Services ("DDS") has developed a plan to close the Agnews Developmental Center, and move its developmentally disabled residents into community housing settings located in three Bay Area counties, and

WHEREAS, the State of California has enacted AB 2100, providing that DDS may approve a plan whereby, among other things, regional centers may provide for the development of community housing for the residents of the Agnews Developmental Center; and

WHEREAS, the Golden Gate Regional Center, the Regional Center of the East Bay, and the San Andreas Regional Center (collectively, the "Regional Centers") and DDS, have developed such a plan, known as the Bay Area Housing Plan ("BAHP"); and

WHEREAS, the BAHP contemplates that the Hallmark Group ("Hallmark") will be the initial developer of the housing provided for in such plan; and

WHEREAS, the California Housing Finance Agency ("Agency") has worked with the State of California, including DDS and the Department of Health Services, the Regional Centers, and Hallmark to develop a financing plan for the BAHP (the Financing Plan"), and

WHEREAS, the Financing Plan contemplates that a series of permanent loan commitments will be made to the initial developer of the housing contemplated by the BAHP, to permit the developer to obtain acquisition and construction financing for each of the individual homes being acquired by that developer; and

WHEREAS, the BAHP and the Financing Plan have been reviewed by Agency staff, which has prepared a report presented to the Board on the meeting date recited below (the "Staff Report"), recommending Board approval of a series of final loan commitments for a portion of the Financing Plan up to an aggregate amount of $20,000,000.00; together with preliminary commitments for later portions of the Financing Plan up to an additional aggregate amount of $80,000,000.00, 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 housing developed under the BAHP with proceeds of a subsequent borrowing; and

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WHEREAS, the Board confirms that the Executive Director is delegated the authority to declare the official intent of the Agency to reimburse such prior expenditures for housing developed under the BAHP; and

WHEREAS, based upon the recommendation of staff and due deliberation by the Board, the Board has determined that a series of final loan commitments be made to the developer to implement the initial portion of the BAHP up to an aggregate amount of $20,000.000.00; and that one or more preliminary loan commitments be made to finance later portions of the BAHP up to an additional aggregate amount of $80,000,000.00, with such preliminary commitments being subject to further Board approval;

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 series of final commitment letters, in a form acceptable to the Agency, and subject to recommended terms and conditions set forth in the Staff Report, up to an aggregate amount of $20,000,000.00 in relation to the BAHP described above.

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 execute and deliver one or more preliminary commitment letters, in a form acceptable to the Agency, subject to recommended terms and conditions set forth in the Staff Report, and additionally subject to the further approval of the Board of Directors, up to an additional aggregate amount of $80,000,000.00, in relation to the BAHP described above.

3. The Executive Director may modify the terms and conditions of the final loan commitments provided for above, 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 final loan commitments 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 05-35 adopted at a duly constituted meeting of the Board of the Agency held on September 8, 2005, at Burbank, California.

ATTEST:_____
Secretary

State of California

MEMORANDUM

To: Board of Directors
CALIFORNIA HOUSING FINANCE AGENCY

Date: August 17, 2005

From: Linn Warren, Director of Multifamily Programs
CALIFORNIA HOUSING FINANCE AGENCY

Subject: Delegation of Loan Approval
Resolution Number 05-36

Summary

During the last two years, the Multifamily Division of CalHFA has significantly increased its level of loan production. Fiscal years 2003-04 and 2004-05 have seen a total of 56 loans committed in the amount of $631,200.000. At the same time, competition from private lenders has also increased, and the pricing advantage the Agency once enjoyed has diminished. The necessity to remain competitive now extends more toward improving our loan origination process. State allocating agencies represented by CDLAC, TCAC and HCD have moved to over-the-counter processes creating shorter timeframes in which CalHFA must operate. Project sponsors are also operating in compressed timeframes and fully expect the Agency to adjust to these new timelines.

The Board has also expressed the desire to devote more time at meetings to other matters including program discussions, financial reports, board education and strategic planning.

To assist the Agency in remaining competitive and to continue to meet our mission, staff is proposing an increase in the level of loan delegation approval. Currently, two delegations have been approved by the Board, up to $4 million for loans on a single project and up to $9 million for acquisition loans under Prop 46.

This proposal requests that loan delegation be set at $8 million for projects with a single loan, and $12 million for projects with multiple loans.

Background

At the November 2001 meeting, the Board approved the delegation of $4 million for loans on individual projects. The delegation was intended to facilitate the processing of small loans which the Agency had been experiencing in large numbers for several years. After the delegation was granted, the Agency began to experience much higher average individual loan amounts and projects with multiple loans. Since this delegation was approved, only 26 loans in the amount of $59.1 million have been approved at the staff level.

Loan delegation was also approved for the Prop 46 Acquisition program at the March 2003 Board. This delegation was set at $9 million and was intended to facilitate the short funding timeframes required for the program. To date five loans have been approved, and the program sunsets in August 2005.

