# BOARD OF DIRECTORS

Wednesday, November 9, 2005

The Westin
San Francisco Airport
Millbrae, California
(650) 692-3500

9:30 a.m.

1. Roll Call.

2. Approval of the minutes of the September 8, 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: (Dick LaVergne)

| NUMBER | DEVELOPMENT | LOCALITY | UNITS |
|---|---|---|---|
| 04-030-C/N | Cesar Chavez | Davis/Yolo | 53 |

**Resolution 05-37** ........................................ 129

| NUMBER | DEVELOPMENT | LOCALITY | UNITS |
|---|---|---|---|
| 05-016-C/N | Fireside Apartments | Mill Valley/Marin | 50 |

**Resolution 05-38** ........................................ 151

5. Report on Fiscal 2004-05 Year-End Financials. (Dennis Meidinger) ........................ 177

6. Discussion of Conflict of Interest procedures. (Tom Hughes)

7. Reports ........................................ 183

8. Discussion of other Board matters.

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

**NOTES**

HOTEL PARKING: Parking is available as follows:
1) overnight self-parking for hotel guests is $14.00 per night;
2) rates for guests not staying at the hotel is $1.00 per hour.

FUTURE MEETING DATE: Next CalHFA Board of Directors Meeting will be January 12, 2006, at The Westin Hotel, San Francisco Airport, Millbrae, California.

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STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

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ORIGINAL

BOARD OF DIRECTORS

PUBLIC MEETING

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

Thursday, September 8, 2005
9:29 a.m. to 12:23 p.m.

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

11/16/05

**Attest:** ______________________

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


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STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

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BOARD OF DIRECTORS

PUBLIC MEETING

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

Thursday, September 8, 2005
9:29 a.m. to 12:23 p.m.

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

# A P P E A R A N C E S

Directors Present:

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

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

PETER N. CAREY
President/CEO
Self-Help Enterprises

LUCETTA DUNN
Director
Department of Housing and Community Development
State of California

CAROL J. GALANTE
President
Bridge Housing

THERESA A. PARKER
Executive Director
CalHFA

JACK SHINE
Chairman
American Beauty Development Co.

JOHN G. MORRIS
President
John Morris, Inc.

SEAN WALSH
Director
Governor's Office of Planning and Research
State of California

LAURIE WEIR
for Philip Angelides
State Treasurer
State of California

A P P E A R A N C E S, (continued)

Directors Present (continued):

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

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CalHFA Staff Present:

BRUCE D. GILBERTSON
Director of Financing
Fiscal Services

THOMAS C. HUGHES
General Counsel

JIM LISKA

JOJO OJIMA
Office of the General Counsel

DEBRA L. STARBUCK
Multifamily Loan Officer

LINN G. WARREN
Director of Multifamily Programs

KATHY WEREMIUK
Multifamily Loan Officer

LAURA WHITTALL-SCHERFEE
Chief of Multifamily Programs

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A P P E A R A N C E S, (continued)

Speakers from the Public:

JULIA MULLEN
Deputy Director
Department of Developmental Services

JAMES M. BURTON
Executive Director
Regional Center of the East Bay

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BE IT REMEMBERED that on Thursday, September 8, 2005, commencing at the hour of 9:29 a.m., at the Hilton Burbank Airport and Convention Center, 2500 Hollywood Way, Burbank, California, before me, YVONNE K. FENNER, CSR #10909, RPR, the following proceedings were held:

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CHAIRPERSON COURSON: I'll call the meeting to order and ask that we call the roll.

MS. OJIMA: Thank you.

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Item 1. Roll Call

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

MS. WEIR: Here.

MS. OJIMA: Mr. Carey.

MR. CAREY: Here.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Here.

MS. OJIMA: Ms. Dunn.

MS. DUNN: Here.

MS. OJIMA: Ms. Galante.

MS. GALANTE: Here.

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

MS. WILSON: Here.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Present.

MS. OJIMA: Mr. Shine.

MR. SHINE: Here.

MS. OJIMA: Mr. Walsh.

MR. WALSH: Here.

MS. OJIMA: Mr. Campbell.

(No audible response.)

MS. OJIMA: Ms. Parker.

MR. WALSH: She's here.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Present.

MS. OJIMA: We have a quorum.

MS. PARKER: JoJo, I couldn't hear your voice, I'm sorry. It's so soft.

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Item 2. Approval of the minutes of the July 7, 2005
Board of Directors meeting

CHAIRPERSON COURSON: Okay. The first item on our agenda today is the approval of the minutes of our July 7th meeting which are included in copious fashion in your notebook, and now that you've had a chance to review them, a motion is in order to approve those minutes.

MR. CAREY: I'd move approval of the minutes.

CHAIRPERSON COURSON: And is there a second?

MR. WALSH: Second.

CHAIRPERSON COURSON: All right. Let's call the roll.

MS. PARKER: Wait a minute. Wait a minute. Wait a minute. Since Sean is not a voting member --

MR. WALSH: Okay.

MS. PARKER: Sorry.

MR. MORRIS: I'll second.

CHAIRPERSON COURSON: Now we'll call the roll.

MS. OJIMA: Thank you.

Ms. Weir.

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Ms. Dunn.

MS. DUNN: Abstain.

MS. OJIMA: Thank you.

Ms. Galante.

MS. GALANTE: Yes.

MS. OJIMA: Ms. Wilson.

MS. WILSON: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Abstain.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: The minutes have been approved.

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Item 3. Chairman/Executive Director comments.

CHAIRPERSON COURSON: Okay. The next item on our agenda is comments by Terri and myself. I guess I'll start.

I do want -- I must say it is great to see a full table here. It must be picture day. I think we'll have picture day every board meeting and that way we'll have all hands on deck. But it is good to have everybody present for the meeting.

I'd like to talk about really three things today in my comments. One is I'll just share with the Board that I was invited on behalf of CalHFA last Tuesday to testify before the Commission for Economic Development, which is a Governor's appointed commission chaired by the Lieutenant Governor, meets quarterly, and prepares recommendations and reports for the legislature. I took that opportunity -- and the topic was really just very broad in housing, and, of course, being one that not -- not always responding directly to what I'm asked to do, took the opportunity to talk a little bit about CalHFA, our role, some of the numbers we had put on the board over the last year, but in particular pointed toward the expanding needs and our need to expand our role outside that traditionally that we've known in the last 30 years of the 30-year fixed-rate mortgages and into trying to be part of public/private partnerships in creating housing stock.

And talked a little bit about some of our initiatives, some of the things we've done, some of our multifamily construction initiatives, and the ability that we could have to be a catalyst to really, as I've said before, vertically integrate some of the resources in our state, both public and private, to meet the housing need and got a great deal of, I think, very positive reaction.

It occasioned some dialogue and questions during this session, and frankly, as a result of that plan, Di Richardson, who was there with me, and I plan to follow up with a couple of the members that were there who were very proactive in wanting to work with us and have us work with them to craft some solutions. There was a discussion about our role and some of our piggybacking with HCD and others on Prop 46 and an acknowledgement that Prop 46 dollars will be committed by the end of '06 and so the need to take a look at alternatives or where we go from here and was discussion about CalHFA's role and along with HCD and others being aggressively seeking to work on that, which we are.

So I thought it was a good session. I wasn't quite sure what to expect when I went in. We will be talking to the staff of the Commission as they prepare their legislative recommendations.

The second is I know that you don't all come here to hear my travelogue, but I will tell you that I spent about two weeks in Nigeria about three weeks ago, much on the same kind of a mission I had, I think I shared with the Board, on our task in Iraq. And Nigeria, clearly they do have a mortgage system, but it's very pointed towards the very highest of incomes. And they are -- but they have an interesting system of a private mortgage banking industry. I had my picture taken with the chair of the Nigerian Mortgage Bankers Association. And they do have a series of private mortgage bankers who do make loans. They fund them with their own capital and trying to liquefy that marketplace through an entity that they have in place, much like our Ginnie Mae or a Fannie Mae.

But the reason I share that is that, once again, CalHFA really was the highlight of three days of meetings at the -- at the government agency. I took -- as Dick Laverne had shared and a lot of people put some time in, I took our CalHFA CD with our policies, procedures, structures, and so on. And once again, this time I'm getting better at this multimedia stuff, put it up on the screen. And it really did focus everybody on the fact that there had been a lot of discussion at that point, but there were some positive hands-on help that we could give them. And if I had time -- I haven't downloaded it, but I will send to Ken and to Terri the appropriate photo op of them looking. But it was very well received and really is -- their agency will work much like CalHFA's in issuing debt and working with, there, an already ingrained private market.

The last thing I want to mention is I, in thinking, and I have been this last couple of months, and I shared with Terri, one of the things that I want to put on the board for -- on the table for our consideration by the Board is really the formation and appointment of an audit committee of the Board of Directors. We don't have one. We all know the growing awareness of the responsibilities of boards. Although we're not subject to the Graham Leach Briley legislation, that type of standard certainly sets the mark for nonprofits and other entities in addition to those who truly are covered by the law. And I think that from the standpoint of our outside auditors, external auditors, that they have -- will introduce the topic of the appropriateness of having a board audit committee.

So it's not on our agenda today. I mention that as something that I'm going to be working with counsel and others and be on the -- have it on the agenda at our next board meeting in November with an outline of the responsibilities and duties of the Board, how it would be structured -- the audit committee, how it would be structured. But I think it's a key component in our governance and oversight and fiduciary responsibilities for this organization.

Having said that, I will turn it over to Ms. Parker -- oh, and I was supposed to do this first, but it certainly does not reflect anything about our pleasure of having Sean Walsh with us today. Sean is here, and we appreciate you coming. I know you came down early this morning, and I appreciate it. I had a chance to meet with Sean about a month ago, and we shared a very good conversation and Sean's commitment to our mission here at CalHFA and frankly some of our expanding mission, which Terri is going to talk about, the things that we're able to do here and be a catalyst. And Sean, in his role, has certainly been supportive, and we appreciate it, and it's good to see you again.

MR. WALSH: Thank you.

MS. PARKER: Mr. Chair, thank you.

I have a couple things to talk about and sitting in for a couple of staff members who are at home, given that this is the last week of session. Di Richardson is in Sacramento, given this is actually the last day of the session, just in case anything comes up.

But the first thing I want to talk about is Bruce and I were in New York last month. We went on our annual rating agency meeting trip and spent four days in New York, basically going from meeting to meeting. And I can't tell you how successful those meetings were with the rating agencies and all of our bankers.

We met with the four bankers that we use: Bear Stearns, Merrill Lynch, Citi, and Goldman Sachs. We also met with one of our liquidity providers, FSA. We had meetings with both S&P and Moody's. And if you recall from our last meeting where we had board education on our capital requirements by the rating agencies, we did bring up the discussion with them about having them review the capital requirements, particularly for our construction lending programs. And there are dates set up the first part of October for us to begin that process. Particularly S&P was very open to that, and to the extent they're successful with that, that will play into the development of our next year's business plan.

So they were very good meetings. Gene Slater came back with us and did the cash flow presentation to them. Peter Shapiro was there along with us to talk about our swaps. And again, high praise from the rating agencies, particularly about the management of the Agency.

So we will keep you informed of how those meetings go with S&P as time goes on, probably include something about that when we do our mid-year update in January.

As I mentioned, legislation, three bills of interest since our last meeting. In our last Board meeting, we talked about the Governor's initiative on homelessness and that there was legislation that would allow the use of some Prop 46 funds that had originally been identified for preservation programs that CalHFA would administer under contract from HCD and that those funds would -- instead could be utilized for an initiative on long-term or chronic homeless.

Those funds were approved in trailer bill AB139, which essentially sets up the partnership between the Department of Mental Health, HCD, and CalHFA. There was an event last week in Long Beach where the Governor launched the initiative publicly, a very successful event, a very well-attended, got some good press. Hilton Foundation was also there and talked about an $8 million commitment they're making to our partner Cooperation of Supportive Housing to build additional capacity for the creation of this kind of housing. And the three departments -- CalHFA, HCD, and Mental Health -- are working on the processes to get notifications out on the release of those funds and how the process can go for people to apply.

So we're moving along on it, and I think the next step will be discussions, further discussion, with the administration, trying to look for opportunities for greater collaboration and identification of where there may be opportunities, programs that are sort of operating as silos for homelessness that can be combined to further that initiative.

The other two pieces of legislation were bills that we sponsored, AB1754, which dealt with conflict of interest, and AB1512, which was the residential construction loan program. Those were both approved by the legislature, sent by the legislature to the Governor, and Peter informed me that he saw that they had been enrolled and signed, so I think that they did that just so we could be official at this Board meeting. So Di has once again done yeoman labor of getting our legislation accomplished.

The last item, I just wanted to point out to the

Board with some real strong personal comments, Dick Laverne has submitted his retirement notification. He's been with the Agency over 20 years, a very, you know, long-term commitment to this Agency and very, very large -- that's both in size and quantity -- shoes to fill. So we will be in the process of trying to talk to some people about that challenging position.

And with that, Mr. Chairman, I'll be happy to answer any questions.

CHAIRPERSON COURSON: Are there any questions from the Board or any questions from anyone else to Terri or myself?

MR. CZUKER: Mr. Chairman, I see on our chairs we have a proposed schedule for 2006 Board meetings, and I wanted to remind everyone that we have had some discussions in the past about trying to split the Board meetings 50-percent Southern California, 50-percent Northern California, and instead I see they're still the old pattern of a third, a third, a third, which, given the number of Southern California Board members, we'd like you to reconsider and reevaluate our prior discussions on evenly providing Northern and Southern California with appropriate numbers of meetings.

CHAIRPERSON COURSON: To show you how politically adept I really am, this is a preliminary schedule for the

2006 Board, and it is -- two things. One is, and I meant to mention it before, there is likely a problem with the July 27th date. Apparently to facilitate, depending on where we go with some of our projects, to facilitate those projects and CDLAC, the 27th may not work, so we're going to have to revisit that date. And I will take responsibility, it is my fault, because I know Mr. Czuker and Mr. Shine and I have had that conversation, and we will -- I think we are willing and I think Terri and I mentioned it, we are willing to take a look at moving it. I think for Mr. Carey, it's probably six of one, half a dozen of the other.

MR. CAREY: I'd be happy to offer Fresno as a happy medium for all of you.

MR. CZUKER: I'm sure Mr. Morris and others would also appreciate Southern California.

CHAIRPERSON COURSON: So we will take a look at that. This is preliminary. We will take a look at splitting the time.

MR. WALSH: Mr. Chairman, may I say a word?

CHAIRPERSON COURSON: Yeah. Mr. Walsh.

MR. WALSH: The Governor asked me come down here today and to convey his personal appreciation to this group for their activity on the chronic long-term homelessness issue. I can safely say that were it not for the leadership of the executive director and many members of this body that the event and the actual policy probably would not have occurred this year. So you've made a real difference, we think, from public policy perspective and the Governor's Office. Your organization has shown leadership, and the Governor asked me to specifically and personally convey his appreciation for all the assistance that your group has provided, so, thank you.

CHAIRPERSON COURSON: We do appreciate that. And as we have talked over the last year or so, our role -- much of our role historically over the 30 years of this organization, rightfully so, has been filled by the private market, and we've had to take our resources and deploy them in other areas to meet the other needs in the state, and this certainly is one. So thank you very much for those comments.

Okay. Are there any other questions or comments?

Yeah. Ms. Galante.

MS. GALANTE: I just want to comment on, and I don't know where this conversation might go, but on the whole hurricane in New Orleans, I know that right now California hasn't been impacted significantly and that in terms of shelters and those kinds of things there aren't a lot of people who are interested in doing that, but I can say that what we're seeing is a lot of family movement where there are families in the cities in California, so there are people coming to be with family.

And I don't know -- what we're doing as our organization is trying to prioritize vacancies for people who are victims of the hurricane, and that's fairly easy to do in the market-rate product and unrestricted product. It's a little more complicated in tax-credit or HCD-financed units, although tax IRS has made some pronouncements waiving certain requirements. So I don't know whether there will be a need to have a discussion about CalHFA's policies and any that might affect our ability to put people into units, but I'd certainly like the staff to be thinking about that.

I don't know how big the need is going to be, whether it's going be a little trickle and if we can absorb that within the market rate or not, but I think it's worth some conversation.

CHAIRPERSON COURSON: Mr. Czuker.

MR. CZUKER: Just some follow-up thoughts to your comments. First, there are some issues of fair housing and discrimination, so to the extent that we're giving any preference to disaster relief victims, it's a noble cause but then staff would have to clearly figure out that they are stepping on fair housing laws and issues, both with market rate and with affordable, and so that's something that would have to be carefully investigated.

Another by-product or unforeseen outcome of all this may be another study which relates to the potential for rebuilding that will take place in Louisiana and other states affected which may drive construction costs up by shortages of building material. And so it's quite possible and logical that as building supplies, resources, subcontractors shift to disaster relief and rebuilding in other states, that that will create a situation here where our cost of construction for labor and materials will be increasing, and that may have some impact on balancing budgets, subsidies, and the ability to finance affordable housing.

CHAIRPERSON COURSON: Ms. Weir.

MS. WEIR: As Carol alluded to, the IRS has lifted the income restrictions nationwide on tax-credit units. They did that thus far in a press release. They need to come out with a lot of detailed information about how that's really going to work.

Also, we understand that HUD has, in fact, lifted the restrictions of jumping the existing wait list for Housing Authority units, which will take care of some of the fair housing issues that you're referring to.

The tax credit and bond committees have posted a note on our website saying we know that the IRS press release is out there. We're waiting for additional input from the IRS to see if there isn't a rule that the tax credit and bond committees can play in perhaps being a clearinghouse for units that might be vacant that we could at the state level have a kind of an open clearinghouse of a list. One of the issues is how long would the list -- if we had a list of open units available for hurricane victims, how long would that be an accurate list?

But we have drafted an additional letter to go on out to our development community that would effectively be permissive to say that we are okay -- if developers that have owners that have tax credit and bond units want to make those units available to hurricane victims, we're okay with that. And we're looking for any positive role that we can play. The Treasurer is certainly looking for any role that he can play in helping this issue.

CHAIRPERSON COURSON: Mr. Walsh.

MR. WALSH: Mr. Chairman, if I may. We're getting, in the Governor's Office, outpourings from every corner of the state. And what we have tried to do is actually funnel all of these good ideas through the Office of Emergency Services, and they are doing direct point-to-point counter contact with the federal government as opposed to trying to go in from ten different directions.

The federal government is overwhelmed, and what's ending up happening it's, in some quarters, causing delays for other areas. So the OES is set up for any idea along those lines. They have people that match up those ideas with the relevant counterparts at the federal government level. And I would recommend that if this body or anyone else wants to do something to impact and help in that effort, that they use OES as their principal point of contact.

MS. DUNN: In fact, Mr. Chairman, that is exactly what our office has been doing, is using OES, and we have Janet Houston (phonetic) from our staff helping the OES efforts, looking at ideas. We've got a number of good staff ideas. There's -- I talked with Carol earlier about the possibility of even vacant farmworker housing that might be available temporarily. The issue is one of are we going to get the people in that we think we might, but as well administratively to be able to look at our own regs and see what we can do to help with the nonprofit issues that Carol has raised.

So know that it's high on our agenda as well, but I agree OES is the perfect single point to coordinate all of these efforts, and our department has been using them as well.

CHAIRPERSON COURSON: It would seem that the role we should make known to OES that we are here and if we can be a resource, as they sort of delineate what the different needs are and what the different roles would be, if there is one for us to play, we should let them know what resources and capabilities we have to put into their mix of resources available to them.

MS. PARKER: Mr. Chairman, Lucy and I both as being directors in with the BT&H agency are essentially funneling information through them that then gets coordinated to OSE so that we are, you know, leveraging up all and consolidating the information. There's been a number of requests for any good ideas for us to be passing along, so we're doing that.

There's not too much for CalHFA initially. Probably we are more a partner with a number of other people. But we do want to let you know that we are internally looking at some issues, perhaps not just on the rental side, but further down the road. For example, the federal government is also looking about whether they want to make some changes in the MRB rules. That would be on home ownership. They may change or waive income requirements, limitations that we currently operate under. They may also change the definition of a first-time homebuyer to exempt people who have lost their homes in this situation. So if that were -- again, these are longer terms than more immediate, but if those things were to occur, we would be bringing back to the Board program changes that we might be implementing in California to be of assistance in that direction.

CHAIRPERSON COURSON: Thank you for raising this very good discussion.

Any other comments? Questions?

(No audible response.)

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

CHAIRPERSON COURSON: Seeing none, we will move to our project agenda, the first one being in Riverside. Mr. Warren.

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

Before I start, I'd like to tell the Board that Edwin Gipson -- Edwin, I believe, is here -- has been promoted to be the chief of multifamily for the Los Angeles office. Ed has been in Sacramento and with the Board Agency for three years and will be relocating down to Los Angeles. So I want to congratulate Edwin, and he will be heading up our efforts in Los Angeles starting in October.

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Item 4. Resolution 05-31 (Hemet Estates)

MR. WARREN: Our first project today for consideration is Hemet Estates. Hemet Estates is an 80-unit family project. This is one of the Agency's portfolio Section 8 projects. Our financing request today is for a first mortgage loan in the amount of $3.5 million with a second mortgage of 1.1 million. This is based for eight years, which is the remaining term of the existing Section 8 contract. After rehabilitation is done, the first loan will essentially roll over into a permanent loan structure. This is fairly typical of our two-tiered portfolio refinancing structure.

So with that, I'll have Jim Liska go through the project for you.

MR. LISKA: Hemet is situated approximately 35 miles southeast of Riverside, approximately 15 miles east of Interstate 215 at the base of the San Jacinto Mountains. The city has an estimated 2005 population of 69,668 residents. The city was once predominantly viewed as a blue collar retirement community, and now it's become -- it's shifted toward entry level housing as market price -- as high land prices have driven up development in the closer areas of Riverside.

The subject property is located in the northernmost area of Hemet, abutting the southern boundary of the city of San Jacinto. The smaller city of San Jacinto is 28,387 residents per 2005 estimates. And it's closely aligned with Hemet, and it's considered the primary market area.

Here's the subject site. The main access is Menlo Avenue. And we're facing, north is this way. Over to the right is single-family residences. To the rear of the single-family subdivision is an apartment project called Villa Hemet Senior. It's a Section 8 project limited to residents 62 years of age or over. To the left is a retail wholesale commercial. To the rear is -- it's a civic plaza. At one time it was a large grocery and drug store anchored shopping center. It's now leased by the Riverside County Department of Public Social Services, and it's the anchor tenant.

This is the entry of Menlo Avenue to Hemet Estates. The East entry to the subject from Menlo Avenue. This is the subject common community building leasing office. This will be part of the scope of the rehabilitation as far as updating it, renovating it, adding a computer learning center. This is a shot of the current interior of the community center. This is a typical courtyard view area.

And this project is one, two, and three bedrooms. This is a typical kitchen right now, typical bathroom. We'll be seeing some of that for updating.

Across the street is a cemetery. It's not detrimental even though it is picturesque in its own right.

As far as the project is seismically okay. The environmental, the Phase I, there was no adverse findings.

There's limited existing affordable housing stock in the primary market area. And there's limited three-bedroom units of which the subject is part of. In this case, you can see that the Section 8 rents for the ones, twos, and the three bedrooms are slightly above market. We have 752 versus 670, 845 versus 750, 1,038 versus 1,000. This is one reason why we've just taken in our underwriting the approach that we're looking at the term of the existing HAP contract and capping it at that. As far as the 60-percent rents, again, we're close to 85 percent to 90 percent of market, but we are at least 10 percent below market.

As far as another activity, there's three existing family low-income tax-credit projects within the Hemet/San Jacinto area, totaling 199 units. There's a fourth project, San Jacinto Village, which is a mixed rural housing tax-credit project with rents and income restrictions that are 30 percent of income. There's an additional 238 units in four rural housing HUD projects, again, with tenants paying approximately 30 percent of adjusted gross income.

There's limited three bedrooms in the area, which bode well for the subject property. As far as the competitive edge or comparability, the subject compares favorably with other tax-credit projects, HUD projects in the area. There's a hundred-percent occupancy at the tax-credit projects. And there's a waiting list at San Jacinto Gardens with approximately 70 persons, and at San Jacinto Village, there's a six-to-12-month waiting list, so there is a need.

As far as the rehabilitation, it will be a rolling rehab on a per-unit, per-building basis. It won't be an invasive rehabilitation, so our relocation budget will accommodate tenants as far as their needs for temporary relocation to a nearby motel or spending time with relatives, what have you. If furniture has to be moved out, what have you, the borrower is prepared to put that up temporarily in storage for a couple days. Our sponsor/borrower is going to be having an orientation meeting once they gain access to the project, and they will be having ongoing orientation as the rehabilitation takes place to let the tenants know about timeliness, what's going to occur with the rehabilitation of their units, and any other concerns or issues that maybe surface during the rehabilitation project.

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

MR. WARREN: Thank you.

The sponsor/developer for the project will be Las Palmas Foundation, the nonprofit managing general partner. The co-general partner is Bentall. The management of Bentall has been involved with numerous projects with the Agency over the years so we're very comfortable with their ability to prosecute the relocation and the rehabilitation of the property.

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

CHAIRPERSON COURSON: Questions? Mr. Czuker.

MR. CZUKER: Based on joint ventures that I have with Las Palmas Foundation, I need to recuse myself from this particular discussion and vote.

CHAIRPERSON COURSON: Okay.

Questions? Comments? Ms. Dunn.

MS. DUNN: Question. Could you -- could you talk a little bit about the rental housing construction program? Isn't there -- there's -- doesn't that program expire in about eight years, and was there ever any discussion or analysis done with regard to how this might affect the tenants?

MR. WARREN: You're referring to the existing Housing Assistance Payment contract, Ms. Dunn?

MS. DUNN: Yes.

MR. WARREN: There is a transition reserve in the project. At the time that the Section 8 expires, all of our borrowers in these situations are required to seek and accept renewal of the contracts, if they're available. The question for us would be at the end of the eight-year period if the contracts cannot be renewed and a voucher is not available -- right now a voucher is available -- but a transition reserve would be there to deal with any debt service problems of the project.

MS. DUNN: That's Section 8, but even on the state programs your analysis included an additional reserve?

MR. WARREN: No, that is only for the federal programs.

MS. DUNN: Okay. What about the state programs?

MR. LISKA: On the state program, it expires -- my understanding, it expires co-terminusly with the HAP contract period that is currently in place, and all restrictions expire at that time. There is no subsidy that was given other than the rent restriction.

MS. DUNN: So unless the State comes up with more money, we've got some tenants in about eight years that might be in some trouble?

MR. LISKA: Possibly, yes. You're correct.

MS. DUNN: Could you consider including that kind of analysis in here? I mean, I don't know whether -- because I think sometimes at HCD what we would do is we would look at increased reserves or something to do assistance for those tenants when a state program expires, presuming that there isn't additional state funding.

MR. LISKA: Well, again, right now it's a hundred-percent Section 8 and so tenants are paying anywhere from 30 percent or less of their income, and that Section 8 covers it and envelops or enfolds the RHCP. And as indicated, once both the RHPC and the Section 8 contract expire at the end of their respective periods, which is concurrently, we're going to try and seek whatever subsidy is available. That will be ongoing, even though we haven't built it into our underwriting.

And there possibly could be the gap that you indicated --

MS. DUNN: Yes.

MR. LISKA: -- between the 50-, 60-percent levels. But, again, we have a transition operating reserve that we've set up as a contingency to try and -- in anticipation that -- not knowing what's going to be there in eight years to see how we can address it at that point. So it's not a clear -- I don't have a clear answer for you.

CHAIRPERSON COURSON: Other questions? Mr. Carey.

MR. CAREY: The project's a legally nonconforming use at this point as a prestandard 50-percent rebuild rule?

MR. LISKA: Yes. It's legally nonconforming.

MR. CAREY: Do you know if the local ordinance applies to that rule based on the whole project site or on a building-by-building basis?

MR. LISKA: I don't know the answer to that, if it's on a --

MR. CAREY: It strikes me if it's on a building-by-building basis, there's a little more risk to being unable to replace the buildings. It's not inconceivable that one building can be 50-percent destroyed in a fire, whereas the whole project would be pretty inconceivable. It might be worth looking at that.

MR. LISKA: I can find out the answer for you.

MR. WARREN: We'll look at that.

CHAIRPERSON COURSON: Ms. Galante.

MS. GALANTE: Yeah. You know, I know we're about to, later on, do -- delegate authority here. I just -- you know, one of the questions I had about this one and it may apply to the next one too is is there a standard on how you look at the market-rate rents? Is it being 10-percent below? Because honestly, this seems like a very thin -- you know, Section 8 goes away in eight years. I don't think you're going to get 60-percent rents in this project even at tax-credit levels, let alone market. I mean, that's just my gut reaction, that this is pretty thin as a market-rate deal at that point in time.

So you know, I don't know whether that's the standard, whether it's 10 percent, you know, whether you're looking to be 10-percent below or 20-percent below, but this feels pretty thin.

MR. WARREN: It is always a hard choice. We've looked at these projects before. A couple years ago there was an attempt to move them. The Agency's refinance program, we think it's appropriate to take some risks here to recapitalize and refinance these. If not, in eight years the projects, all the restrictions would go away and it would go to market.

Projects like these in which the market rents are so close to the 60-percent rents can be a tough bet, and that is simply the way it needs to be. If you look at a similar project in Oakland, you simply don't have this discussion. But part of the problem with our portfolio is we have a number of these projects that are in essentially outlying areas. And we try to pick the best sponsors we can. We try not to leverage more than we possibly can from a debt standpoint.

But we think the risk is probably appropriate in this particular case. And it's not a large loan amount. Three and a half million is not inconsequential, but it's also not very large either, to try to rehabilitate our portfolio. I think if we took the position that every one we did had to be a solid-gold credit risk, then I think the portfolio would suffer, and quite candidly, many of our borrowers, given where prices are today, are more than happy to sit on these things for five, six, seven, eight years, and then it's all lost. So that's a risk, I think, that we have to take.

So I agree with you. It might be difficult. We'll see what happens.

MS. GALANTE: It's also helpful, I guess I hadn't focused on the fact that this is already in the portfolio.

MR. WARREN: It is in our portfolio, and I think that's one reason when we put the refinancing program in front of the Board a few years ago, we wanted to look at not only the easy ones that we could pick off a little hanging fruit, but arguably these are the tougher ones, and I think we need to address these.

MS. GALANTE: Sure. Thank you.

CHAIRPERSON COURSON: Ms. Dunn.

MS. DUNN: Thank you, Mr. Chairman.

Linn, would it make any sense to increase the transition reserves to use it to help kind of fund some rental assistance if and when these contracts expire?

MR. WARREN: We've looked at that over the years, Ms. Dunn, and I think that the position we've taken is the transition reserves' primary purpose is to protect the debt and debt service for the Agency. If we -- if the Agency would go down the path of trying to fund rental subsidies, I'm not sure where that would end. I'm not sure how you size that.

And there has been discussion in the past that the continuation of rental subsidies for Section 8 projects is primarily the responsibility of the federal government, and there has been that philosophical debate. And where does the State sit, and we include ourselves with the State, as far as putting rental subsidies in place in lieu of the federal government.

We've made the decision over the years not to do that, and our primary concern is to have enough debt service that if there is a transition of the population, to give plenty of time to do that without someone being forced out. And that's essentially the compromise that we struck.

But I think if we go down the path of trying to build in rental subsidies, then I think that's difficult, acknowledging that Section 8 projects, if the federal government ceases their subsidies, have to transition into another type of financing model, which is the bond credit structure, and I think that's what we tried to do here. So I think it's regrettable. We'd like to take care of everybody, but I think it would be tough for us to do that.

MS. DUNN: Thank you.

CHAIRPERSON COURSON: Other questions?

(No audible response.)

CHAIRPERSON COURSON: Is there a motion?

MR. SHINE: I'll move.

CHAIRPERSON COURSON: Mr. Shine moves approval. Second?

MR. CAREY: Second.

CHAIRPERSON COURSON: And a second by Mr. Carey.

Any further discussion?

(No audible response.)

CHAIRPERSON COURSON: Please call the roll.

MS. OJIMA: Thank you.

Ms. Weir.

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: I recused myself. Abstain.

MS. OJIMA: Thank you.

Ms. Dunn.

MS. DUNN: Yes.

MS. OJIMA: Thank you.

Ms. Galante.

MS. GALANTE: Yes.

MS. OJIMA: Ms. Wilson.

MS. WILSON: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 05-31 has been approved.

CHAIRPERSON COURSON: Okay. Thank you.

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Item 4. Resolution 05-32 (Sterling Village)

CHAIRPERSON COURSON: Let's move, Linn, to the Sterling Village Apartments in San Bernardino.

MR. WARREN: I understand you're having trouble hearing us.

CHAIRPERSON COURSON: Yes, we are.

MR. WARREN: We'll try to speak up.

CHAIRPERSON COURSON: Thank you.

MR. WARREN: Or I'll try to speak up.

Sterling Village is very similar to Hemet. This is an 80-unit project in San Bernardino. The financing request is, again, very similar, the first mortgage amount of 4,010,000 with a second mortgage amount for 500,000. This is a taxable loan, again, set up along the lines of the remaining Section 8 contract. The first loan will essentially roll into a permanent loan of 4,075,000, again, very similarly.

So with that, we'll have Jim go through the project.

MR. LISKA: Overview of where the project is located at 7360 Sterling Avenue. It's an L-shaped parcel wrapping the southwest corner of Sterling Avenue and Baseline Street in the city of San Bernardino. The project is located -- San Bernardino is approximately 60 miles east of Los Angeles, with San Bernardino being the county seat of San Bernardino and the largest city in the county.

It's, as indicated, an L-shape parcel. Vacant parcel to the upper right-hand corner. Across the street is various commercial, a small one-story motel here. There's a Burger King, video rental, check cashing, notary. Across the way here is a retail with various commercial, and then barely on the photo here at the end here is an apartment project called Summit Place Apartments. It's 75 units built in 1975. The one feature in this rental unit, they don't incorporate or include refrigerators in their base rent. One-bedroom rents go for like 650, a two bedroom for 750, and a three bedroom for 950.

Right at the rear of the site is vacant, and over to the left is detached single-family residences.

Here's some typical pictures, a view of the entry to the subject off of Sterling Avenue. A typical courtyard area. Again, it has many of the features that you see in the project that we just discussed in Hemet. Typical interior one-bedroom unit kitchen, typical living room.

Clubhouse, again we're going to be with the rehabilitation budget, it's similar to the rehabilitation budget that you saw for Hemet. We're looking at approximately $1,480,000, approximately $15,000-plus per unit.

Central yard area. It's a low-density project. It has a pretty good open space.

In this market, the Section 8 rents are slightly below market. And the 60-percent rents, again, noted by one of the Board comments, were within 83 to 90 percent of market. Again, as in Hemet, we've just underwritten to the Section 8 term. And once that expires, then our underwriting reflects the 50-, 60-percent rent.

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

MR. WARREN: Same development team as Hemet. Again, it's a very, very similar project. So with that, we'd like to recommend approval and be happy to answer any additional questions.

CHAIRPERSON COURSON: Questions? Mr. Czuker.

MR. CZUKER: Once again, the same nonprofit I have joint venture relationships with, and I need to recuse myself.

CHAIRPERSON COURSON: Okay. So noted.

Any other questions or comments on this project?

MS. DUNN: Just one comment --

CHAIRPERSON COURSON: Ms. Dunn.

MS. DUNN: -- for the record similar to Hemet is that in caring for the expiration of both state and federal programs, there will be issues with tenants and so looking to the future, just needed to be in the record.

CHAIRPERSON COURSON: Right. Thank you.

Other questions?

(No audible response.)

CHAIRPERSON COURSON: Is there a motion?

MR. MORRIS: So moved.

CHAIRPERSON COURSON: Mr. Morris, motion to approve.

Second?

MS. WILSON: I'll second.

CHAIRPERSON COURSON: Ms. Wilson seconded.

Any other discussion, comments? Any comments from the public?

(No audible response.)

CHAIRPERSON COURSON: Let's call the roll.

MS. OJIMA: Ms. Weir.

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Ms. Dunn.

MS. DUNN: Yes.

MS. OJIMA: Ms. Galante.

MS. GALANTE: Yes.

MS. OJIMA: Ms. Wilson.

MS. WILSON: Yes.

CHAIRPERSON COURSON: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 05-32 has been approved.

CHAIRPERSON COURSON: Okay, thank you.

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

CHAIRPERSON COURSON: The next two projects are modifications, and so we'll move to those. The first one is the Villa Victoria Apartments in Oxnard.

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Item 5. Resolution 05-33 (Villa Victoria Apartments)

MS. WHITTALL-SCHERFEE: Good morning. The first request is for a loan modification to a project called Villa Victoria which is located in Oxnard County. It's a 54-unit townhome project new construction that was approved by the Board in September of 2003. Due to time delays, almost two years at this point, and a variety of other issues that included transportation mitigation, traffic mitigation issues, the project has been delayed and construction has not yet started. As a result, construction costs have increased an estimated 16 percent, and the 50-percent test is no longer being met for tax credits, so we are being asked to come back and recommend a loan-to-lender increase. This loan-to-lender increase, which has Wells Fargo as the lender, has already been approved by Wells Fargo Bank, and the increase is for $2,575,000, from 7.1 million to 9,675,000, at a rate that we would be charging of 5 percent for 24 months interest only.

In addition, we are requesting an increase in the first mortgage from 3,525,000 to $4,110,000. The interest rate would be 5.3 percent fixed. It's a blended rate. The original approved rate was 5.5 percent that was submitted to the Board. The actual rate that was achieved as part of the bond sale was less than 5.5 percent, and that's why you're seeing the 5.3-percent fixed rate today. It's a combination of what bonds actually sold at versus including what we are lending at today and what the additional allocation would be.

This project is in at CDLAC right now for the additional approval, and we expect approval, we hope for approval, by the end of September. The second mortgage, which is based on the project-based rental subsidy provided by USDA, remains the same. The interest-rate change is just reflecting the bond sale rate.

And with that, I'm going to ask Debra to take you through the project, particularly because a lot of the Board members were not here two years ago when this project was originally considered, so we do have pictures.

MS. STARBUCK: Good morning. What you see here is the site along -- this is a new development of housing, about 450 single-family homes that have been built to the -- let's see. We're looking at the east of the site. This is Villa Victoria and Victoria Avenue. What you see here is an existing woman's shelter. It's going to be remaining there, and there will be a shared driveway access onto the site.

Part of the negotiations that have taken so long involve the County and the City regarding access to the site off of Victoria Avenue, which is two lanes in either direction. They've come to final negotiations after 12 months, and those delays, of course, held up the civil plans and then the encroachments by the locality.

Part of the other concerns are that -- the expansion of the golf course. They are expanding nine holes down and around south and along the east side of the site. We'll require additional use of this driveway during the construction of the project. While -- while the site is being developed, patrons using the additional nine holes on the south side of the course will have access. And they've been negotiating an easement during this whole process, so that was another reason for the delays.

Okay. This is an aerial view of the site looking towards the Bay in Oxnard. You can see Victoria Avenue running here. And this is Gonzalez Road running across. This is an artist's rendering of the townhome units. There will be 54 of them. And this is a site plan. The golf course will run along here. There will be eight-foot-high perimeter walls, and Victoria Avenue runs along here with ten-foot sound walls along the roadway to mitigate noise concerns.

You can see from this chart that we've got rents staggered at 40, 50, and 60 percent with market rates. What we see is an average of 22-to-51-percent market rates, below the market rates, which is about 370 to $850 difference in rents, depending on the unit size.

MS. WHITTALL-SCHERFEE: And with that, we'd be happy to entertain any questions, and we request your approval for the loan modification.

CHAIRPERSON COURSON: Questions on the Villa Victoria project? Mr. Shine.

MR. SHINE: It's always hurtful to see prices go up but also very nice to see them go down, and I'm interested in how we achieved between reserves and contingency funds a savings of $400,000 and the general requirements, which is the overhead for the general contractor, of $300,000, on one hand, and the fees to the City went up $580,000 in fees, for which they granted us another $130,000 in loans. Maybe my question is more rhetorical than anything, but --

MS. WHITTALL-SCHERFEE: Actually we do have some answers.

MR. SHINE: -- is that the way it underwrote and you had to do that or --

MS. WHITTALL-SCHERFEE: Part of it is this is an owner-builder, so there was some flexibility.

MS. STARBUCK: Right. We had significant increases. We had water, sewer, and school fee increases that were very significant. The school fees went up 168,000, sewer 190,000, water 160,000. We also had a large $232,000 golf ball mitigation fee that was built into the initial reserve analysis because they were still negotiating.

MR. SHINE: How much was that again?

MS. STARBUCK: $232,000.

MR. SHINE: How much are we charging them for the easements?

MS. STARBUCK: For the what?

MR. SHINE: How much is the developer charging the golf course for the easement?

MS. STARBUCK: They're not charging them. The City owns the golf course.

MR. SHINE: So the City charges 235 to mitigate golf balls and --

MS. STARBUCK: No, no, no, no. That was an additional reserve that we built into our first development budget to cover the costs for not -- for the unknown concerning the perimeter of the site to make sure that we weren't going to have golf balls hitting our tenants. So we built that reserve in there while they were still negotiating how high the sound walls and the perimeter walls closest to the golf course would be. So that was in the reserve.

MR. SHINE: So we're giving them the easement for nothing?

MS. STARBUCK: The easement, during the course of construction they have shared costs on the easement and road maintenance fees. Once the --

MR. SHINE: After the --

MS. STARBUCK: -- project's up and running, they will no longer be using that except minimally to get to the --

MR. SHINE: So the easement expires in its totality upon completion of construction of the project?

MS. STARBUCK: Well, the adjoining use easement for the tenant -- for the golf patrons to access from that site will be gone.

MS. WHITTALL-SCHERFEE: I think the point that hasn't been made clear is that the entry, the entrance to the golf course is being reconfigured and redesigned right now. And so while the construction is going on to our -- on this project, they will be using access to the golf course, but they're expecting the entrance to the golf course to be finished before our completion of construction and then golf patrons will use the regular entrance to the golf course.

MR. SHINE: So our -- it's not our easement, but the easement for the project expires sometime certain or upon the occurrence of something and this project will not forevermore have people going to the ninth hole driving down the driveway.

MS. STARBUCK: That is correct. That is correct. We have seen the final draft of the easement this past week, and we're okay with it.

MR. SHINE: $297,000 a unit. We've had that discussion. But it's Oxnard.

CHAIRPERSON COURSON: Thank you, Mr. Shine.

Mr. Czuker.

MR. CZUKER: Changing from the rhetorical, I'm supportive of the modification and the increase of 585,000 for a number of reasons, specifically that the debt coverage ratio is starting at 112 and growing over time. We have the lender's guarantee from Wells Fargo Bank, which is already approved which supports our loan increase. And you have the increased subsidy or loan from the City of Oxnard for $236,000, not 130. So while other fees are increasing, such as water and school and certain fees which the City doesn't necessarily have a hundred-percent control over, the City is stepping up to the tune of an additional 236,000.

And the time delay, while costs have risen, is to some degree helping the fact that the borrower/sponsor is able to achieve a higher tax credit equity cushion with the surplus funds or infusion of funds of another million-six and change. So based on the infusion of the million-six and change coming from tax credits which support and help the project, based on the City stepping up and recognizing that they're trying to help a gap problem based on Wells Fargo's guarantee supporting our loan and our high debt coverage ratio growing from 112, I am very supportive of this modification.