In the past year CDLAC has moved to five rounds per year essentially creating an over-the-counter system for awarding private activity bond allocation. The MHP Supportive housing program conducted by HCD is also using an over-the-counter process. Private lenders have adapted to these changes by delivering rapid loan approvals with timely loan pricing, often directly targeted to compete with CalHFA loan rates. In contrast, the Agency needs to carefully choreograph its loan approval process to allow for staff review, senior staff approval, Board submission dates, and final board approval. This current process can add up to three weeks when taking projects for Board approval. If new projects do not meet our timeline, and cannot be submitted at the next Board meeting, an additional two month delay occurs until the next scheduled Board meeting.

Another area of importance for the Agency is the ability to lock in interest rates for our permanent loans. The Agency relies almost exclusively on interest rate swaps to finance our projects, and the ability to lock in rates quickly after approval would benefit the financing of projects given the volatility of the markets.

Loan Level History

Staff has examined loan approvals for the last five years. The results are tabulated below using the $8 million and $12 million requested approval levels. The two loan sample generally reflects construction loans coupled with permanent financing for a single project. These loans are of different durations and encumber the project at different times. The single loans are generally only permanent loans for a project.

Two Loan Sample

	Equal or Less than $12M		**Greater than $12M**		
	Amount	Percent	Amount	Percent	Total
Number	25	45%	31	55%	56
Dollars	$205.3	23%	$669.9	77%	$875.2

Single Loan Sample

	Equal or Less than $8M		**Greater than $8M**		
	Amount	Percent	Amount	Percent	Total
Number	75	71%	30	29%	105
Dollars	$229.9	34%	$455.5	66%	$685.4

The number of loans greater than $8M and $12M are fewer, but the total amount of credit approved is much higher (66% and 77% respectively). This delegation would allow the Board to focus on those larger credit requests.

Proposal

This proposal requests the CalHFA Board of Directors delegate to the Agency's Executive Director the authority to approve certain multifamily loans pursuant to the guidelines detailed below.

- Individual projects with two or more loans totaling up to $12 million.
- Individual projects with a single loan up to $8 million.
- The authority for approving loan increases up to 7% will also be delegated to the Executive Director.
- The Executive Director will approve loan commitments after review by Senior Management. In the Director's absence, the Chief Deputy Director, Director of Finance, or the Director of Multifamily Programs may approve and execute such loan commitments
- The Director of Multifamily Programs will report in writing to the Board of Directors at each meeting all loans approved under this delegated authority.
- Loan approvals for newly developed programs must first be presented to the Board of Directors for review and approval before delegated approvals can be utilized.

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RESOLUTION 05-36

EXECUTIVE DIRECTOR'S AUTHORITY TO APPROVE MULTIFAMILY COMMITMENTS PURSUANT TO DELEGATED AUTHORITY

WHEREAS, the Board recognizes that Agency financing commitments for affordable housing developments need to be delivered more rapidly due to changes by allocating agencies and shorter timeframes in the development process; and

WHEREAS, the Agency's Multifamily Program staff and management have developed strong underwriting and processing capacities; and

WHEREAS, granting the Executive Director the authority to approve loan commitments for certain projects will help streamline and expedite the loan approval process; and

WHEREAS, additional time at board meetings would allow for more discussion of Agency programs and policies; and

WHEREAS, such an expedited process will enable the Multifamily Division in achieving its production goals and contribute to meeting the Agency's mission,

NOW THEREFORE BE IT RESOLVED by the Board:

1. The Executive Director may create an expedited approval process pursuant to which loan commitments for projects with certain loan amounts as defined herein, may be approved by the Executive Director, or in the absence of the Executive Director, the Chief Deputy Director, or others as designated by the Executive Director.

2. The Executive Director may include in the expedited approval process 1) multiple loans on a development that do not exceed $12,000,000, and 2) a single loan on a development not to exceed $8,000,000.

3. The expedited process established by the Executive Director shall not include loans under newly developed multifamily lending programs that have not been previously presented to the Board. For purposes of this resolution, a "newly developed" program shall be any multifamily lending program that does not otherwise exist at the time of this Resolution, and that, in the opinion of the Executive Director, is significantly different from existing programs in any material, legal, financial, or public purpose aspect. Any newly-developed program must be presented to the Board before such program may be included by the Executive Director in the expedited process.

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Page Two

4. At each regular Board meeting, the Director of Multifamily Programs will report to the Board, in writing, a list of any project loans approved by the Agency under this Resolution since the preceding Board meeting.

I hereby certify that this is a true and correct copy of Resolution 05-36 adopted at a duly constituted meeting of the Board of the Agency held on September 8, 2005, at Burbank California.

ATTEST:

_____

Secretary