CHAIRPERSON COURSON: Okay. Other questions or comments? Any questions or comments from the public?

(No audible response.)

CHAIRPERSON COURSON: Is there a motion?

MR. CZUKER: So moved.

CHAIRPERSON COURSON: Mr. Czuker moves. Second?

MS. DUNN: Second.

CHAIRPERSON COURSON: Ms. Dunn seconds. Call the roll.

MS. OJIMA: Ms. Weir.

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Ms. Dunn.

MS. DUNN: Yes.

MS. OJIMA: Ms. Galante.

MS. GALANTE: Yes.

MS. OJIMA: Ms. Wilson.

MS. WILSON: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 05-33 has been approved.

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Item 5. Resolution 05-34 (Woodhaven Manor)

CHAIRPERSON COURSON: Okay. And our second and final modification will be the Woodhaven Manor Apartments in Rancho Cucamonga.

MS. WHITTALL-SCHERFEE: Woodhaven Manor Apartments is a 117-unit family project in Rancho Cucamonga that was presented and approved by the Board in May of 2005, just two boards ago. The borrower is requesting a loan modification, and this modification would involve increasing the first mortgage by -- during the acquisition period by $975,000, from 7,605,000 to 8,580,000.

This project was submitted to the Board at the same time we originally submitted it to CDLAC. We ended up pulling it from the last round of CDLAC because we needed to have additional financing to make sure that we met the 50-percent test. This project is under consideration at CDLAC as we speak.

Our interest rate is expected to be 5.3 percent on our permanent financing, and the permanent financing amount would stay the same for both the first and the second. What we would be doing to try to meet the 50-percent test -- not try to, to meet the 50-percent test would be to fund a bridge loan in the amount of $1,030,000 for one year.

There has been a shift in some of the financing that has occurred on this loan. What's happened is the RDA is making part of its financing available to pay a prepayment penalty. They have also taken some of their $8,662,000 that remains and they're using 7,662,000 of it during construction with the balance, a million dollars, coming in at the permanent loan. What it also means is that there has been an increase in tax-credit equity, although some tax-credit equity is coming in during construction, which we view as a good thing, $610,000, with permanent financing of 4,075,000.

The overall request is to meet the 50-percent test, and there has been a very minimal increase of 2.2 percent in the construction budget. But we would be happy to answer any questions, and we recommend approval of the loan modification on Woodhaven.

CHAIRPERSON COURSON: Questions or comments on the Woodhaven project? Mr. Morris.

MR. MORRIS: This is more of a general question. I'm just curious on this one, I see they're assuming a cap rate of 6 percent and then in Oxnard it was, you know, almost 7 percent, 6 and three quarters. Can you just comment in general on these appraisals. I mean, I can see obviously a difference in cap rate between Riverside and San Bernardino, but I'm kind of -- I want to see why there's such a big spread between, say, Oxnard and Rancho Cucamonga.

MR. LISKA: What, in cap rates?

MR. MORRIS: Yeah.

MR. LISKA: I don't know if the --

MR. MORRIS: In other words, how are you picking these cap rates? Or is the appraiser picking them or you?

MR. LISKA: The appraiser is picking the cap rates. Now, Oxnard, we're looking at -- I don't know if the appraisal was updated from two years ago.

MS. WHITTALL-SCHERFEE: Yes, it was.

MR. LISKA: It was?

MS. WHITTALL-SCHERFEE: It was. It's an updated appraisal.

MR. LISKA: Okay. Then on this one, this appraisal was done back in March.

MR. MORRIS: March of this year?

MR. LISKA: Of this year.

MR. MORRIS: Right.

MR. LISKA: 6 percent. But the appraiser is doing the appraisal with the three approaches to value of which one is the income approach with the cap rate. So he is picking the cap rate, he or she.

MS. WHITTALL-SCHERFEE: Different appraiser, different areas, and we're seeing a general increase in cap rates occurring throughout the California area right now.

MR. LISKA: A lot of your cap-rate activity is to some degree a little bit artificial, I believe, because you have investors out there who are so aggressive looking for properties, and this is one reason why these properties are at a premium, so to speak, right now. And I think you're starting to see -- you know, we always seem to do like a historical appraisal for value, but I think you're seeing now that the market is starting to catch up a little bit and it's starting to stabilize, flatten out a little bit, as interest rates have started to increase and the market in general has slowed with the single-family residences for sales.

CHAIRPERSON COURSON: Questions? Other questions? Comments? Anything from the -- oh, Mr. Czuker.

MR. CZUKER: I think I know the answer, but I'd like to ask just to make sure I understand correctly. Why does your first year cash flow show zero and then jump to 1.45?

MS. WHITTALL-SCHERFEE: The first -- are you talking about where it's just one, not year one?

MR. CZUKER: Year one.

MR. LISKA: Year one is the rehabilitation year, and then we get into the normal 30-year full amortization.

MR. CZUKER: I see. That's what I was -- I said I thought I knew the answer.

MR. LISKA: And that should have been labeled rehabilitation for year one. That's an error, sir.

CHAIRPERSON COURSON: Other questions or comments on the project?

(No audible response.)

CHAIRPERSON COURSON: Is there a motion -- any questions or comments from the public?

(No audible response.)

CHAIRPERSON COURSON: Is there a motion?

MS. GALANTE: I'll move approval.

CHAIRPERSON COURSON: Ms. Galante moves approval. Is there a second?

MR. SHINE: Second.

CHAIRPERSON COURSON: Mr. Shine seconds.
We'll call the roll.
MS. OJIMA: Thank you.
Ms. Weir.
MS. WEIR: Yes.
MS. OJIMA: Mr. Carey.
MR. CAREY: Yes.
MS. OJIMA: Mr. Czuker.
MR. CZUKER: Yes.
MS. OJIMA: Ms. Dunn.
MS. DUNN: Yes.
MS. OJIMA: Ms. Galante.
MS. GALANTE: Yes.
MS. OJIMA: Ms. Wilson.
MS. WILSON: Yes.
MS. OJIMA: Mr. Morris.
MR. MORRIS: Yes.
MS. OJIMA: Mr. Shine.
MR. SHINE: Yes.
MS. OJIMA: Mr. Courson.
CHAIRPERSON COURSON: Yes.
MS. OJIMA: Resolution 05-34 has been approved.
CHAIRPERSON COURSON: I think at this point based on the time, I have about 10:37 or so on my watch, we're going into a much more extensive project, and we have

some other folks who are with us who have come down to make a presentation, so I think this is a good time. We'll take a 15-minute stretch.

Let me mention that I have in my hand an envelope which contains things of great value, which are parking certificates for $7.00 parking, which I'm sure probably the daily rate is 7.50, so these have great value to you, if you want them. If you want them, you can see JoJo. That's one of the problems coming to Southern California.

With that, we will stand in recess.

(Recess taken.)

CHAIRPERSON COURSON: We will now come back into order.

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Item 6. Discussion, recommendation and possible action relative to a commitment request for the following project:

CHAIRPERSON COURSON: And we have before us a project obviously somewhat different than some of those we've considered before but certainly extensive, and we have talked about the Agnews situation, I know, in previous Board meetings over the last 12 to 18 months, so that is clearly going to take some time. We want to give some careful consideration. And in the interest of time, I think we will go ahead and start. I'm sure the rest will be coming in very shortly.

MR. WARREN: That's fine, Mr. Chairman.

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Item 6. (Bay Area Housing Plan)

MR. WARREN: The Bay Area Housing Plan is somewhat unique for the Agency. It is -- it is -- we have financed group homes in the past, but this is an extremely ambitious effort to replace the Agnews Center in the Bay Area. Because it is different, I think our presentation today will be a little bit out of the ordinary.

So with me today I have Kathy Weremiuk, loan officer for Southern California. Kathy has headed up our special needs for many years and has been the -- really essentially the project manager within the Agency for this particular project. Also joining me today is Julia Mullen, deputy director of the Department of Developmental Services, and Jim Burton, who is the executive director of the Regional Center of the East Bay. And in the audience today also is Chuck Gardner. Chuck is the head of the Hallmark Group and is the master developer in the Bay Area Housing Plan, and all are here to answer questions.

A little over a year ago, we were asked by the Health and Human Services Agency to look at the Bay Area

Housing Plan in anticipation of the closure of the Agnew Center. The Agency's role was to evaluate the financing plan and to assess its viability. It is -- it is a unique public/private partnership, and we felt it appropriate that given our background in financing this area that we render some opinions on this.

We found the financing plan viable. We felt that the structure made sense, and certainly the cost savings, which we'll talk about, warranted this type of approach, and from our own experience, utilization of group homes for developmentally disabled adults is really the preferred housing and care model certainly we've seen.

In the course of our evaluations, we found that this is something we felt that CalHFA should become involved in. It fit our financing plan. It certainly fits our mission. And I think we are in a unique position to understand the various risks, and there are some, and certainly the benefits, which is why we've become involved.

Since that time, we've worked with Julia and Jim and others and numerous other people, and today in front of you is a request for an initial funding of $20 million. Legislative hurdles have been achieved, and the general plan is this fall, some of the very first homes under the plan will be purchased and acquired.

What we'd like to do is seek from the Board approval to begin this first phase with the understanding there are still areas we have to work on and come back to the Board, hopefully in November, for the balance of the funding, which will ultimately total $100 million, approximately a hundred homes.

The folks here can explain this much --

CHAIRPERSON COURSON: Mr. Warren, can I interrupt you at that point?

MR. WARREN: Sure.

CHAIRPERSON COURSON: I just want to clarify that. What we're going to be considering today is the first phase --

MR. WARREN: Yes.

CHAIRPERSON COURSON: -- for $20 million?

MR. WARREN: With an initial commitment for the balance of the 80, with the understanding we'll come in November for formal approval for the balance of the funds.

CHAIRPERSON COURSON: Thank you.

MR. WARREN: Okay. The $20 million is the ability to get us going this fall. We would not be doing any funding. We would be issuing probably just commitments.

So with that, I'd like to ask Julia Mullen to talk about DDS, its population, and their experiences, and we'll go from there. And Jim will talk more about the Regional Centers, and look back with Kathy and I on that. So with that, Julia.

MS. MULLEN: Mr. Chair, Members of the Board, the Department of Developmental Services directly operates five state institutions known as developmental centers and two smaller community facilities. We also, through contract with 21 regional centers, support individuals with developmental disabilities in the community.

The Agnews Developmental Center, the concept of closing Agnews started back in fiscal year 2001/2002. It is our oldest developmental center. A portion of that campus was constructed in the 1880s. Because its physical plant is so old, the costs to maintain the physical plant have increased over the years. A report by the Van Neer (phonetic) Corporation in about 1998, 1999 said that to bring Agnews up to code would cost tens of millions of dollars.

The population at Agnews is also dropping. In the last year and a half through a concerted effort on the part of the three regional centers that are involved in the Bay Area Housing Plan, over a hundred folks have moved out of Agnews. Its population on July 1st was 321 individuals. As Agnews' population drops, the per capita costs of maintaining people in that developmental center increases. The current per capita costs of maintaining someone in Agnews is now $311,000 a year. So there are fiscal reasons to explore the closure of Agnews Developmental Center.

There also are programmatic reasons. As Linn suggested, the preferred mode of service delivery is to support individuals within their home communities. And we have found over the years that with the proper services and supports and planning, that even people with the most difficult of developmental disabilities can be supported in the community.

In fiscal year '03/04, the Department initiated a planning effort around the closure of Agnews Developmental Center. As a result, Agnews Developmental Center and the regional centers involved embarked on an ambitious planning effort. The recommendations that they came to the Department with included the purchase of housing in the three communities, three Bay Area regional communities, that would then be used for group homes and for another service model that we call the family teaching home. The recommendations of this work group then formed the basis for the Department's Agnews closure plan, which was approved by the legislature in the last session.

There are three critical components to the Agnews closure plan, one of which is securing permanent housing stock in the three Bay Area regional center communities. To that end, in the last session of the legislature, a bill, AB2100, was passed with broad bipartisan support. The bill was carried by Senator Wesley Chesbro, a Democrat, who's the chair of the joint legislative budget committee, and it was sponsored by the Schwarzenegger administration. To my knowledge, it received no no votes.

This bill allowed the Department to approve a plan submitted by the Bay Area regional centers that would result in the regional centers' ability to secure, provide for, and assure lease payments for the purchase of housing in the -- in their communities. This addresses our need to what we call "buy at once." As you know, the real estate prices in the Bay Area are astronomical. It is very difficult to recruit residential service providers when the expectation is that they're going to have to buy a million-dollar or more home.

We also are facing somewhat of a crisis in the Bay Area regional centers with current providers cashing out of their homes and using that money that we have, the State of California has, in effect, paid for through the residential service rate time and time again. They then can have the ability to cash that property out. We lose the housing stock.

The Department's goal is to establish permanent housing in the Bay Area. We would then be able to bring residential service providers in to provide the services in those homes. If the residential service provider doesn't pan out, we can get rid of the residential service provider and bring in another provider. The persons with developmental disabilities do not have to move from their home in order to continue receiving high quality services and supports.

The cost of the Bay Area Housing Plan, while significant, is substantially less that the cost to maintain people in the Agnews Developmental Center. At minimum, the State of California will be saving $18 million a year through moving folks into the community rather than continuing their support at Agnews.

The -- I know there could be an issue about the appropriation that the regional centers receive. It is a yearly appropriation. However, the Department's budget has grown in the last three years between 8 and 9 percent every year. The Lanterman Act, which is the enabling legislation for our service delivery, has been found by the California Supreme Court to constitute an entitlement to services for individuals with developmental disabilities. This is reflected in the appropriations that the Department receives for this service delivery.

Thank you.

MR. BURTON: Good morning. Thank you for allowing me to speak today. I'm Jim Burton, executive director at Regional Center of the East Bay, and I'm really here representing three regional centers from the San Francisco Bay Area: Golden Gate Regional Center in the San Francisco Area, San Andreas Regional Center in the South Bay, and East Bay Regional Center where I'm executive director.

The -- Julia was kind enough to cover everything I had in my notes, so I will try to give you some information that I hope will be helpful in terms of what are regional centers, and many of you may not be aware. Regional centers have been in existence for nearly 40 years. We started very small with two pilot regional centers, Golden Gate Regional Center in San Francisco and Frank Lanterman Regional Center in Los Angeles, with a budget statewide of $600,000, and we served a few hundred people. But we were ambitious, and today we serve over 200,000 Californians with developmental disabilities statewide.

In the Bay Area, the three Bay Area regional centers serve close to 30,000 people, people who live in the community, a few of whom live in state development centers, but a very small minority of whom still live in state development centers. And our system was really established to be an alternative to state development centers, because then, 40 years ago, really state development centers were the only option for people with developmental disabilities.

We have grown significantly over the years. I think we've -- California has a very unique system of services, one we're quite proud of in terms of the level of support that we're able to provide people with developmental disabilities. Developmental disabilities include mental retardation, cerebral palsy, epilepsy, and autism. Autism, many of you will have read from the newspapers, is our fastest growing disability in our system. It's growing at unbelievable and extraordinary rates.

In the Bay Area, we're quite proud of the three regional centers. We've been good stewards of public funds. We've got strong financial records, which I know is important to you as you're looking at this proposal. It's kind of ironic that we're meeting here today discussing this plan, because the first discussion we had of this was in the coffee shop on a napkin in this very hotel three years ago as we thought, you know, we really do need to do something different in our approach to providing housing for people with developmental disabilities. The current system is broken and not working.

And it's taken us three years to put together proper public policy, for which we're really proud of the bipartisan support we've gotten across the board on -- legislatively. We've worked really hard to put together a good legal, financial, cost-effective structure that will provide some permanence to the housing that we provide. We just have not been able to do that successfully in our 40-year history. And so we're really pleased to be able to provide outstanding community living arrangements through this plan and hope for your support.

I also want to mention and it's really important to mention the staff, your staff, who have provided really invaluable consultation throughout this process. Linn Warren and Kathy Weremiuk have been extremely generous with their time in helping us put this together and put it together right. And so I want to express my appreciation to the Board for your staff's help. Thanks.

CHAIRPERSON COURSON: Thank you.

MR. WARREN: Thank you, Jim.

It might be helpful at this juncture for Kathy to show you some of the pictures of the homes and also Agnews to give a sense. So fire away.

MS. WEREMIUK: This is -- we have two of the three models available to show you. This is actually a house that the Agency built, the Agency financed with the San Andreas Regional Center three years ago. It is a precursor of what the medical model, what we call the 962 medical home would be. It's a larger facility. It's meant for the most frail of the developmentally disabled who have medical, chronic medical conditions that require 24-hour nursing care. And three of these homes were built adjacent to each other intermixed with senior housing on the old west campus of Agnews Developmental Center next to Cisco Systems in Santa Clara. The cost on these was approximately the same as what we're projecting for these homes. It was 1.66 million, I think, three years ago. And the difference in cost was that this was built with prevailing wages. The current proposal will not have prevailing wages.

This shows you what the living areas would look like. The person who is cooking would be a service provider cooking meals. The community rooms are exceedingly large, and the reason that those rooms are large is that the people who will be living here may have two or three wheelchairs. When we say wheelchairs, we don't mean the normal wheelchair you would think of, but a rolling wheelchair, one that can turn people on their sides, possibly one that straps them in and lets them stand upright. But there needs to be space to store that as well as space to store special medical equipment.

In the walls in this facility there was oxygen built into the walls. What you see back here are larger bedrooms. This is a specialized bathtub. This bathtub is on a hoist. It allows the bathtub to be raised and lowered. There has to be space on both sides. Staff have to physically pick the person up and put them into the bathtub. The bathrooms are very large, allowing for space for equipment and staff. The bedrooms are, again, large, allowing for space for specialized medical equipment. People may need suctioning. They will need oxygen. They may be having -- they may have feeding tubes and other kinds of equipment which take up space.

To the extent possible, in this facility, this was -- the space, it was built -- the equipment was built in, but it really depends on person by person as to what equipment they need. We anticipate in these units there would be tracks for hoisting people in the bedrooms but not in the main living areas.

This is a licensed facility. When we built the

Life Services Alternates Facility, it was intended for people with chronic, not acute, medical conditions, 24-hour nursing. And we thought -- or DDS at that point thought that people could be serviced through the community care licensure. It turned out that that didn't work. And Julia has just told me that SB962, which creates a community care licensing which allows for 24-hour healthcare, was just based by the legislature last night and it's on the Governor's desk today. So we know that this type of home can be built.

These will be -- you'll see in the budget that what -- in the budgets we're anticipating that these are all built from scratch because of the size of the home and special nature; however, given the timing for the closure of Agnews, they may instead buy duplexes and do significant renovations. We anticipate the budget will stay the same.

There are 120 people in Agnews that need this kind of specialized care right now, and we are looking at approximately 24 homes. The cost per resident is lower in these homes than in some -- than in the family teaching model because there will be either four or five residents per building. It's too expensive to do three people per building because of the requirement for nursing care. The cost per resident generally per year with services will be $250,000. It's 311 in Agnews right now.

This is -- I'm going to show you the family teaching model and also the Agnews facility. I had the opportunity to visit the facility the other day. It's a beautiful campus, beautiful architecture; however, it no longer meets any of the fire codes or life safety codes, and it requires very extensive staffing. It was built -- the campus that remains was built and licensed for 700 people. There are currently 300 people there, and it's expensive to maintain.

The family teaching model is a home that is a duplex. It costs a bit more on a monthly basis because there will be a space for a family to live side by side with three developmentally disabled residents. The cost for the family, they get their residence free plus a salary, and the developmentally disabled are integrated into their family and into their lifestyle, and it provides a very homelike environment. The residents who will be here will be -- typically not have medical issues, but they will have severe retardation and maybe some minor behavioral issues.

The Bay Area Housing Group, one of the three nonprofits worked together with Chuck Gardner and San Andreas Regional Center to develop four homes on North

Foothill Boulevard in Cupertino, and these homes have just been completed. They're just getting their C of O, so this is what you see. They're adjacent to each other. It allows for some intermixing of the families and intermixing of the residents, but they're scattered in a very lovely community. The community was picked because of the school system. They need to attract the family teachers who will have children to an area. One of the attractions is they get their housing in a good school district.

This shows what a typical living room in Agnews would be like. It's very institutional -- very well-kept, but very institutional. The family teaching model is warm, friendly, and homelike.

Again, the dining facilities, if you are at Agnews, very well-kept, but you do feel like you're dining in a mess hall. People don't have privacy. This is the kitchen in a family teaching model. This door leads to the duplex with the family on the other side. This is the very first model. I think there's a family and four children that will be living there with three developmentally disabled adults.

The hardening is minimal here. You'll see door plates, kick plates. The floors will not have carpeting because people could slip and fall. The hallways will be widened and the surfaces are easy to clean.

This is, again, a view of the kitchen. The residents -- these will be modified, depending on who's going to live here, so we'll probably see more accessibility in other models so that wheelchairs can slide underneath the cabinets. The kitchens at Agnews, again, are institutional, very well-kept.

Bathrooms are very similar. They need to be larger, and they need grab bars and special facilities for the disabled.

And the -- in Agnews, residents -- the rooms were set up for four residents per room so that people don't have privacy. Staff has used as much of the facility as they can there, having only two or three per room, but again, there is no privacy for someone who has -- may have behavioral issues and needs some quiet space to retire to. The bedrooms in the family teaching model are private.

This is not a licensed facility. It is regulated. The authority to do this was created through AB2100, and the developer needs to be certified. With this model, we anticipate that all of these will be funded with 501(c)(3) bonds.

We know who the service provider is going to be. It's a group called California Living Opportunities affiliated with Community Living Opportunities in Kansas. They have been -- they developed this model and have been providing services like this for 25 years. They train the family residents. They replace them if they move. And the client satisfaction is very, very high with this model.

There will also be a private yard. There's ramping to and from the facility. And as I took a look at the facility, though, you wouldn't know -- unless you knew who it was going to be used for, you would not know that it was for a disabled population if you looked at it as a piece of real estate.

The costs on this are very similar to what we're projecting. They're slightly under budget. They bought the properties last year. The most expensive of the four of these facilities was a million-three. We're projecting a million-four-point-four, and that has to do with the increases in the land and purchase prices, not an increase in the amount of rehab. Rehab was modest. It's life safety. It's some hardening. It's putting in new roofs where required.

This model will look very much like the specialized residential facilities except without the duplex next door. Those will be for people with more serious behavioral problems. They will be three to four bedrooms, and there will be 24-hour staffing, but there won't be a family living in the facility. The choices to which facilities are being built are really up to the regional centers, depending, and each of the regional centers will be housing the people that come from their catchment areas. They'll be building houses for them, and the houses will be designed with the residents in mind.

For the specialized residential facilities where the behavioral problems are severe, we anticipate things like putting Plexiglass instead of glass in the windows and special hardening of the bathroom and kitchen facilities so that they can't be torn out or beaten up. The properties will be furnished. Some of the residents -- all of -- many of the residents have very strong family ties and families assist with the some of the furnishing, but the rest of -- the regional centers have a budget to take care of that in the event that the families don't.

MR. WARREN: Thank you. I'd like to go through a couple of charts that we've prepared to give you an idea of not only the process, but the interrelationship with the financing and the lease structure.

The way this flowchart basically works is Hallmark, which is the master developer for the housing plan, is -- their role basically is to design, construct, and acquire the homes. They're essentially a turnkey developer.

And once Hallmark finds properties, they put together an acquisition plan construction budget and a building plan, essentially a business plan for the project, and takes it to a committee that's comprised of the regional centers themselves. The regional centers then in turn either approve or reject the site. And if approved, then Hallmark proceeds with the project and their contract for acquisition and begins to arrange for the construction.

At this point in time the acquisition and construction financing would be from a private lender. The Agency has been in extensive discussions with Bank of America to date, and we're confident that they will proceed as the primary acquisition lender. You can see in the chart later on, CalHFA comes in at the permanent stage.

Once the project is complete and a certificate of occupancy is issued, then Hallmark will transfer to one of the three nonprofits that have been set up to work in conjunction with the regional centers, and at that time the service provider is also put in place. Also at this point in time, once the property is available for occupancy, the lease payments from the State commence, and the next slide will give you a better idea of how the lease payments flow.

Once the lease payments are on their way and the lease is finalized with the provider in place, then the CalHFA permanent financing will come into place and retire the private-sector debt. The Agency may use its warehouse line to assemble the properties over a period of time. We anticipate selling bonds in perhaps two or three chunks, 30 to 50 million dollars at a time. Rate setting would occur at the time the bonds were sold. Also simultaneous with this, the residents will begin to occupy the property.

So Kathy, let's go to the next chart. We can go through the actual interrelationship between the release and the financing plan.

MS. WEREMIUK: At the point that Hallmark acquires the property, they'll be putting on financing from a private lender. We anticipate it will be B of A or B of A in participation with some other banks. There will be -- there is some money at this stage. There's $11.1 million available from DDS for predevelopment financing. It will allow them to option property and do some initial studies and it -- there will be a deed of trust between B of A and Hallmark and assignment of the rents. We also anticipate at this point there be an initial lease put in place that won't be funded but with a placeholder nonprofit involved in the lease to give some comfort and guarantee to B of A that the lease that we're going to require to be in place has already been thought through.

At permanent financing -- and also at this point -- at this point the Agency will be giving a final commitment on a property-by-property basis. So for the $20 million that we're asking you for today, we're asking to be able to write -- we don't know where the properties are, except for the four in Cupertino, but we'll be writing final commitments allowing B of A the comfort of knowing that they have a take-out financing plan in place when they put their financing on the property.

The -- the private lender will be involved in monitoring the construction and handling the construction draws. Also, at this point we will be doing TEFRAs and basically doing the work that we need to do to allow any of the financing to become tax exempt. We won't be sure which of the financing will be tax exempt until permanent because it requires both -- we'll be looking at 501(c)(3) bonds, and for those bonds we're required to have not only a 501(c)(3) nonprofit as the owner, but we're also required to have the lease -- the lessee, the service provider, be a 501(c)(3). And for two of the models, statutorily for-profits and nonprofits can be service providers. So until that decision is made, we won't know if we're going to be doing 501(c)(3) bonds or taxable bonds.

We will be putting -- when we put our permanent financing in place, at the same time that we do that, Hallmark will handle closing, but they will also do a transfer of the ownership to one of three nonprofit organizations. Those are the Bay Area Housing Corporation, the West Bay Housing Corporation, and the Housing Consortium of the East Bay. The Agency already has lending relationships with two of those nonprofits where we have funded -- we've worked with either their staff or the organization itself and funded special needs loans, so we're fairly aware of them.

Those nonprofits will be the long-term owner, and they will be the ultimate lessor with a service provider. That service provider, if we're going to be doing a 501(c)(3) bond, has to stay as a nonprofit service provider for the term of the Agency debt, 15 years. The lease term, the payment of the lease term and the lease will also be assigned from Hallmark to the nonprofit, and then if there's a new tenant or a new service provider found, it will be assigned to the new service provider at that point in time.

The service provider -- I'm going to go down here. The State of California makes annual appropriations to DDS to pay for the services for the entitlements for the developmentally disabled residents. They receive approximately half of their -- or can receive up to half of their funding through the federal Medicaid program through a community -- an existing waiver. They currently, I think, have a waiver that encompasses -- it can -- encompasses 55,000 people and can go up to 70. We're anticipating that the State will make appropriations and ultimately be repaid by the federal government, although that's not anything that the Agency is involved in. It's a repayment structure for the State that makes it possible for the State to do this and makes it attractive for the State to do it, but we're actually ultimately relying on state appropriations.

However -- and the State -- the State makes appropriations to the regional center. There is no connection, however, between us and the State. We can't rely on the State's appropriations. There's no commitment from the State to make the appropriations for 15 years. It's an annual appropriation, and it's a risk that we take based on the entitlement structure, the history.

The regional centers are authorized by AB2100 to enter into long-term leases, although they are also -- they get their funding from the appropriations, and if they didn't -- if the appropriations completely failed, we would see the lease fail. But the payments are made to the service provider. Under Medicaid waiver regulations, the service provider is able to agree that the regional center can make a direct payment to the Agency. However, this can also be done through a lock-box situation. There would be some way that the payments from the regional center would either go directly to us or they'd go to a bank and be diverted to us. It's a smaller portion of the lease payments -- the lease payments that would come to us. The bulk, the large bulk of the payments that the service provider gets are for the service provision, and that's what they would continue to get.

Also, through the lock box I am assuming that the nonprofit organization which is going to be the management agent for the house will also get their payment. They get a small payment, and they also would get some -- some moneys that would flow to them for maintenance of the facility.

So the Agency's -- payments to the Agency come through the lease and through a provision that allows for a lock box directly to the Agency. We -- we've had to agree in this structure that the regional centers cannot commit the State or DDS. They can't commit debt for them. And therefore as security for our loan, we will have a guarantee -- guarantee-like instrument with the regional centers, but -- and a lease assurance agreement that as long as payments flow to them, they will flow to us. But we will also be taking deeds of trust on the properties, and those will be placed on each property. And what we're anticipating is setting up a note structure where the -- we would purchase the loan. There would be an assignment from B of A, and we would draft the documents. And Tom's overseeing that, drafting the documents, in this instance, to make an elegant transaction that allows us to just take an assignment.

We do have a deed of trust on the properties. That means if there is a total failure of payment, the Agency, to service its bonds, would be required to sell the houses. We've got -- we will have numerous agreements with the regional centers regarding removing the residents in the event that that happened. We're not anticipating that, but we have to have a backup plan and an exit plan.

Costs on the housing, this is broken into two years. In 2005/2006, we anticipate that Hallmark and the regional centers will commit between 20 and 21 houses and purchase the land and that we'll be writing final commitments by the end of the year for that many units. They'll be broken up into the three housing types. The costs per unit are a million-six, roughly, for the medical model home, a million-four for the family teaching home. That's more expensive because it's got -- it's a duplex. And then the specialized residential homes will be about a million-one. The bulk of the costs will come from the purchase of the land, although there is some substantial rehabilitation involved.

In the second year we're looking an additional 50, 51, 52 homes, $72 million, roughly, and we're looking at a total cost by the time that the Agnews closure plan is finished of about $99 million, which is where we came to the hundred-million-dollar bond amount. It will serve 264 residents over the different home types.

The costs per month, the housing costs per month in this chart really depend on whether the -- we have taxable debt or tax-exempt debt. They range from the low for the five-client home of 3,460 in housing costs per resident to a high of 5,140, and that really is the cost of purchasing the properties. Our debt in the first -- for the first segment would be about three and a half million dollars a year, and the debt service would be 13 million over the hundred-million-dollar bond over the project.

This chart shows what some of the cost savings are. I've used the $311,000 number which it currently costs to house residents in Agnews. The number they used for Medicaid last year I believe in January was about 66 million, so it's been -- that number has been going up pretty quickly as residents move out and the costs are fixed. At the current number, the cost savings to the State of doing this on an annual basis would be $33 million a year of -- in spite of the fact that the housing costs are high. The housing costs at Agnews, just the physical plant with no debt, costs the State $11 million or 44,000 per resident per year. Purchasing the houses, the average will be about 49,000 per resident per year. It's a pretty -- the cost is pretty similar, even though new houses are being purchased.

And as you'll see, most of the savings in this really are in the service side. It's less expensive to serve people in the community than it is to serve them in Agnews.

MR. WARREN: Thank you, Kathy.

As Kathy indicated and as Julia and Jim have spoken to, the issue really here from a risk standpoint is the annual appropriation. Staff has looked at this extensively, given the history of the support for this population and the legislative and judicial decisions, we think that this is a safe risk for the Agency to take. It is not riskfree, and Kathy described the strategy we would go through, an exit strategy, but there is that risk. But I think given the history of the population and how it's been supported, we think that's a risk that we are comfortable taking.

The initial issue could be that at the time the project is complete, given a hundred-percent loan to cost financing, the actual value of the property may be in excess -- the loan may be in excess of the actual valuation. But given any appreciable period, and period of appreciation, we think that problem will be mitigated, that the value would catch up with the debt.

One thing that we also want to mention is in the event of a failure of the appropriation, the leases cease and we have one year's worth of debt service built into the models which would allow us to relocate the residents, if necessary, and to liquidate the assets. Although we don't contemplate that happening, that is a component of our exit strategy.

I think we'll stop there. We've done a lot of talking. I'm sure you all have questions and we would like to entertain that, but again, the request before you today is for the $20 million and a preliminary request for the 80 million if we can come back in November with that. So with that, I think we'll stop and be happy to answer any questions.

CHAIRPERSON COURSON: Let's -- I will defer to Ms. Parker.

MS. PARKER: Thank you, Mr. Chairman.

I actually just wanted to make one comment about this issue of the annual appropriation for program services under the Department of Developmental Disabilities. Wearing the hat I used to wear for a good ten to 15 years of my state government career in the Department of Finance, the entitlements in state statute for the developmentally disabled are probably one of the strongest ones that there are in state government except for K to 12 education. That's the only one that I would say is stronger. So from a risk standpoint, this -- the commitment that the State has to this particular population, it has never failed to fund. It is one of those ones that is always earmarked by the Department of Finance as an entitlement. Anybody that walks through that door that meets the eligible criteria, they will be provided services.

So I think our feeling here was given our role as sister state agency to not only help Department of

Developmental Services, but it was appropriate for us to be able to add this value in partnership for this particular population that we have served in other kinds of housings through our special needs program. Thank you.

CHAIRPERSON COURSON: Thank you.

Linn, let me -- I'll follow on with what you were talking about and what Terri talked about with the appropriation. In the presentation, I just don't think I understand it, but there's discussion about the home and community based services waiver that expires in 2007 and there was further discussion beyond that talks about the need for the determination that the Medicaid and Medicare services determination that the residential component of the service is, in fact, labile. Could you talk about those two, because those seem to be a similar type of potential risk.

MS. MULLEN: We have had a home and community based services waiver for nearly 20 years now and -- since '84? 21 years, and we currently have authority to serve up to 70,000 individuals under the waiver. Every five years we have to renew our home and community based services waiver. And while it's a significant amount of work, we've never failed in our ability to renew it.

The waiver brings in federal reimbursements of approximately 600 to 700 million dollars a year. That's a significant contribution to our budget. They are, however, reimbursements. What is allocated to the regional center is general fund, and then as we bill the federal government for the waiver expenditures, then we are reimbursed for those expenditures.

For residential services, the payment to a residential service provider, to a group home operator, is a lump-sum payment. The payment includes funding for their -- for the housing component, for the mortgage, the lease payment, what have you. So it is common practice in a home and community based services waiver to include a property cost component as a part of the payment. We verified this with our -- our external legal counsel, Covington & Burling, a Washington, D.C., based law firm whom we consult with on waiver-related issues, and confirmed the ability to carry this portion of the property cost component in our federal waiver billing.

What is particularly advantageous to us to having the deal with CalHFA is, as Kathy mentioned, under federal Medicaid law, the residential provider, the group home provider, can assign its lease payment, the property cost component portion of its rate to CalHFA because CalHFA is a state agency. That -- we could not do that if we were using private-sector banking and bond issuance.

CHAIRPERSON COURSON: Thank you. Yeah, that's explained to me.

Questions, comments from the Board? Mr. Czuker.

MR. CZUKER: First, I want to commend everyone for the complexity and the thought that went into trying to create this program. I think it's a very worthwhile special needs project and obviously has some important public policy issues associated with it. I have several concerns I'd like you to address.

First, I'm concerned that these loans are very risky to the Agency, not just what was discussed about annual appropriations, which, even though there's a history of annual appropriations, there's certainly no guarantee of annual appropriations, and secondly, giving sort of a carte blanche where the Agency can be making loans that exceed a hundred percent of the property value, I think is bad policy for CalHFA and against our fiduciary duties to CalHFA.

So I'm concerned. Equally, when you look at the math, I would say that a hundred millions dollars divided by 250, 260 residents is approximately approaching 400,000 per resident. That's a pretty high cost per resident. And so I have several concerns I'd like to discuss or have you address.

And in addition, if you look at the default provisions that are provided on pages 4 and 5 of our handout, we have to issue a -- if there's a default in the payment, first we have to grant a one-month cure period with no default. Then we have to issue a pre-default notice, which takes another three months, so now you're at four months of default and no payment. And then you have a foreclosure -- a default process and a foreclosure process that can take another 120 days. So after this eight months or ten months, the -- we then expect that the regional centers will, in the event of default and foreclosure, have an incentive to step up and then be financially responsible to converting the properties so that CalHFA can have appropriate real estate to sell to the general public? I think that's perhaps something that needs some greater comfort for the Agency.

And, you know, obviously, does the Agency want to be in a position where, God forbid, we all assume the worst case and we don't want to assume worst case, but from a public policy position, the only way CalHFA can protect itself is by displacing developmentally disabled persons from community housing? That's beyond unpleasant. That's bad public relations, bad policy, and that's the only way to cure a default.

And so my question to you is is there a way to structure this more on a loan-by-loan basis, a project-specific basis? Because you're coming to us with a blanket saying give you an allocation, if you will, and you'll tell us what the projects are later, you'll identify the individual loans at a later date. Maybe we should be approving and voting on specific loans on specific projects as they mature and are at a more advanced stage of development process and not this large, hundred-million-dollar commitment and precommitment that you're asking for today.

MR. WARREN: Well, let me knock off a couple of those, if I can, Mr. Czuker. First of all, with respect to the loan to value, we acknowledge that that is a risk, but I think as far as a fiduciary obligation, the traditional projects that we have are income supported by rents that are generated by the tenants in the project, which is where most of the LTV requirements come from. That's not the case here. The debt support comes directly from the State. We're not expecting the residents to do that. The LTV situation we think is temporary. We think through appreciation that that problem would go away after four to five years of income appreciation. So we're not anticipating the traditional loan-to-value analysis. It simply doesn't seem to apply here because the residents are not paying it and that's when we come back to the lease payments.

With respect to the period of time to extinguish the properties, the one-month period was given, I think, to the regional centers in case there was some sort of a technical problem from a payment standpoint. The regional centers asked, and it seemed reasonable, that if for some reason payment was delayed, they didn't want us to initiate default too quickly. So basically a 30-day cure period, which is really no different than any other monetary cure period that we have in our documents, was given to them.

The one month -- one-year debt service does narrowly parallel the liquidation process, that's true. But I think it's at a point in time early on if there is a default in lease payments, the way this has been structured -- and Kathy and the others can correct me on this -- is that there will be a request to relocate the residents. And Jim may want to comment for a moment on what facilities he has to relocate those.

Political risk, yes, that's true. It is a component of this. But I would point out that risk, given the appropriations issue, is probably not likely to occur, but it is a risk that we need to take. We also believe from that standpoint on a but-for test. We don't know for sure how successful this program would be but for the Agency. We think we certainly add a lot of value.

But I want to stop there and ask Jim to comment briefly about in the event of a relocation what facilities does the regional centers have to take care of that.

MR. BURTON: In the event of a relocation, if that were necessary, we do have vacant beds available. We have crisis facilities and are required to have crisis facilities available in all of our regional centers. We did ask for a reasonable amount of time to make sure that we did not move people willy-nilly, that we did it in a careful and appropriate fashion. And so I think we've tried to make sure that this is done appropriately.

I do think that if there were a default, that the clear responsibility would fall publicly on the regional centers. And I think if you look at our 30-to-40-year history as regional centers, that we don't have that in any of our track records of the three regional centers.

MR. WARREN: Regarding your question for delegation, Mr. Czuker, if we were in a position or asked to bring these to the Board six times a year, given the speed with which these properties must be acquired and put under contract, I don't think that would work. The markets, even though they've softened in the Bay Area, are still very hot. As Kathy and those have indicated, one of the goals of this program is not only to acquire properties, but to acquire properties in good areas that are appropriate for the residents and the clients. Simply put, if we needed to wait and come to you for that, then I think that would take too long.

But one reason we're asking for the $20 million initial approval is to come back in November and tell you what we've learned and see what our experience is. But I can say today that if there is a request of this Board to have each one of these looked at, that is not a viable option for this program. It won't work. And we need to think about that.

MS. WEREMIUK: Just as a comment, the Agnews closure plan anticipates that the facility will be closed by June of 2007, and the logistics involved in closing it are enormous. We would be -- if we did this, we would be the impediment to the closing, and I don't think it would work for our borrowers.

MR. WARREN: And to be clear, we want to try to make this work, but we really believe that this is a component that we need to ask for. If we didn't think we needed it, we wouldn't ask for it.

MS. MULLEN: May I also comment on the initial

30-day cure period? The DDS also wanted that notice because we would want the opportunity to be able to step in if our regional centers weren't carrying out their fiduciary responsibilities. And as Jim reminded me, we are signatory on all of their bank accounts, so if for some reason the regional centers didn't make their payments, the Department would be able to make them on behalf of the regional centers.

CHAIRPERSON COURSON: Go ahead.

MS. PARKER: And from that standpoint, you have full faith and credit of the State behind you, as opposed to us.

MS. MULLEN: That is correct.

MS. PARKER: It would be the full faith and credit of the State of California that would be on the hook there.

MS. MULLEN: Yeah.

CHAIRPERSON COURSON: Okay. I have Mr. Shine, Mr. Morris, and then Mr. Carey.

MR. MORRIS: This would be general fund revenues?

MS. PARKER: Pardon me? Yes. Yes.

MR. MORRIS: General fund revenues?

MS. PARKER: Yes.

MR. MORRIS: Okay. Then --

CHAIRPERSON COURSON: Mr. Shine first, then

Mr. Morris, I'm sorry.

MR. MORRIS: Oh, go ahead, sorry.

MR. SHINE: First of all, builders don't like blank checks unless they're the recipients. And there is some merit to the comment about the blank check. My question really is are you proposing that the -- that this not be done as a blank check as one would assume a blank check is, but rather as an appropriation to operate within specific criteria and specific parameters as set forth in your acquisition and construction summary? Putting it another way, can we count on the fact that if we do this -- I'll speak for myself, that if we do this, that what you're going to do is not going to go beyond that which you've said you're going to do in connection with this summary?

MR. WARREN: That's right. The internal process would be an individual loan commitment per home. There would be an individual analysis of the construction work, the sales price, and the business plan. And within the Agency, we would do all those things that we would normally do that if you asked for the Board we would do all that. And we would do those things in concert with what the regional centers are requiring of Hallmark, and there's a very extensive development checklist, development agreement. And our commitment needs to be paralleling that, otherwise Bank of America or whoever the private lender is can't rely on it. So the due diligence is going to be there.

As to the blank check comment, I think we are asking the Board to give us the authority to deal with these on the speed that's required, but understanding that we have to do our job.

MR. SHINE: But my question really gets back to in terms of the specificity of my comment, I don't like the word "guidelines," and you guys are terrific. That is not my concern. But if we're starting to start doing something here that we haven't done before, maybe we should pave the road really well down which we're going to go and say, "Do what you do. You do it well," but we can count on the fact that -- we can rely on this guideline here that you're not going to deviate from this guideline without at least letting us know that prices have dropped 30 percent or they've gone up 30 percent or whatever the case may be.

MR. WARREN: I think that's fair. I think if there is any appreciable variance to the budget you see in front of you today, I think we'd have to come back to the Board and say the plan as proposed has changed.

MR. SHINE: Is that part of what you're asking us to do, on that basis?

MR. WARREN: I would say that's fair. I would say the financials that have been attached to this are our understanding of the financial components today, and I think it's fair that if there's any deviation, and we have to probably decide what that is, but I think that's fair.

MS. PARKER: Linn, I'm just wondering whether or not that that would mean, you know, as much as we have any deal that you approve, if there is some change within a certain parameter, we always -- we're required to bring those back to you. So to the extent that what we are saying here is that this is -- this is the criteria for these projects that we'd use. If there is a deviation because of things without -- I mean, I think we would want to have some percentage, as we do with any of our deals, but to the extent that things deviate, that our requirement would be that we would not have authority that would be outside the authority that you have given us today.

MR. HUGHES: If I may just, Mr. Chairman, all of our Board resolutions for loan projects follow a standard format, and this one does as well. And we -- the resolution requires that material modifications be brought back to the Board. In the context of the Bay Area Housing Plan, we've used the same number, which is

7 percent.

The only difference here would be that the 7 percent is determined on an aggregate basis, other than a one-of loan. So a budget essentially exceeding a 7-percent increase would have to come back to the Board under the resolution.

MR. SHINE: If it's 7 percent, it's 7 percent. But if you look at this, it tells you on each kind of house what the deal is supposed to be. 7 percent of 160,000, 56, is about $110,000. And if that's -- if a million-and-a-half-dollar deal varies by 80 or a hundred thousand dollars, that's starting to get to something we should be paying attention to. If it's varied by 5,000 or 10,000 or 50,000, maybe that's not a big deal so long as that isn't --

MR. WARREN: Let me comment.

MR. SHINE: Do you know where I'm going with this?

MR. WARREN: I understand, but let me -- let me make a point which might be more clear. The lease payments that will commence are sized to the cost of the acquisition. In other words, if something was 125 -- or 1.25 million and it came into $1.5. million, then the lease payment would be sized to the $1.5 million automatically. So this is not -- so in other words, if the appropriation continues, theoretically in the parlance of the industry, there's no upside risk if the debt service is sized to the appropriate cost.

MR. SHINE: Again, there's no question in my mind that you-all know what you're doing. But if you have a -- if it's supposed to be a million and a half and it gets to be a million and three quarters or whatever, then you have an issue of the amount of money, including the payments, versus the value of the real estate underlying, which is the security at the end of the day for the investment we're making.

MR. WARREN: Well, I think the valuation would float up with cost. That is on a per-case basis. You might have a valuation where it goes from a million-250 to million-five but arguably the LTV could float up, you know, accordingly. So I don't know if there's going to be that sort of a disconnect yet. I just don't know.

MR. SHINE: Okay. Fine.

MR. WARREN: But I grant this is new territory. It is very clear. But maybe if we finish the questions we can look back on the variance issue.

CHAIRPERSON COURSON: Mr. Morris.

MR. MORRIS: Okay. Just so I clearly understand, today what we are discussing doing is allocating $20 million today with a preliminary request for the additional 80, which you're going to come back -- you're going to come back in tranches? In other words, today we're just going to do basically 20 percent of the total project and as this program starts and as you need additional funding, you'll just keep on coming back for final commitments with a cap on this of the 80?

MR. WARREN: I think what we're thinking, Mr. Morris, if it goes according to how we planned and it goes as we think it might, we would come back for the additional 80 million if the Board feels that appropriate. And we're trying to keep pace with the tranche of funding with the acquisition of the properties. We think the 80-million second request is best, but that's kind of how we're proposing it.

MS. WEREMIUK: Yeah, in answer to that, to meet the closure deadline for Agnews, it's estimated they may have to have as much as 70 percent of their funds out at any time, and so the 20 million and the 80 million actually mirror what we think we'll have to do in commitments this year and next year. And it's a speed up -- it's taken a little longer to get the legislation through, so the process to get to the closure date means that they're going to have to be having at least 70 percent of the houses in construction at the same time.

MR. MORRIS: 70 percent over the next two-year period?

MS. WEREMIUK: 70 percent at any one time.

MR. MORRIS: At any one time.

MS. WEREMIUK: Although a hundred percent of it over the next year -- it's a two-year period, a little less than two-year period now.

MS. MULLEN: Yeah.

MR. MORRIS: Two-year period.

MS. WEREMIUK: It's 22 months.

MS. MULLEN: Yeah. May I add a comment to Mr. Shine's about, you know, the blank check? We face the same issue with our appropriation. And over the last four months, we've had extensive negotiations and discussions with the Department of Finance because their concern is very similar to yours. What if we approve this at the current estimate -- estimates of costs and then you come back and costs have risen significantly? If we're the ones to say no, then we have -- you know, we're going to have a significant public relations disaster on our hand.

So our agreement has been the same as what Linn has told you, which -- with the Department of Finance, which is that if there are any material changes to the costs, that they will know up-front and ahead of time.

Our full expectation is that they will hold us to what the estimated costs are that you see before us, and we don't anticipate that there will be significant material changes in those costs.

CHAIRPERSON COURSON: Mr. Carey.

MR. CAREY: A couple of things. Somewhat peripheral to it, it seems to me -- back in the 90s I served for several years on the board of an organization that served developmentally disabled adults in Visalia. And it seems to me we went through something of a crisis with regional center funding back in the earlier 90s.

MS. PARKER: Well, that was when we had a $14-billion budget gap, the state budget in totality, and so everything was discussed. However, in that particular situation, the entitlement provisions are at play and particularly, you know, for 24-hour care. The Lanterman Act is, you know, without question one of the most specific entitlements going.

So having been at Health and Welfare during that time, you know, and it is a very large part of their money -- and part of what they have also done that Julia keeps mentioning is this waiver. And at certain periods of time, the costs for, you know, clients in developmental centers was a hundred-percent general fund. And what Developmental Services has done is really tried to get some of those costs shifted through the Medicaid program or the Department of Health Services, a single state agency, and shift part of those payments off to the federal government to help reduce the general fund amount. And so that is obviously what we're trying to do and maintain these clients in a facility that the federal government will, in fact, reimburse those clients for, reducing the net cost to the State rather than being a hundred-percent general fund, being a part of that.

And I think the point that they have made here, again, and we have to, you know, decide and hold hands on this, they have a problem about whether or not they would meet the federal definition if they didn't utilize us because we are a state agency.

MR. CAREY: I love the model. I think it's great. The only other point I'd make is I think the risk on foreclosure is -- seems greatest on the, what you'd call, 962 homes because they don't strike me as particularly being marketable.

MS. WEREMIUK: I think they -- as I looked, I think they could be remade into a marketable house very easily. What was left open was a large central area for kitchen, dining, and living room, but you could break that up in a way that a family would be delighted to have that house. And because it has 30 -- I think about 3,500 square feet, up to that, those houses are marketable. You know, in good neighborhoods with five bedrooms, I think you could sell it.

CHAIRPERSON COURSON: Ms. Galante.

MS. GALANTE: Yeah, I agree with Peter. I think this is a highly complex, but very innovative way to solve a lot of problems. I did have a couple questions, and everybody is focusing on this loan to value, and maybe you said it and I didn't hear it, but can you just give us a range? Are we talking, you know, 20 percent over value, a hundred percent?

MS. WEREMIUK: I think we could be 30 percent over value. 10 percent of that would be our reserve, which would be fully funded. And so we would have 20 percent actual over value. And that may or -- there's -- 10 percent of the costs in this are the fee for the developer, which would not usually be something you would see in a usual single-family house.

The other portion that would be over value would be improvements that are specific to the disabled. They're not as evident in the family teaching homes. They're more evident in the medical models. And there may be some in the behavior model, but those -- most of those would be the replacement of bathroom and kitchen facilities with something that would be viewed as more residential than medical.

MS. GALANTE: So it seemes to me if you could set some kind of guideline, again, in the underwriting about how far over value you're going to go, maybe that would give some generalized comfort. I mean, because if we're in a 30-percent kind of value -- I mean, I live in the Bay Area, and I think it's a very safe bet. I don't care about the bubble that's coming. Long-term, it's a very safe bet. You know, this is going to be a temporary issue, and I think the values of the homes will catch up. If you're a hundred-percent over, you know, you're starting to get into a different category. So that -- you know, maybe that's something for staff to just think about, whether there's a guideline there that you-all feel comfortable with how far that can go.

Then the other question I had --

CHAIRPERSON COURSON: I have to say in our next consideration, clearly that could be something that could be addressed as we look at the balance of these funds also.

MS. GALANTE: Right.

CHAIRPERSON COURSON: Sorry. Go ahead.

MS. GALANTE: And the only other question I had was just a little technical one because I'm curious. I'm sure you researched this, but I'm surprised that in order the use 501(c)(3), if you have a nonprofit owner, that you also have to have an nonprofit service provider. Is that -- that's been fully researched, and that's just a given? Because, you know, we do 501(c)(3) bonds and have private management agents, so I'm not quite understanding the differential there.

MR. WARREN: The answer is it has been. I can ask Mr. Dirks (phonetic) to comment on it, if you like, but we have been -- talked about that. He's not here? If Stan were here, what he would say -- but yes, we did research that, Ms. Galante, and it is an issue. And to use these particular type of 501(c)(3) bonds, the provider has to be a nonprovider.

MS. WEREMIUK: It has to do with the length of the contract. You could structure the service provider contract in a way that you would -- they would not have to be a 501(c)(3), but because of the complexity of this contract and also because we're requiring that it have a term that's 18 months longer than our -- the term of our financing, it fits into IRS codes that require that both entities be 501(c)(3)s.

CHAIRPERSON COURSON: Okay. I want to circle us back -- I don't normally do this -- to page 263 and to the exact resolution so we understand exactly what the action that we're going to vote on will be.

MR. HUGHES: Mr. Chairman, can I just mention --

CHAIRPERSON COURSON: Yes.

MR. HUGHES: -- one thing briefly. There's a typo in the resolution that I will change in the final version. It's a minor one in the --

CHAIRPERSON COURSON: Is it a number or a letter?

MR. HUGHES: It's a number. It says located in three Bay Area counties. I'm informed that actually there's three regional centers, but they serve nine counties, so I'll correct that in the final version.

Is that correct?

MS. MULLEN: There are nine.

CHAIRPERSON COURSON: That wasn't the kind of number I had in mind.

MR. HUGHES: Right. It was a minor typo.

CHAIRPERSON COURSON: Okay. The -- in the whereas where we're talking about 20 and 80 million dollars, what we're saying here is that what we're approving today is $20 million and together with preliminary commitments for later portions of the financing plan to an additional aggregate of 80 million, which means -- let me just put that in my own terms. Which means at our next Board meeting -- we're firmly committing for 20 million. The next Board meeting we're going to look at further firm or what we'll call final commitments, if you will, up to 80 million. Could be less, depending on we talked about the tranches and the timing. I think what I heard, and I don't have any problem with what the resolution is, is to look where we're at in November versus the speed of acquisition, the need to understand the timing with the '07 closure of Agnews to look at will it be an all or nothing 80 or will there be an opportunity to come back for two tranches or is it all going to be at one.

MR. WARREN: Yes.

CHAIRPERSON COURSON: I don't know that we have to make that decision today, but I think that's going to be something we want to talk about based on what the discussions are we've had here today.

MR. SHINE: So what you're saying is that the $80 million is subject to certain recommended terms, conditions, and approval of the Board?

CHAIRPERSON COURSON: Yes.

MR. WARREN: It is subject to Board approval. It's basically for firm commitments in November.

MR. HUGHES: Right. And Mr. Chairman, if you look on page 264, both in the second paragraph and then in finding No. 2 of the resolution, the staff is authorized to make preliminary loan commitments, but those preliminary commitments are subject to further

Board approval in both those paragraphs.

CHAIRPERSON COURSON: Okay. So I just want to make sure we understand. And then the second comment I would make comes back to what we see in our other commitments, and that's No. 3 under the whereases on page 64, and that is coming back for an increase, the total aggregate amount of any final loan commitments pursuant to the resolution more than 7 percent. At this point we're approving $20 million. That 7 percent applies to that.

I think the issue Mr. Shine raised and so on is where do we go if, in fact, the next approval is for the full $80 million, what's that 7 percent of? Is it of the aggregate 80 million, or is it into some smaller tranches into the projects?

MR. WARREN: And I think, Mr. Chairman, we answer that in November after we've had a chance to do this.

CHAIRPERSON COURSON: But that's what I point out.

MR. WARREN: I understand.

CHAIRPERSON COURSON: Because I think that's really the sense I'm getting from the discussion we've had here and where we need to go in November before we're asked to just do the full $80 million.

MR. WARREN: I think we revisit that in November, but the request may be --

CHAIRPERSON COURSON: But for the purposes of today, it's 7 percent on what we're approving here.

MR. WARREN: Yes, it is, on the 20 million, yes.

CHAIRPERSON COURSON: Mr. Czuker.

MR. CZUKER: Is it possible to -- while most of our traditional loan lending practices are 80-percent loan to value or less, is it possible to have this be a successful project and try to limit your advances to a hundred percent of value and still make this program work?

MR. WARREN: Not in my opinion, no. I think we have to look at the next two months with the 20 million and report back to what the average LTVs are, Mr. Czuker, and we can comment on that. But at this juncture, if you limit us, I'm not sure that would help us.

MR. CZUKER: So you're basically suggesting it will be roughy 130 percent of value.

MR. WARREN: For this $20-million piece, potentially. And they could vary between home to home. I don't think it's going to be universal.

CHAIRPERSON COURSON: I'll go to Ms. Weir and then Mr. Carey.

MS. WEIR: Thank you, Mr. Chair.

I just wanted to say that the Treasurer is very familiar with this project and is very, very supportive of the project. This is one of those instances where in order to address a clear public need, it may not be possible to meet the risk analysis that we would like to see and that we see normally on the plain vanilla CalHFA deal. And I think that the Treasurer understands that there are special risks involved with this project but that it is worth venturing out and making a project happen, and he is very supportive.

CHAIRPERSON COURSON: Thank you.

And Mr. Carey.

MR. CAREY: The only point, I think going to back to Mr. Shine's comments a little bit, is that you could actually reduce the number of units without increasing the total amount by anything, which would change the financial picture significantly. So I think we're very much relying very comfortably on the phrase about modifications which in the judgment of the executive director adversely change the --

CHAIRPERSON COURSON: Right.

MR. CAREY: -- financial position.

MS. PARKER: I think we all understand, that's why I think I used my phrase a little bit of holding hands. You know, we have -- we have tried to be as transparent as we possibly can. This is unbelievably complex. And we really weren't sure we could do this. And I think we have tried to put it together the best way we possibly can to make it work, but, you know, essentially let you know these -- to be honest, these are the variations, and we're going to have to track that.

MS. WEIR: For what it's worth, if there were a another way to do this, you know, I think Linn, of all the people in this room, he would have figured out if there was another way. The fact is that when we have got -- we're seeing this not just with this project, but with other projects where we are having to get much more creative than sometimes we're really comfortable with, and we're seeing the State take on positions of risk that, you know, we believe it's the right thing to do.

So in order to get the money up-front in order to build these needed homes, bonds are the method. There aren't any tax credits to do this. There are not other readily available public sources of funding to do this. If there were, I don't think we'd even be having this discussion.

CHAIRPERSON COURSON: At this point, I'm going to -- Ms. Dunn.

MS. DUNN: Mr. Chairman, I just wanted to concur with Ms. Weir's comments too. HCD has also been serving in a consulting role to DDS on this and we're very aware of the project. In fact, philosophically that's why CalHFA rises to this occasion. That's where we can add value to something that is a great state need that perhaps the private sector couldn't do. And so I would move to support the recommended action.

CHAIRPERSON COURSON: Thank you. We have a motion to approve the resolution as presented. Is there --

MS. WEIR: Second.

CHAIRPERSON COURSON: -- a second? Ms. Weir seconds. Any further discussion? Any comments or discussion from the public?

(No audible response.)

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

MS. OJIMA: Thank you.

Ms. Weir.

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Ms. Dunn.

MS. DUNN: Yes.

MS. OJIMA: Ms. Galante.

MS. GALANTE: Yes.

MS. OJIMA: Ms. Wilson.

MS. WILSON: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 05-35 has been approved.

CHAIRPERSON COURSON: Thank you. To all of you, Jim, Julia, CalHFA folks, thank you for all the time, and it truly is a new venture, obviously a new way for us, but something that's critically important and we're on our way. We, as members of the Board, have fiduciary responsibilities to see that way moves in the proper direction, and we'll revisit this certainly in November and my suspicion is in many meetings going forward as this project moves along. So we do appreciate it. Thank you.

MS. PARKER: Mr. Chairman, I just wanted to note too our other partner in this, Bank of America, is sitting in the back.

CHAIRPERSON COURSON: Yes, and thank you.

MS. MULLEN: I just want to thank you, Mr. Chair, and the Board. You won't be disappointed.

MR. BURTON: Thank you all very much.

--o0o--

Item 7. Discussion, recommendation and possible action relative to Board approval of delegation authority for individual multifamily loans

CHAIRPERSON COURSON: The next item on our agenda is not an item on our agenda we're going to take action on today, and that was the material in your binder talking about delegation. It's a topic this Board and past Boards have talked about. There have been some changes. The new Governor's initiative that we've talked about will bring the need for some changes to the proposal that's being put forth for loan delegation. So we are not going to take any action on that today. It will be on the Board agenda for November. But I would say in doing that, that, Linn, you may want to make some 40,000-foot-level comments, if you will, and clearly the Board -- we can make some comments. I don't want to have a full debate and discussion today, but certainly any comments you want to make would be appreciated.

MR. WARREN: Thank you, Mr. Chairman.

I have no charts on this issue, so it will go quickly.

CHAIRPERSON COURSON: We're working without a net.

MR. WARREN: We're going without a net for once.

Yes, as the Chairman has indicated, there was a component of the Governor's initiative which was omitted from the delegation which does need to be included, but I want to just take the opportunity to talk from a high level on the reason that it's before you and hopefully it will be before you at the next Board meeting.

The Agency is operating in, I think, a different lending environment than it has over the last several years. The speed at which loan commitments are given and are expected to be given by sponsors and lenders alike have really accelerated. In Ms. Weir's area, the five meetings a year have done very good things to expedite the putting of bond funds out in the marketplace quickly, in HCD's area, with their over-the-counter supportive housing program, which has been very well-received, are both indications that I think the terrain has changed.

The request that we're talking about here is to allow the Agency to become more in sync with that environment. Meeting six times a year is good. I think it does put some strain on us to get commitments out in a timely fashion. It also puts us in a position sometimes that we can't lock up our financing. As markets move, as we get bond allocation or taxable financing otherwise, our program area, working in conjunction with finance, does need to establish and lock up financing fairly quickly.

The proposal basically reflects that reality. And one of the realities is the Agency still is a competitive lender in the marketplace. That's been the direction of this Board and certainly been the direction of the programs division, and I think perhaps it is time, at least in our opinion, to expand that to make us competitive and better meet our mission. It is not a light request. We all understand that, but we think that we have evolved to the point both from a business standpoint and from a competency standpoint that it's a reasonable request.

But with that, I will stop with you, and certainly I would very much like to know the Board's feelings about this to give us direction in this area. So if you all don't mind, I'd appreciate any comments.

CHAIRPERSON COURSON: We will -- we do have time for a few comments. As I say, we're not going to take any action. There will be no motion. But anybody that wants --

MR. WARREN: Right. There's no motion.

MS. DUNN: I would like to comment, but I'll reserve until you're ready to take some action.

CHAIRPERSON COURSON: All right. Then we'll -- this will be on the agenda for our November meeting.

MR. WARREN: As modified, yeah.

CHAIRPERSON COURSON: And we'll have a full and complete discussion.

--o0o--

Item 8. Reports

CHAIRPERSON COURSON: The other thing I want to do is take just a couple minutes, Bruce, if you could. We do have in your book -- under the reports section, there are two, I think, notable transactions that I've asked Bruce to address for the Board. One is the -- our bond issuance for 2005, and then the second was the something a little different for us, which are the draw-down bonds. And so Bruce is going to give us a brief description of those two transactions.

MR. GILBERTSON: Yes. Thank you, Mr. Chairman, Members of the Board. I will be brief. I certainly want to answer any questions you have, but since our last meeting, we issued bonds twice and wanted to briefly touch on those this morning.

The first was a $200-million home mortgage revenue bond program that was used to finance our ongoing single-family first-mortgage program, and the second was the draw-down bond. The single-family mortgage bonds were issued in July.

I think most significant to note here is that of the $200 million, $145 million of bond proceeds will be used to purchase our Interest Only Plus program. That was our 35-year loan product that we introduced to the marketplace in late March. We are now receiving upwards of 40 percent of loan reservations on a daily basis in that form. So it really has been an attractive loan product for first-time home buyers.

The -- this slide certainly just gives you some details of the financing. We would anticipate that that would finance 880 new loans. This is an all tax-exempt financing. As with most of our recent financings, there's a pretty high percentage of variable-rate debt issued, most of which in this case was swapped to a fixed rate.

The second financing was a very small transaction. It's a little over $5 million in our draw-down program. The draw-down program is a program that is very unique. We created this indenture in January of 2005. It simply is a vehicle for us to retain or preserve tax exempt issuance authority. This is a relatively small draw. We drew $5 million at the end of July. It preserved that amount of non-AMT bond issuance authority that we will use in the very near term to issue new bonds for permanent financing of single-family loans.

Let me stop there quickly to see if there's any questions on the two financings since the last Board meeting.

CHAIRPERSON COURSON: Any questions from the Board? I thought it was important that we highlight those, particularly the draw down is a different concept than we've utilized before.

Okay.

MR. GILBERTSON: I can spend just a quick few minutes here on kind of the update of our outstanding debt and variable-rate debt and our swap strategy, if you'd like. As of August 1st, CalHFA had total bonded indebtedness of $7.2 billion. As this slide shows, 6.3 billion, or about 87 percent of the bonds, is currently in variable-interest rate form. 4.5 billion of the debt is swapped to a fixed rate, while 900 million is tied directly to variable-rate assets.

There is a correction I need to make. As I was reviewing these slides, there's a mathematical error in the first column. The total should be 857 million, not 897 million, and in the second numeric column, the total should be 4,525,000,000, rather than 4,490,000,000. Those errors are also in the written Board report. We'll change those, if our general counsel will allow us to, in the final distribution of copies to you.

The $893 million is what we call our unhedged variable-rate debt. That represents 12.4 percent of our variable-interest-rate bonds. If we compare this slide to where we were two months ago when I presented to the Board, debt outstanding has been reduced by about $300 million, in large part because debt service is paid on August 1st, and we had corresponding principal maturities of debt as well as some special redemption activity. However, the percentage of variable-rate bonds and the percentage of unhedged variable-rate bonds is little changed from that prior period.

Quickly flipping through these other charts, this shows the composition of the variable-rate debt. There's different forms in which we can issue our bonds, and certainly all of our activity in 2005 has been as a variable-rate demand obligation. That typically produces the lowest all-in cost of funds for the Agency, and there is an abundance of liquidity in the marketplace these days to support the put feature that bondholders have with those.

Another look at the $893-million of unhedged variable-rate debt really depicts the average life or the expected average life of those debt issuances. And lastly by indenture, it shows where we have utilized the interest-rate swaps predominantly in our single-family program.

With that, I'll be quiet and see if there's any questions.

CHAIRPERSON COURSON: Any questions of Bruce? Laura.

MS. WEIR: Just a quick one back to the draw-down bonds. Are you able to capture payments and prepayments, all of them that haven't expired under federal rules, or does the draw-down account represent just a portion? Are you -- in other words, are you capturing everything you can capture?

MR. GILBERTSON: Yes. We are -- all of what you're referring to is the unrestricted prepayments. Federal tax law requires us to call out debt and not have a refunding opportunity after ten years. We've captured it all. The number is so small this time because we have a very active recycling program, so we're taking the prepayments that come in from our single-family loan products and recycling them directly back into new 30-year loans.

MS. WEIR: Thank you.

CHAIRPERSON COURSON: Other questions?

MS. PARKER: I just wanted to point out Bruce has just finished and we've sort of bought off on our next year or our schedule of sale for the next year for bonds. We've actually in the past gone to market six times a year, and we are actually going to be going two less times than we normally do on single family. So just, you know -- and that really takes into account the fact that we have got these -- this huge capacity of recycling to take care of.

MR. GILBERTSON: Prepayments have not slowed down. I was looking, August totals were a little over a hundred million dollars. This is on about a $3.9 billion single-family loan portfolio, and that's really been the average for the year. We've been at a hundred million dollars per month. So borrowers continue to refinance, I presume, primarily. Rapid price appreciation.

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Item 9. Discussion of other Board matters

CHAIRPERSON COURSON: Any other questions or comments?

(No audible response.)

--o0o--

Item 10. Public testimony

CHAIRPERSON COURSON: Is there any public comment from anybody from the public?

(No audible response.)

CHAIRPERSON COURSON: Seeing none, our next meeting is November the 9th in the Westin Hotel in San Francisco, and we stand adjourned. Thank you everybody.

(The meeting concluded at 12:23 p.m.)

--o0o--

REPORTER'S CERTIFICATE

I hereby certify the foregoing proceedings were reported by me at the time and place therein named; that the proceedings were reported by me, a duly certified shorthand reporter and a disinterested person, and was thereafter transcribed into typewriting by computer.

In witness whereof, I have hereunto set my hand this 15th day of September, 2005.

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

# CALIFORNIA HOUSING FINANCE AGENCY
## Final Commitment
## Cesar Chavez Plaza
## Davis, Yolo County, CA
## CalHFA # 04-030C/N

**SUMMARY**

This is a final commitment request. Security for the loans will be a 2.15-acre site and a 53-unit apartment building located at 1220 Olive Drive in the City of Davis. The property will be owned by NP Cesar Associates, L.P., a California limited partnership, whose managing general partner will be the Yolo County Housing Authority. Neighborhood Partners, LLC will be the general partner for development, and Davis Community Meals will be a general partner as well as the primary service provider.

Cesar Chavez Plaza is a new construction family project. Nineteen of the units will be special needs units targeted to families in which at least one adult has a physical disability, a history of mental illness and/or substance abuse problems.

**LOAN TERMS**

**Construction**

| | |
|---|---|
| **First Mortgage** | $7,000,000 |
| Interest Rate | Variable |
| Term | 18 months, interest only |
| Financing | Tax-exempt |

**Permanent**

| | |
|---|---|
| **First Mortgage** | $765,000 |
| Interest Rate | 3.00% |
| Term | 25-year fixed, fully amortized |
| Financing | Tax-exempt |
| | |
| **Bridge Loan** | $3,500,000 |
| Interest Rate | 3.00% |
| Term | 3-year fixed, fully amortized, payable annually |
| Financing | Tax-Exempt |

CalHFA construction financing is subject to the assignment by the borrower of tax credit equity and all rights under non-CalHFA financing commitments. The construction security required for the construction loan from the borrower is shown as a letter of credit equal to 10% of the amount of the construction contract (or an acceptable guarantee, at the discretion of the Agency).

## OTHER FINANCING

| Source | Type | Loan Amount | Term | Interest Rate | Repayment |
|---|---|---|---|---|---|
| HCD MHP Supportive Housing | Loan | $2,890,026 | 55 | 3.00% | Residual Receipts |
| HCD MHP NSSS | Loan | $500,000 | 55 | 0.00% | Deferred/Forgivable |
| AHP – River City Bank | Loan | $477,000 | 30 | 0.00% | Deferred/Forgivable |

The City of Davis received the land from a local developer under its inclusionary ordinance. The City transferred title to the land to the project developer, Neighborhood Partners, LLC, to construct this project. Title must be transferred to the borrower before construction loan close.

The AHP loan will be funded at construction loan closing. The HCD MHP loans will be funded at permanent loan closing. The HCD MHP program will restrict 19 units to households that include at least one individual with mental illness, a history of chronic substance abuse or a chronic health condition that is disabling, and who is homeless or at risk of homelessness. These individuals must require supportive services in order to remain independent and stable in permanent housing. Household income for these units will be at or below 25% of Area Median Income. The Agency will require that all of HCD's supportive housing requirements be met by the Borrower at construction loan closing.

## PROJECT DESCRIPTION

### Project Location

- The project is located one-quarter mile south of downtown Davis and 15 miles west of downtown Sacramento.
- The site is on Olive Drive, approximately one block east of Richards Boulevard. Olive Drive is a fully developed two-lane road with curbs, gutters, sidewalks and street lights.
- To the north of the site is Olive Drive and single-family homes. To the south of the site is Interstate 80, though the site is sheltered from traffic noise by a large wall. To the east of the site is a self-storage facility, and to the west is the Lexington Apartments complex.
- The closest bus stop is at the corner of Olive Drive and Richards Boulevard, approximately one-quarter mile from the site. The nearest grocery store, Davis Food Co-op at 620 G Street, is one-half mile from the site. A Safeway is also nearby. There are several parks in close proximity to the site, including Central Park at 3rd and C Streets, which hosts a bi-weekly Farmer's Market, as well as an entrance to the Arboretum/Putah Creek Parkway at the west end of Olive Drive, one-half mile away. In addition, the Core Area Drainage Pond Dog Park is located on 2nd Street, one-half mile from the site. Sacramento City College Davis Center is located one-half mile from the site on Galileo Court.

### Site

- The proposed project is on a vacant 2.15-acre site that is rectangular in shape and flat. It is zoned for multifamily housing with a maximum density of 20 units per acre. However, the site has been approved by the Davis Planning and Building Department as a legal conforming use.

- Vehicles will only be able to access the site from Olive Drive via a shared driveway that is located in part on the property of Lexington Apartments. Parking spaces are located on the project site itself, next to the shared entry driveway on the western side of the site. Additional parking is located in a parking lot at the back of the site, which is also accessed by the shared driveway. Reciprocal easements will need to be recorded between the two properties to share the driveway, a condition of zoning approval for both projects. The owner of the Lexington Apartments is in the process of drafting the agreement. The Agency will require that the reciprocal easements be acceptable to CalHFA and that they be recorded prior to construction loan close.

**Improvements**

- This 53-unit apartment complex will include four two-story residential buildings and one community building. There will be 52 one-bedroom flats and 1 two-bedroom manager's unit.
- The buildings will be wood frame on a concrete slab. The exteriors will be stucco, with pitched, composition shingle roofs. There will be central heating and air conditioning.
- The 2,540 square-foot community building will include office space, a laundry room, and a clubhouse with a computer room and meeting rooms. There will be a community green area to the west of the community building, which will include a picnic area and play structures for the children of residents. There will also be a community garden at the southeast corner of the site. There will be 53 uncovered parking spaces and 74 bicycle parking spaces.

**Off-site improvements**

None are required.

**SPECIAL NEEDS SERVICES**

- The special needs target population will be adults with mental illness, a chronic substance abuse issue, a physical disability or a chronic health condition, and who are homeless or at risk of homelessness. Without housing that includes supportive services, this population is at greater risk of hospitalization and/or incarceration.

- Davis Community Meals (DCM), a California non-profit corporation, will be the primary service provider. Their full-time on-site case manager will provide tenant outreach and engagement, on-site service coordination, case management, crisis intervention and referrals. The case manager assists tenants in identifying and assessing their needs, goals and resources and in developing a plan to address their needs and meet their goals. The case manager also provides referrals to appropriate community-based organizations and mainstream resources, and will be available for crisis intervention, peer-based classes, and community-building activities. DCM will also offer services offsite, including crisis intervention, clinical supervision and program development, as well as service coordination for clients who are more difficult to serve. On-site services will be provided at no charge to tenants. Off-site services will be provided in accordance with the requirements of the agencies rendering the services.

- All services will be voluntary; participation will not be required as a condition of maintaining tenancy. However, services are offered to support tenants in retaining their housing, maintaining or improving their health status, building the skills they need to become self-sufficient, and becoming active members of the community.

- DCM staff will work collaboratively with community-based partners, including those that provide substance abuse counseling and treatment, health services, mental health counseling and treatment, job training, job placement, adult education, and other supportive services.

The Agency will require the borrower to lease 35% of the units to special needs tenants and provide them with supportive services for a 10-year period. These requirements will be incorporated into the Agency's Regulatory Agreement.

## MARKET

### Market Overview

The Primary Market Area (PMA) includes the City of Davis, the community of Dixon, and the surrounding unincorporated areas. The northern boundary is County Road 27. The eastern boundary includes the Winter Slough and the South Fork of Putah Creek. The southern boundary is Midway Road and the western boundary is County Road 25. There are 34,195 households in the PMA, of which 50.5% are owners and 49.5% are renters. Approximately 33.4% of the general households in the PMA, or 11,421 households, earn less than 50% of Yolo County's Area Median Income.

The University of California, Davis, is the largest employer in the PMA with 17,226 employees. Employment in the City of Davis is expected to remain stable.

### Housing Supply and Demand

- Other affordable housing complexes in the PMA report that the rent-up period was immediate once they entered the market. This project is unlike any other project in the PMA and no similar projects are proposed. It will be the only complex in the PMA that will offer supportive services to the homeless.
- Income-restricted complexes and several market rate complexes have extremely long waiting lists, with several complexes reporting lists as long as three years. No complexes reported any problems filling vacancies. The overall vacancy rate for both market rate and income-restricted housing is 1.5%.
- According to the Market Study conducted by Laurin Associates in September 2005, there is demand for 421 units of housing targeting disabled single homeless individuals with incomes of 25% of AMI. This estimate is based on the assumption, as stated by Davis Community Meals, that 70% of single homeless adults in Yolo County have a physical or mental disability or a substance abuse problem. The project will need to capture 4.5% of the demand. There is current demand for 296 units for general occupancy households in the PMA with incomes at 50% to 60% of AMI. The project will need to capture 11.1% of this demand. DCM intends to refer 40 chronically homeless disabled individuals to the complex.

- A significant segment of the renter households in the City of Davis are paying more than 35% of their income for housing. According to the 2000 census, 58.1% of renter householders were overpaying; among those renter households earning less than $10,000 annually, 96.1% were overpaying for shelter.

## PROJECT FEASIBILITY

### Estimated Lease-up Period

The market study estimates that it will be 3 months from construction completion to stabilized occupancy, based upon 17 units absorbed per month.

## ARTICLE XXXIV

An opinion letter regarding Article XXXIV compliance will be required. The opinion letter is subject to CalHFA's review and approval.

## ENVIRONMENTAL

A Phase I Environmental Assessment report was originally completed on November 9, 2001, and was updated on March 2, 2005. The report concludes that there are no adverse environmental conditions that warrant further investigation or remedial action.

The borrower has requested an earthquake insurance waiver and an evaluation of this request is in process. Review and approval of the findings will be a condition of the Final Commitment. If the waiver is denied, the loan amount may decrease so that the earthquake insurance premium can be paid.

## DEVELOPMENT TEAM

### Borrower

NP Cesar Associates, L.P.

NP Cesar Associates, L.P., a California limited partnership, will be the borrowing entity. The sponsors are Neighborhood Partners, LLC, Davis Community Meals and Yolo County Housing Authority.

Neighborhood Partners, LLC

Neighborhood Partners, LLC was formed in 1998 as a for-profit California limited liability company. The principals are Luke Watkins and David J. Thompson. To date, they have acted as the development consultant for 8 projects with approximately 300 units of affordable housing in the Davis area. CalHFA financed three of these projects for Yolo Mutual Housing Association: Twin Pines (36 units), Tremont Green (36 units) and Moore Village (59 units). This will be the second project where Neighborhood Partners will play an ownership role. The first was Eleanor Roosevelt Circle, which is also being financed by CalHFA. Like Eleanor Roosevelt

Circle, this project will also be a supportive housing project. Neighborhood Partners will be the developer general partner.

Davis Community Meals

Davis Community Meals will be a general partner as well as the primary service provider. DCM's mission is to provide low-income and homeless individuals and families with housing, food and human services to help them rebuild their lives. Created in 1990 by a coalition of religious and civic organizations, DCM provides twice weekly meals on a year-round basis. It also provides a day shelter/resource center, emergency shelter, and transitional housing for individuals and families. In addition, DCM operates a scattered site transitional housing program. It has a staff of five full-time and seven part-time employees, and a membership roster of donors and volunteers than includes more than 1,300 individuals and 70 organizations.

Yolo County Housing Authority

Yolo County Housing Authority (YCHA) was formed in 1951. To date, YCHA owns and manages 13 buildings with 757 units of affordable housing. This will be the third tax credit property and the second supportive housing project in which YCHA is involved, the first being Eleanor Roosevelt Circle. YCHA will be the managing general partner.

**Management Agent**

John Stewart Company

The John Stewart Company, a California corporation, was formed in 1978. It is a full-service housing management, development and consulting company with more than 1,000 employees. The company manages 22,500 units of housing in 220 sites, including several properties financed by CalHFA, making it the largest manager of multifamily rental housing in California.

**Architect**

Mogavero Notestine Associates

Mogavero Notestine Associates (MNA), a California corporation, is an architectural, planning and development services firm founded in 1978 and located in Sacramento, California. The firm specializes in multifamily housing design that is energy efficient yet cost effective to build. MNA's work has been recognized by dozens of national and regional awards, including the American Institute of Architects, Gold Nugget "Best in the West" awards from the Pacific Coast Builders Conference, and Ahwahnee Awards for creating livable communities. MNA has designed more than 35 rental housing developments with more than 1,000 units. Sixteen of the developments were designed as affordable housing. The 36-unit Tremont Green project, built in Davis in 2004, was designed by MNA and financed by CalHFA.

**Contractor**

- The contractor will not be selected until final plans have been competitively bid. However, the borrower has contracted with Lou Minor Construction Consulting to perform a detailed cost analysis of this project. The firm was chosen because of its familiarity with building and construction costs in the area as well as its reputation for reliability in developing cost estimates.

- Lou Minor, a licensed professional cost estimator and construction management consultant, is the principal of Lou Minor Construction Consulting. Formerly a construction manager for Eden Housing, Mr. Minor currently provides construction cost estimating and construction management services to Mercy Housing California and Eden Housing. He serves as a construction inspector for the Agency.

## PROJECT SUMMARY

PROJECT NUMBER: 04-030

**Final Commitment**

| | | | |
|---|---|---|---|
| ***Project:*** | **Cesar Chavez Plaza** | | |
| ***Location:*** | 1220 Olive Drive | ***Developer:*** | **Neighborhood Partners, LLC** |
| ***City:*** | Davis | ***Partner:*** | Yolo County Housing Authority |
| ***County:*** | Yolo | ***Investor:*** | National Equity Fund |
| ***Zip Code:*** | 95816 | | |

| | | | | |
|---|---|---|---|---|
| | | *No. of Buildings:* | 5 | |
| *Project Type:* | New Construction | *No. of Stories:* | 2 | |
| *Occupancy:* | Family | *Residential Space* | 31,000 | sq. ft. |
| *Total Units:* | 53 | *Office Space* | 2,400 | sq. ft. |
| *Style Units:* | Flats | *Commercial Space* | 0 | sq. ft. |
| *Elevators:* | none | *Gross Area* | 33,400 | sq. ft. |
| *Total Parking* | 53 | *Land Area* | 93,654 | sq. ft. |
| *Covered* | 0 | *Units per acre* | 25 | |

| CalHFA Construction Financing | Amount | Rate | Term (Mths) |
|---|---|---|---|
| CalHFA Construction Financing | $7,000,000 | Variable | 18 |

| Permanent Sources of Funds | Amount | Rate | Years |
|---|---|---|---|
| **CalHFA First Mortgage** | **$765,000** | **3.00%** | **25** |
| **CalHFA Bridge Loan** | **$3,500,000** | **3.00%** | **3** |
| **CalHFA Second Mortgage** | **$0** | **0.00%** | **0** |
| HCD MHP | $2,890,026 | 3.00% | 55 |
| HCD NSSS | $500,000 | 0.00% | 55 |
| Source 4 | $0 | 0.00% | 0 |
| Source 5 | $0 | 0.00% | 0 |
| Source 6 | $0 | 0.00% | 0 |
| Source 7 | $0 | 0.00% | 0 |
| Source 8 | $0 | 0.00% | 0 |
| Source 9 | $0 | 0.00% | 0 |
| Source 10 | $0 | 0.00% | 0 |
| Source 11 | $0 | 0.00% | 0 |
| AHP Loan | $477,000 | 0.00% | 30 |
| Income from Operations | $0 | | |
| Developer Contribution | $0 | | |
| Deferred Dev. Fee | $579,881 | | |
| Tax Credit Equity | $4,838,606 | | |

| Construction Valuation | | Appraisal | | Value Upon Completion | |
|---|---|---|---|---|---|
| **Investment Value** | $10,030,000 | **Appraisal Date:** | **Oct. 7, 2005** | **Restricted Value** | $6,000,000 |
| **Loan / Cost** | 81% | **Cap Rate:** | **6.00%** | **Perm. Loan / Cost** | 42% |
| **Loan / Value** | 70% | | | **Perm. Loan / Value** | 71.08% |

### CalHFA Fees and Reserve Requirements

| **CalHFA Loan Fees** | **Amount** | **Required Reserves** | **Amount** |
|---|---|---|---|
| CalHFA Construction Loan Fee | $52,500 | Capitalized Svcs. Coordinator Reser | $100,000 |
| CalHFA Permanent Loan Fees | $3,825 | Replacement Resv. Initial Deposit | $152,375 |
| Bridge Loan Fee | $0 | Repl. Reserve - Per Unit/ Per Yr | $385 |
| | | | |
| **Construction Loan - Guarantees and Fees** | | CalHFA Operating Expense Reserve | $26,931 |
| Completion Guarantee | $5,482,860 | Rent Up Reserve | $0 |
| Contractors Payment Bond | $5,482,860 | HCD Required Operating Reserve | $31,519 |
| Contractors Performance Bond | $5,482,860 | | |

**Date:** 10/26/2005 **Senior Staff Date:** 10/24/2005

## UNIT MIX AND RENT SUMMARY — Cesar Chavez Plaza

**04-030**

### Total Unit Mix

| # of Units | Unit Type | # of Baths | Average Sq. Ft. |
|---|---|---|---|
| 52 | 1 Bedroom Flat | 1 | 581 |
| 1 | 2 Bedroom Flat | 1 | 790 |
| | 2 Bedroom Townhome | 1.5 | |
| | 2 Bedroom Townhome | 2 | |
| | 3 Bedroom Townhome | 2 | |
| | 4 Bedroom Townhome | 2.5 | |
| 53 | | | |

### Number of Regulated Units By Agency

| Agency | 25% | 45% | 50% | 60% | 80% | Unrestricted | Total |
|---|---|---|---|---|---|---|---|
| *CalHFA* | | | 11 | | | 42 | 53 |
| *Tax Credits* | | | | 52 | | 1 | 53 |
| *City of Davis* | | | 31 | | 12 | 10 | 53 |
| *HCD* | 19 | | 13 | 20 | | 1 | 53 |
| *AHP* | | | 32 | 20 | | 1 | 53 |
| *Zoning* | | | | | | | |
| *Other* | | | | | | | |

### Restricted Rents Compared to Average Market Rents

| Median Income Rent Levels | Units Restricted | Restricted Rents | Avg. Market Rate Rents | Dollars Difference | % of Market |
|---|---|---|---|---|---|
| One Bedroom | | | $1,010 | | |
| 25% | 19 | $223 | | $727 | 22% |
| 45% | 0 | $0 | | $0 | 0% |
| 50% | 13 | $506 | | $444 | 50% |
| 60% | 20 | $620 | | $330 | 61% |
| 80% | 0 | $0 | | $0 | 0% |
| Two Bedroom | | | $0 | | |
| 25% | 0 | $0 | | $0 | 0% |
| 45% | 0 | $0 | | $0 | 0% |
| 50% | 0 | $0 | | $0 | 0% |
| 60% | 0 | $0 | | $0 | 0% |
| 80% | 0 | $0 | | $0 | 0% |
| Three Bedroom | | | $0 | | |
| 25% | 0 | $0 | | $0 | 0% |
| 45% | 0 | $0 | | $0 | 0% |
| 50% | 0 | $0 | | $0 | 0% |
| 60% | 0 | $0 | | $0 | 0% |
| 80% | 0 | $0 | | $0 | 0% |
| Four Bedroom | | | $0 | | |
| 25% | 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 — Cesar Chavez Plaza

04-030
Final Commitment

| SOURCES OF FUNDS: | Funds in during Construction ($) | Funds in at Permanent ($) | Total Sources of Funds ($) | Sources per Unit | % |
|---|---|---|---|---|---|
| **CalHFA Construction Financing** | 7,000,000 | | | | |
| Construction Only Source 2 | - | | | | |
| Construction Only Source 3 | - | | | | |
| **CalHFA First Mortgage** | | 765,000 | 765,000 | 14,434 | 8% |
| **CalHFA Second Mortgage** | | - | - | - | 0% |
| HCD MHP | - | 2,890,026 | 2,890,026 | 54,529 | 29% |
| HCD NSSS | - | 500,000 | 500,000 | 9,434 | 5% |
| Source 4 | - | - | - | - | 0% |
| Source 5 | - | - | - | - | 0% |
| Source 6 | - | - | - | - | 0% |
| Source 7 | - | - | - | - | 0% |
| Source 8 | - | - | - | - | 0% |
| Source 9 | - | - | - | - | 0% |
| Source 10 | - | - | - | - | 0% |
| Source 11 | - | - | - | - | 0% |
| AHP Loan | 477,000 | - | 477,000 | 9,000 | 5% |
| Income from Operations | - | - | - | - | 0% |
| Developer Contribution | - | - | - | - | 0% |
| Deferred Developer Fee | - | 579,881 | 579,881 | 10,941 | 6% |
| Tax Credit Equity | 1,118,889 | 3,719,717 | 4,838,606 | 91,294 | 48% |
| **Total Sources** | 8,595,889 | 8,454,624 | 10,050,513 | 189,632 | 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 | | **$7,000,000** | | | |
| ***ACQUISITION*** | | | | | |
| Lesser of Land Cost or Value | - | - | - | - | 0% |
| Demolition | - | - | - | - | 0% |
| Legal - Acquisition Related Fees | - | - | - | - | 0% |
| **Subtotal - Land Cost / Value** | - | - | - | | |
| Existing Improvements Value | - | - | - | - | 0% |
| Off-Site Improvements | - | - | - | - | 0% |
| Other | - | - | - | - | 0% |
| **Total Acquisition** | - | - | - | - | **0%** |
| ***REHABILITATION*** | | | | | |
| Site Work | - | - | - | - | 0% |
| Rehab to Structures | - | - | - | - | 0% |
| General Requirements | - | - | - | - | 0% |
| Contractors Overhead | - | - | - | - | 0% |
| Contractors Profit | - | - | - | - | 0% |
| Contractor's Bond | - | - | - | - | 0% |
| General Liability Insurance | - | - | - | - | 0% |
| Environmental Mitigation Expense | - | - | - | - | 0% |
| Other | - | - | - | - | 0% |
| Other | - | - | - | - | 0% |
| **Total Rehabilitation** | - | - | - | - | **0%** |
| ***RELOCATION EXPENSES*** | | | | | |
| Relocation Expense | - | - | - | - | 0% |
| Relocation Compliance Monitoring | - | - | - | - | 0% |
| **Total Relocation** | - | - | - | - | **0%** |

(Total Development Costs)

(Continued on Next 2 Pages)

| USES OF FUNDS (Cont'd): | Construction ($) | Permanent ($) | Total Uses of Funds ($) | Cost per Unit | % |
|---|---|---|---|---|---|
| | | | **Total Development Costs** | | |
| ***NEW CONSTRUCTION*** | | | | | |
| Site Work | 730,737 | - | 730,737 | 13,787 | 7% |
| Structures (Hard Costs) | 4,040,524 | - | 4,040,524 | 76,236 | 40% |
| General Requirements | 286,276 | - | 286,276 | 5,401 | 3% |
| Contractors Overhead | 185,247 | - | 185,247 | 3,495 | 2% |
| Contractors Profit | 185,247 | - | 185,247 | 3,495 | 2% |
| Contractor's Perf. & Pymt Bond | 54,829 | - | 54,829 | 1,035 | 1% |
| General Liability Insurance | - | - | - | - | 0% |
| Other | - | - | - | - | 0% |
| Other | - | - | - | - | 0% |
| **Total New Construction** | **5,482,860** | **-** | **5,482,860** | **103,450** | **55%** |
| ***ARCHITECTURAL & ENGINEERING*** | | | | | |
| Architectural Design | 255,000 | - | 255,000 | 4,811 | 3% |
| Architect's Supv during Construction | 30,000 | - | 30,000 | 566 | 0% |
| **Total Architectural** | **285,000** | **-** | **285,000** | **5,377** | **3%** |
| Engineering Expense | 30,000 | - | 30,000 | 566 | 0% |
| Engineers Supv. during Construction | 10,000 | - | 10,000 | 189 | 0% |
| ALTA Survey | 7,000 | - | 7,000 | 132 | 0% |
| **Total Engineering & Survey** | **47,000** | **-** | **47,000** | **887** | **0%** |
| ***CONSTRUCTION LOAN COSTS*** | | | | | |
| Construction Loan Interest | 367,453 | | 367,453 | 6,933 | 4% |
| CalHFA Construction Loan Fee | 70,000 | | 70,000 | 1,321 | 1% |
| Other Construction Loan Fees | - | | - | - | 0% |
| CalHFA Outside Legal Counsel Fees | 20,000 | | 20,000 | 377 | 0% |
| Other Lender Req'd Legal Fees | - | | - | - | 0% |
| Title and Recording fees | 25,000 | | 25,000 | 472 | 0% |
| CalHFA Req'd Inspection Fees | 27,000 | | 27,000 | 509 | 0% |
| Other Req'd Inspection Fees | - | | - | - | 0% |
| Prevailing Wage Monitoring Expense | 10,000 | | 10,000 | 189 | 0% |
| Taxes & Insurance during construction | 175,000 | | 175,000 | 3,302 | 2% |
| Predevelopment Interest | 50,000 | | 50,000 | 943 | 0% |
| Other Legal Fees | 10,000 | | 10,000 | 189 | 0% |
| Other | - | | - | - | 0% |
| **Total Construction Loan Expense** | **754,453** | **-** | **754,453** | **14,235** | **8%** |
| ***PERMANENT LOAN COSTS*** | | | | | |
| CalHFA Perm Loan Fees | 3,825 | - | 3,825 | 72 | 0% |
| CalHFA Bridge Loan Fees | - | - | - | - | 0% |
| CalHFA Loan Application Fee | 500 | - | 500 | 9 | 0% |
| Other Lender Perm. Loan Fees | - | - | - | - | 0% |
| Title and Recording | - | 10,000 | 10,000 | 189 | 0% |
| Perm. Bridge Loan Interest Expense | | 212,069 | 212,069 | 4,001 | 2% |
| Bond Origination Guarantee Fee | - | - | - | - | 0% |
| Tax Exempt Bond Allocation Fee | 600 | - | 600 | 11 | 0% |
| Other | - | - | - | - | 0% |
| **Total Permanent Loan Expense** | **4,925** | **222,069** | **226,994** | **4,283** | **2%** |
| ***LEGAL FEES*** | | | | | |
| Borrower Legal Fee | 80,000 | - | 80,000 | 1,509 | 1% |
| Other | - | - | - | - | 0% |
| **Total Attorney Expense** | **80,000** | **-** | **80,000** | **1,509** | **1%** |

| USES OF FUNDS (Cont'd): | Construction ($) | Permanent ($) | Total Development Costs | | |
|---|---|---|---|---|---|
| | | | Total Uses of Funds ($) | Cost per Unit | % |
| ***CONTRACT / REPORT COSTS*** | | | | | |
| Appraisal | 11,000 | - | 11,000 | 208 | 0% |
| Market Study | 7,000 | - | 7,000 | 132 | 0% |
| Physical Needs Assessment | - | - | - | - | 0% |
| HUD Risk Share Environ. Review | - | - | - | - | 0% |
| CalHFA EQ Waiver Seismic Review Fee | 700 | - | 700 | 13 | 0% |
| Environmental Phase I / II Reports | 1,500 | - | 1,500 | 28 | 0% |
| Soils / Geotech Reports | 10,000 | - | 10,000 | 189 | 0% |
| Asbestos / Lead-based Paint Report | - | - | - | - | 0% |
| Noise/Acoustical/Traffic Study Report | 1,500 | - | 1,500 | 28 | 0% |
| Cost of Updating Reports at Closing | 3,000 | - | 3,000 | 57 | 0% |
| Other | - | - | - | - | 0% |
| **Total Contract Costs** | **34,700** | **-** | **34,700** | **655** | **0%** |
| ***CONTINGENCY*** | | | | | |
| Hard Cost Contingency | 548,286 | - | 548,286 | 10,345 | 5% |
| Soft Cost Contingency | 79,033 | - | 79,033 | 1,491 | 1% |
| **Total Contingency** | **627,319** | **-** | **627,319** | **11,836** | **6%** |
| ***RESERVES*** | | | | | |
| CalHFA Operating Expense Reserve | - | 26,931 | 26,931 | 508 | 0% |
| Capitalized Replacement Reserve | - | 152,375 | 152,375 | 2,875 | 2% |
| Rent-Up Reserve | - | - | - | - | 0% |
| HCD Required Operating Reserve | - | 31,519 | 31,519 | 595 | 0% |
| Capitalized Svcs. Coordinator Reserve | - | 100,000 | 100,000 | 1,887 | 1% |
| **Total Reserves** | **-** | **310,825** | **310,825** | **5,865** | **3%** |
| ***OTHER*** | | | | | |
| CTCAC App/Alloc/Monitor Fees | 3,632 | 21,730 | 25,362 | 479 | 0% |
| Local Permit Fees | 160,000 | - | 160,000 | 3,019 | 2% |
| Local Development Impact Fees | 730,000 | - | 730,000 | 13,774 | 7% |
| Other Local Fees | - | - | - | - | 0% |
| Advertising & Marketing Expenses | 26,000 | - | 26,000 | 491 | 0% |
| 1st Year Taxes & Insurance | 20,000 | | 20,000 | 377 | 0% |
| Furnishings | 30,000 | - | 30,000 | 566 | 0% |
| Final Cost Audit Expense | 10,000 | - | 10,000 | 189 | 0% |
| Miscellaneous Admin Fees | - | - | - | - | 0% |
| Other | - | - | - | - | 0% |
| Other | - | - | - | - | 0% |
| Other | - | - | - | - | 0% |
| **Total Other Expenses** | **979,632** | **21,730** | **1,001,362** | **18,894** | **10%** |
| **SUBTOTAL PROJECT COSTS** | **8,295,889** | **7,554,624** | **8,850,513** | **166,991** | **88%** |
| ***DEVELOPER COSTS*** | | | | | |
| Developer Overhead/Profit (5% Acq.) | - | - | - | - | 0% |
| Developer Overhead/Profit (NC/Rehab) | 300,000 | 900,000 | 1,200,000 | 22,642 | 12% |
| Consultant / Processing Agent | - | - | - | - | 0% |
| Project Administration | - | - | - | - | 0% |
| Broker Fees to a related party | - | - | - | - | 0% |
| Construction Mgmt. Oversight | - | - | - | - | 0% |
| Other | - | - | - | - | 0% |
| **Total Developer Fee / Costs** | **300,000** | **900,000** | **1,200,000** | **22,642** | **12%** |
| **Total Costs** | **8,595,889** | **8,454,624** | **10,050,513** | **189,632** | **100%** |

| Annual Operating Budget | | | Cesar Chavez Plaza |
|---|---|---|---|
| Final Commitment | | | |

| INCOME: | $ Amount | Per Unit | % of Total |
|---|---|---|---|
| Total Rental Income | $278,580 | $5,256 | 98.64% |
| Laundry | $3,831 | $72 | 1.36% |
| Other Income | $0 | $0 | 0.00% |
| **Gross Potential Income (GPI)** | **$282,411** | **$5,329** | 100.00% |
| **Less:** | | | |
| Vacancy Loss | $13,104 | $247 | 4.87% |
| **Effective Gross Income** | **$269,307** | **$5,081** | |

| EXPENSES: | Total Cost | Per Unit | % of Total |
|---|---|---|---|
| Payroll | $64,530 | $1,218 | 31.65% |
| Administrative | $20,650 | $390 | 10.13% |
| Management fee | $18,060 | $341 | 8.86% |
| Utilities | $23,822 | $449 | 11.68% |
| Operating and Maintenance | $34,440 | $650 | 16.89% |
| Insurance and Business Taxes | $15,000 | $283 | 7.36% |
| Locality Compliance Monitoring Fee | $0 | $0 | 0.00% |
| Other | $0 | $0 | 0.00% |
| **Subtotal Expenses** | **$176,502** | $3,330 | 86.56% |
| Replacement Reserves | $20,405 | $385 | 10.01% |
| Taxes & Assessments | $7,000 | $132 | 3.43% |
| **Total Expenses** | $203,907 | $3,847 | 100.00% |
| **Financial Expenses** | | | |
| CalHFA First Mortgage | $43,533 | $821 | |
| CalHFA Second Mortgage | $0 | $0 | |
| HCD Required Debt Service | $12,138 | $229 | |
| **NET OPERATING INCOME** | **$9,729** | **$184** | |

| Cash Flow | Final Commitment | | | | CalHFA Project Number: | 04-030 | | | Cesar Chavez Plaza | |
|---|---|---|---|---|---|---|---|---|---|---|
| **RENTAL INCOME** | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
| **Affordable Rents** | 278,580 | 285,545 | 292,683 | 300,000 | 307,500 | 315,188 | 323,067 | 331,144 | 339,423 | 347,908 |
| *Affordable Rent Increase* | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| **Rental Subsidies** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Rental Subsidy Increases* | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| **Market Rate Units** | 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** | 278,580 | 285,545 | 292,683 | 300,000 | 307,500 | 315,188 | 323,067 | 331,144 | 339,423 | 347,908 |
| **OTHER INCOME** | | | | | | | | | | |
| **Laundry** | 3,831 | 3,927 | 4,025 | 4,125 | 4,229 | 4,334 | 4,443 | 4,554 | 4,668 | 4,784 |
| **Other Income** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Other Income Increase* | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| **TOTAL OTHER INCOME** | 3,831 | 3,927 | 4,025 | 4,125 | 4,229 | 4,334 | 4,443 | 4,554 | 4,668 | 4,784 |
| **GROSS POTENTIAL INCOME** | 282,411 | 289,471 | 296,708 | 304,126 | 311,729 | 319,522 | 327,510 | 335,698 | 344,090 | 352,692 |
| **VACANCY ASSUMPTIONS** | | | | | | | | | | |
| *Affordable (Blended Average)* | 4.63% | 4.63% | 4.63% | 4.63% | 4.63% | 4.63% | 4.63% | 4.63% | 4.63% | 4.63% |
| *Rental Subsidy Income* | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| *Unrestricted Units* | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| *Laundry & Other Income* | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| **LESS: VACANCY LOSS** | 13,104 | 13,431 | 13,767 | 14,111 | 14,464 | 14,826 | 15,196 | 15,576 | 15,966 | 16,365 |
| **EFFECTIVE GROSS INCOME** | 269,307 | 276,040 | 282,941 | 290,014 | 297,265 | 304,696 | 312,314 | 320,122 | 328,125 | 336,328 |
| **OPERATING EXPENSES** | | | | | | | | | | |
| **Expenses** | 176,502 | 182,680 | 189,073 | 195,691 | 202,540 | 209,629 | 216,966 | 224,560 | 232,419 | 240,554 |
| *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** | 7,000 | 7,140 | 7,283 | 7,428 | 7,577 | 7,729 | 7,883 | 8,041 | 8,202 | 8,366 |
| *Annual Tax Increase* | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| **Replacement Reserve** | 20,405 | 20,405 | 20,405 | 20,405 | 20,405 | 20,405 | 20,405 | 20,405 | 20,405 | 20,405 |
| *Percentage Increase Yearly* | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| **TOTAL EXPENSES** | 203,907 | 210,225 | 216,761 | 223,524 | 230,522 | 237,763 | 245,254 | 253,006 | 261,026 | 269,325 |
| **NET OPERATING INCOME** | 65,400 | 65,815 | 66,180 | 66,490 | 66,743 | 66,934 | 67,060 | 67,116 | 67,099 | 67,003 |
| **DEBT SERVICE** | | | | | | | | | | |
| CalHFA - 1st Mortgage | 43,533 | 43,533 | 43,533 | 43,533 | 43,533 | 43,533 | 43,533 | 43,533 | 43,533 | 43,533 |
| CalHFA - Bridge Loan | 1,237,356 | 1,237,356 | 1,237,356 | 0 | 0 | | | | | |
| CalHFA - 2nd Mortgage | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| HCD MHP | 12,138 | 12,138 | 12,138 | 12,138 | 12,138 | 12,138 | 12,138 | 12,138 | 12,138 | 12,138 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **DEBT COVERAGE RATIO** | 1.17 | 1.18 | 1.19 | 1.19 | 1.20 | 1.20 | 1.20 | 1.21 | 1.21 | 1.20 |

Cash Flow | CalHFA Project Number: 04-030 | Cesar Chavez Plaza

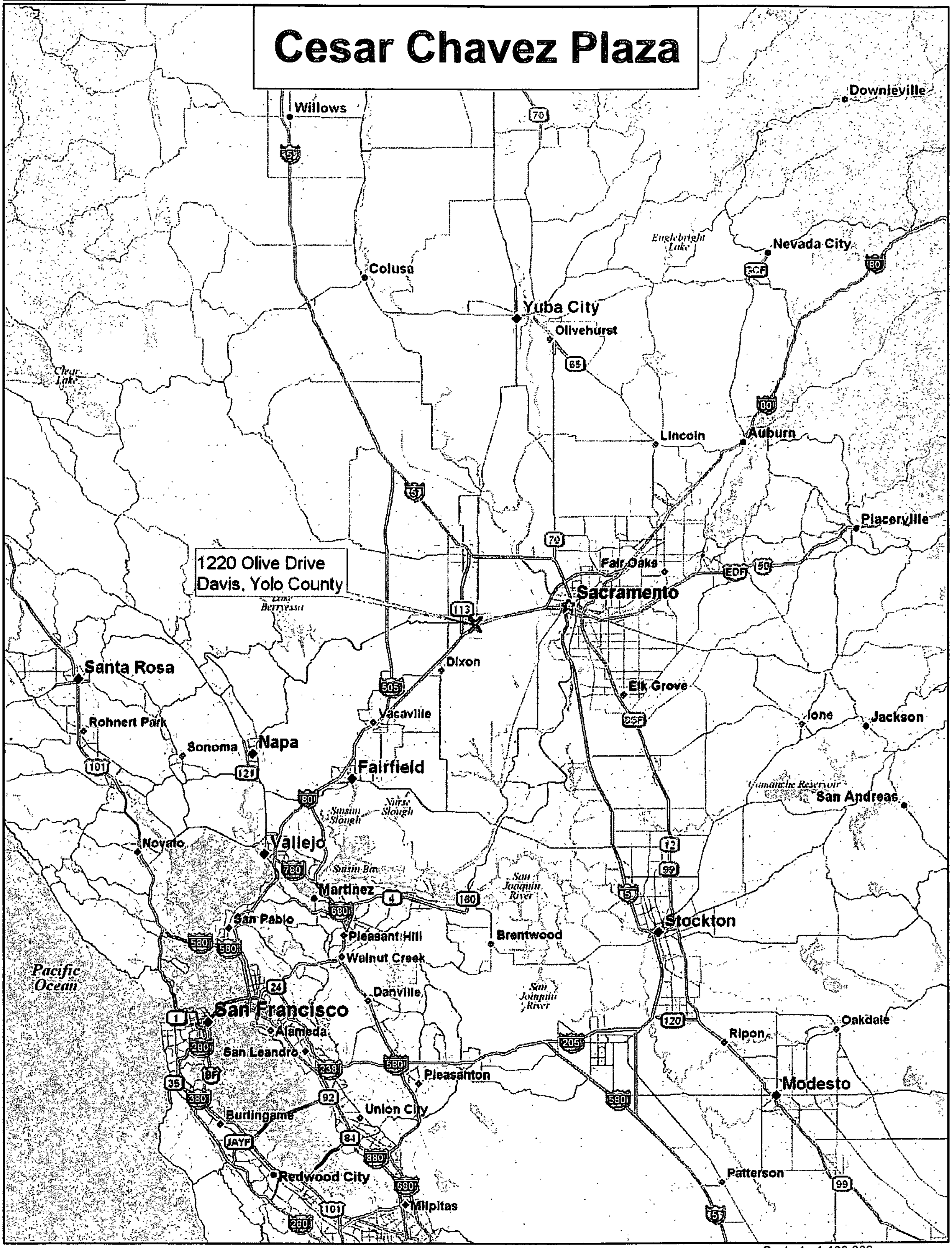
| RENTAL INCOME | Year 11 | Year 12 | Year 13 | Year 14 | Year 15 | Year 16 | Year 17 | Year 18 | Year 19 | Year 20 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Affordable Rents** | **356,606** | **365,521** | **374,659** | **384,026** | **393,626** | **403,467** | **413,554** | **423,892** | **434,490** | **445,352** |
| *Affordable Rent Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| **Rental Subsidies** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| *Rental Subsidy Increases* | *0%* | *0%* | *0%* | *0%* | *0%* | *0%* | *0%* | *0%* | *0%* | *0%* |
| **Market Rate Units** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| *Unrestricted Unit Increases* | *0%* | *0%* | *0%* | *0%* | *0%* | *0%* | *0%* | *0%* | *0%* | *0%* |
| **TOTAL RENTAL INCOME** | **356,606** | **365,521** | **374,659** | **384,026** | **393,626** | **403,467** | **413,554** | **423,892** | **434,490** | **445,352** |
| **OTHER INCOME** | | | | | | | | | | |
| **Laundry** | **4,904** | **5,026** | **5,152** | **5,281** | **5,413** | **5,548** | **5,687** | **5,829** | **5,975** | **6,124** |
| **Other Income** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| *Other Income Increase* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* | *2.50%* |
| **TOTAL OTHER INCOME** | **4,904** | **5,026** | **5,152** | **5,281** | **5,413** | **5,548** | **5,687** | **5,829** | **5,975** | **6,124** |
| **GROSS POTENTIAL INCOME** | **361,510** | **370,547** | **379,811** | **389,306** | **399,039** | **409,015** | **419,240** | **429,721** | **440,465** | **451,476** |
| **VACANCY ASSUMPTIONS** | | | | | | | | | | |
| *Affordable (Blended Average)* | *4.63%* | *4.63%* | *4.63%* | *4.63%* | *4.63%* | *4.63%* | *4.63%* | *4.63%* | *4.63%* | *4.63%* |
| *Rental Subsidy Income* | *0%* | *0%* | *0%* | *0%* | *0%* | *0%* | *0%* | *0%* | *0%* | *0%* |
| *Unrestricted Units* | *0%* | *0%* | *0%* | *0%* | *0%* | *0%* | *0%* | *0%* | *0%* | *0%* |
| *Laundry & Other Income* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| **LESS: VACANCY LOSS** | **16,774** | **17,193** | **17,623** | **18,064** | **18,515** | **18,978** | **19,452** | **19,939** | **20,437** | **20,948** |
| **EFFECTIVE GROSS INCOME** | **344,736** | **353,354** | **362,188** | **371,243** | **380,524** | **390,037** | **399,788** | **409,783** | **420,027** | **430,528** |
| **OPERATING EXPENSES** | | | | | | | | | | |
| **Expenses** | 248,974 | 257,688 | 266,707 | 276,041 | 285,703 | 295,702 | 306,052 | 316,764 | 327,851 | 339,325 |
| *Annual Expense Increase* | *3.50%* | *3.50%* | *3.50%* | *3.50%* | *3.50%* | *3.50%* | *3.50%* | *3.50%* | *3.50%* | *3.50%* |
| **Taxes and Assessments** | 8,533 | 8,704 | 8,878 | 9,055 | 9,236 | 9,421 | 9,609 | 9,802 | 9,998 | 10,198 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| **Replacement Reserve** | 20,405 | 20,405 | 20,405 | 20,405 | 20,405 | 20,405 | 20,405 | 20,405 | 20,405 | 20,405 |
| *Percentage Increase Yearly* | *0.00%* | *0.00%* | *0.00%* | *0.00%* | *0.00%* | *0.00%* | *0.00%* | *0.00%* | *0.00%* | *0.00%* |
| **TOTAL EXPENSES** | **277,911** | **286,796** | **295,989** | **305,502** | **315,344** | **325,528** | **336,067** | **346,971** | **358,253** | **369,928** |
| **NET OPERATING INCOME** | **66,824** | **66,558** | **66,199** | **65,741** | **65,180** | **64,509** | **63,722** | **62,812** | **61,774** | **60,600** |
| **DEBT SERVICE** | | | | | | | | | | |
| CalHFA - 1st Mortgage | 43,533 | 43,533 | 43,533 | 43,533 | 43,533 | 43,533 | 43,533 | 43,533 | 43,533 | 43,533 |
| CalHFA - Bridge Loan | | | | | | | | | | |
| CalHFA - 2nd Mortgage | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| HCD MHP | 12,138 | 12,138 | 12,138 | 12,138 | 12,138 | 12,138 | 12,138 | 12,138 | 12,138 | 12,138 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **DEBT COVERAGE RATIO** | **1.20** | **1.20** | **1.19** | **1.18** | **1.17** | **1.16** | **1.14** | **1.13** | **1.11** | **1.09** |

**Cash Flow** CalHFA Project Number: 04-030

| RENTAL INCOME | Year 21 | Year 22 | Year 23 | Year 24 | Year 25 |
|---|---|---|---|---|---|
| **Affordable Rents** | 456,486 | 467,898 | 479,595 | 491,585 | 503,875 |
| *Affordable Rent Increase* | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| **Rental Subsidies** | 0 | 0 | 0 | 0 | 0 |
| *Rental Subsidy Increases* | 0% | 0% | 0% | 0% | 0% |
| **Market Rate Units** | 0 | 0 | 0 | 0 | 0 |
| *Unrestricted Unit Increases* | 0% | 0% | 0% | 0% | 0% |
| **TOTAL RENTAL INCOME** | 456,486 | 467,898 | 479,595 | 491,585 | 503,875 |
| **OTHER INCOME** | | | | | |
| **Laundry** | 6,277 | 6,434 | 6,595 | 6,760 | 6,929 |
| **Other Income** | 0 | 0 | 0 | 0 | 0 |
| *Other Income Increase* | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |
| **TOTAL OTHER INCOME** | 6,277 | 6,434 | 6,595 | 6,760 | 6,929 |
| **GROSS POTENTIAL INCOME** | 462,763 | 474,332 | 486,190 | 498,345 | 510,804 |
| **VACANCY ASSUMPTIONS** | | | | | |
| *Affordable (Blended Average)* | 4.63% | 4.63% | 4.63% | 4.63% | 4.63% |
| *Rental Subsidy Income* | 0% | 0% | 0% | 0% | 0% |
| *Unrestricted Units* | 0% | 0% | 0% | 0% | 0% |
| *Laundry & Other Income* | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| **LESS: VACANCY LOSS** | 21,472 | 22,009 | 22,559 | 23,123 | 23,701 |
| **EFFECTIVE GROSS INCOME** | 441,291 | 452,323 | 463,632 | 475,222 | 487,103 |
| **OPERATING EXPENSES** | | | | | |
| **Expenses** | 351,202 | 363,494 | 376,216 | 389,384 | 403,012 |
| *Annual Expense Increase* | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% |
| **Taxes and Assessments** | 10,402 | 10,610 | 10,822 | 11,038 | 11,259 |
| *Annual Tax Increase* | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| **Replacement Reserve** | 20,405 | 20,405 | 20,405 | 20,405 | 20,405 |
| *Percentage Increase Yearly* | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| **TOTAL EXPENSES** | 382,008 | 394,508 | 407,443 | 420,827 | 434,676 |
| **NET OPERATING INCOME** | 59,283 | 57,815 | 56,189 | 54,395 | 52,427 |
| **DEBT SERVICE** | | | | | |
| CalHFA - 1st Mortgage | 43,533 | 43,533 | 43,533 | 43,533 | 43,533 |
| CalHFA - Bridge Loan | | | | | |
| CalHFA - 2nd Mortgage | 0 | 0 | 0 | 0 | 0 |
| HCD MHP | 12,138 | 12,138 | 12,138 | 12,138 | 12,138 |
| Other | 0 | 0 | 0 | 0 | 0 |
| **DEBT COVERAGE RATIO** | 1.06 | 1.04 | 1.01 | 0.98 | 0.94 |

DELORME

Street Atlas USA® 2004




Scale 1 : 1,100,000

1" = 17.36 mi

Data Zoom 7-5

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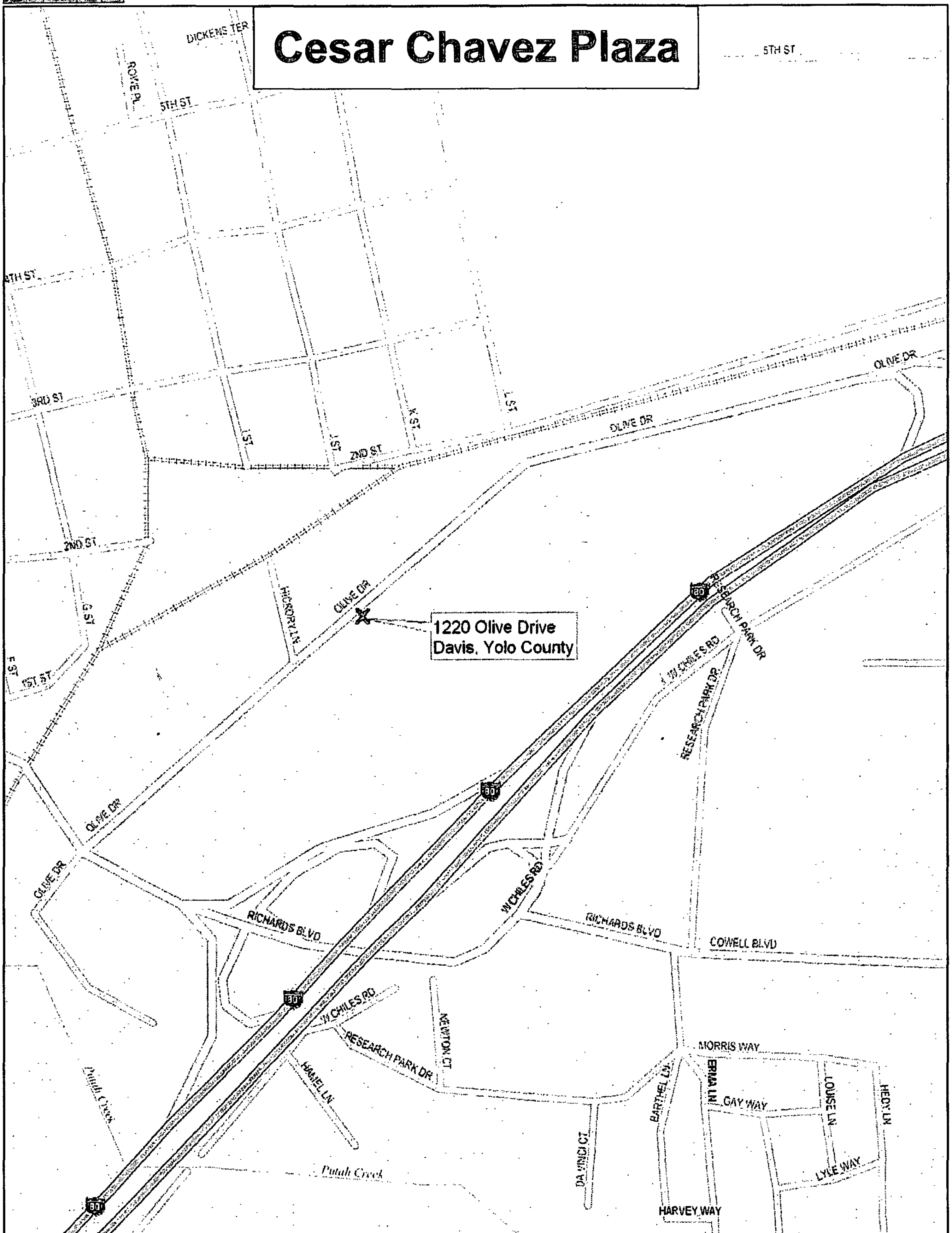
Street Atlas USA® 2004






Scale 1 : 5,600
1" = 466.7 ft
Data Zoom 15-2

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RESOLUTION 05-37

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of NP Cesar Associates, L.P., a California limited partnership (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in the City of Davis, Yolo County, California, to be known as Cesar Chavez Plaza (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 October 11, 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, subject to his/her 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 | NUMBER OF UNITS | MORTGAGE AMOUNT |
|---|---|---|---|
| 04-030-C/N | CESAR CHAVEZ PLAZA | 53 | \$7,000,000 Construction Loan |
| | | | \$ 765,000 Permanent 1st Loan |
| | | | \$3,500,000 Bridge Loan |

Resolution 05-37
Page 2

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 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 05-37 adopted at a duly constituted meeting of the Board of the Agency held on November 9, 2005, at Millbrae, California.

ATTEST:______________________
Secretary

# CALIFORNIA HOUSING FINANCE AGENCY
## Final Commitment
## Fireside Apartments
## Unincorporated Marin County, CA
## CalHFA # 05-016C/N

This is a Final Commitment request for two permanent loans, a bridge loan and a construction loan. Security for the loans will be both the fee interest and a leasehold interest on a 4.3 acre site and the residential improvements located at 115 Shoreline Highway in the unincorporated area of Marin County, located approximately ½ of a mile south of Mill Valley. Fireside Affordable Housing Associates, a California Limited Partnership, will own the property or will be the ground lessee. The general partner will be Fireside Housing, LLC, a limited liability company, whose sole member is Stevenson Housing Corporation, a California nonprofit public benefit corporation wholly controlled by Citizens Housing Corporation.

The 50 unit project will consist of four buildings; a 3,513 square foot rehabilitated historic inn, a new two-story residential building with 17 two-bedroom family units, two new three-story residential buildings with 32 studio and one-bedroom units set aside for seniors and a manager's unit. There will be approximately 2,700 square feet of community and service space, and 53 parking spaces. Eighteen of the units will be designated for households in which an adult member has a disability, and is at risk of homelessness. It is expected that the majority of these families will have an adult with a mental illness and/or substance abuse problem, but the disabilities could also include HIV/AIDS, chronic health problems, and physical disabilities.

**LOAN TERMS**

**Construction**

| | |
|---|---|
| **First Mortgage** | $12,165,000 |
| Interest Rate | Variable (1 month LIBOR plus 125 basis points) |
| Term | 21 months, interest only |
| Financing | Tax-exempt |

**Permanent**

| | |
|---|---|
| **First Mortgage** | $1,350,000 |
| Interest Rate | 3.00 % |
| Term | 25 year fixed, fully amortized |
| Financing | Tax-exempt |
| Risk Share Insurance | No |
| **Second Mortgage** | $250,000 |
| Interest Rate | 3.00% |
| Term | 15 year fixed, fully amortized |
| Financing | Tax-Exempt |

| | |
|---|---|
| **Bridge Loan** | $4,450,000 |
| Interest Rate | 3.00% |
| Term | 3 year, fully amortized, annual payments of $1,573,210 |
| Financing | Tax-Exempt |

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

**SPECIAL NEEDS LOAN TERMS**

The interest rate on the permanent and bridge loans will be reduced from 5.30% and 5.00% to 3.00% using available federal funds.

**OTHER FINANCING**

| Source | Type | Loan Amount | Term | Interest Rate | Repayment |
|---|---|---|---|---|---|
| MHP | Loan | $4,882,222 | 55 | 3.00% | Residual Receipts |
| County of Marin Trust Fund | Loan | $2,000,000 | 55 | 3.00% | Residual Receipts |
| County of Marin HOME | Loan | $1,775,000 | 55 | 3.00% | Residual Receipts |
| County of Marin CDBG | Loan | $65,800 | 55 | 3.00% | Residual Receipts |
| County of Marin/HELP | Loan | $100,000 | 10 | 3.30% | Monthly Debt Service |
| Marin Community Foundation | Loan | $1,600,000 | 55 | 0.00% | Residual Receipts |
| AHP | Loan | $400,000 | 10 | 0.00% | Deferred/forgivable |
| McKinney Supportive Housing Funds | Grant | $610,000 | | | |
| Grants | Grant | $595,000 | | | |
| Marin County Fee Waiver | Grant | $373,750 | | | |

Citizens Housing Corporation entered into a purchase contract for the land in June 2001. The land was purchased in September of 2003 with acquisition loan funding of $1,645,000 from the County of Marin, $2,200,000 from the Low Income Investment Fund (LIHF) and $175,000 from the Corporation for Supportive Housing (CSH). The County funds will stay in transaction during construction but the LIHF and CSH funds are acquisition loans and will be taken out at construction loan closing.

HCD's staff recommended funding of the project but HCD's Loan and Grant Committee recommended against funding the property because of the development's high per unit cost. The matter is currently before HCD senior management for reconsideration.

HCD is in discussions with the County and the developer in an effort to restructure the project to reduce development costs, including exploring a ground least structure. HCD has agreed to schedule a second presentation of the project to the Loan and Grant Committee and to convene a special meeting, if necessary. In the event that the parties agree on leasehold, the Agency commitment will be conditioned upon the Agency receiving a security interest in both the land and the ground lease.

A loan commitment from HCD will be required before CalHFA accepts a reservation of tax exempt bond authority from CDLAC.

## HOUSING ASSISTANCE PAYMENT ("HAP") CONTRACT

The project has been awarded 10 Project-Based Section 8 Vouchers from the Housing Authority of the County of Marin. The Housing Authority received approval from HUD to make this award. The project will use these vouchers for the ten 1-bedroom 50% AMI units to increase the affordability of the units. The Agency will require a transition reserve of $75,000 to allow the project to transition to non-subsidized rents in the event that the contract is canceled or not renewed by HUD.

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

## PROJECT DESCRIPTION

### Project Location

- The project is located in an unincorporated area of Marin County a 1/2 mile south of the Mill Valley City limits approximately 6 miles north of San Francisco.
- The site is located on Shoreline Highway a ¼ mile from Interstate 101. Interstate 101 provides direct access to San Francisco. The site is a ¼ mile from the Golden Gate Transit Park and Ride Parking Lot and 2 miles from the Sausalito ferry terminal.
- Richardson Bay, which connects to the San Francisco Bay, is approximately 1,000 feet from the site.
- To the north is a small business park with a few two-story office buildings. They are in good condition. To the south is a 100-foot near vertical bluff that contains residential uses. To the east are the Manzanita Park and Ride Parking lot and the Interstate 101 freeway on and off ramps. To the west is the Fountain Motel, an older two-story motel that is in moderate condition.
- There are two parks within a ¼ mile, the Bothin Open Space Preserve, and the Shoreline Trail System. The Bothin Preserve offers open space and walking trails. The Shoreline Trail system provides safe pedestrian, bicycle and equestrian paths to Tam Junction to the west and Sausalito to the south.
- The nearest pharmacy is a ¼ mile from the site. The nearest grocery store within 1/3 mile. A senior center and an elementary school are within ½ mile. There is an elementary school, middle school, high school and library within 1 mile of the site. The nearest hospital is 4 miles away.

### Site

- The site is 4.3 acres; only one acre is buildable. In 2003, the site was rezoned RMPC-12.7 which allows 12.7 units per acre. However, the entitlements allow for building on only one acre of the site, and for preserving the remaining 3.3 acres as open space. The entitlements include a parking reduction permit.

- The site is adjacent to a 100-foot near-vertical bluff and the site development will require rockslide and debris flow mitigation measures, which include both catchment fences and a deflection wall.
- The site was previously occupied by a 22-room, 10,942 square foot, 1950's era motel that was demolished in November 2004. Also on the site is the Fireside Inn, a locally treasured 4,017 square foot historic restaurant structure. While not eligible for State or Federal historic registration status, the project entitlements require that a 504 square foot 1950 era addition be removed and that the unique features of the Fireside Inn be preserved. The Inn is currently a non-conforming use. The remainder of the property, approximately two-thirds of the site, is undeveloped. It is reported that the southern portion of the site was quarried for bedrock, but no information concerning that activity has been identified in regulatory agency files.
- The site includes a known prehistoric cultural resource site. The new construction portion of the project has been designed on the footprint of the demolished motel to avoid disturbing any of the cultural resources.

**Improvements**

- The project will consist of 3 new buildings, and the renovated Fireside Inn. The buildings will be tucked into the hillside in two clusters, one for families and one for seniors. The borrower will be required to comply with fair housing requirements.
- The family cluster will consist of seventeen 2-bedroom units in a newly constructed two-story building.
- The senior cluster will consist of two three-story buildings with twenty-two studio units and ten 1-bedroom units. Both buildings will consist of two stories of housing over a one-story podium with parking underneath the podium. The buildings will share an elevator.
- The project entitlements require that the project strive to be a model of sustainable design and incorporate green elements, which include photovoltaic systems and recycled-content materials.
- The structure will be wood frame over podium (senior buildings), and wood frame over slab on grade (family building). The roofs will be asphalt composition shingles. The siding will be stucco and hardiplank. The heating will be hydronic baseboard, individually controlled.
- There will be 53 parking spaces, 36 podium, 14 on grade uncovered, and 3 on grade covered spaces.
- Nine of the 2-bedroom family units will be townhouse units. The remainder of the units will be flats.
- The site will be landscaped using local indigenous species to minimize water use. The existing Fireside Lodge chimney will be retained and used as an outdoor hearth. The site's Native American shell mound will be incorporated into the landscape by adding layers of shell and rock inlay in the walls and through paving details. There will be a wildflower rainwater garden of native and riparian plants that will capture and infiltrate rainwater onto the site.

## PHYSICAL NEEDS ASSESSMENT / SCOPE OF WORK

- The Fireside Inn was constructed in the 1850's out of wood and brick and used as a stagecoach stop. In recent years, it has been used as restaurant and bar, with an apartment on the second floor.
- All of the internal space in the Fireside Inn will be reconfigured. It will be adapted from its current use as a restaurant into a center for supportive services, community space, computer room and management offices. It will also include a 2-bedroom unit for the manager.
- All new systems will be installed, as well as seismic reinforcements necessary to bring the structure up to current seismic codes. Specific attention will be given to refurbishing the historic design details (wall detail and fixtures). Recent additions to the Inn and materials that are not in keeping with its historic character will be removed.
- The cost of the rehabilitation is estimated to be $800,000. It will be included in the construction contract and will be completed along with the new construction.

### Off-site improvements

The off-site improvements are estimated to cost $200,000. Many of these improvements are subject to a CalTrans encroachment permit that is pending approval. The improvements include:

- Installing a pedestrian crosswalk and signal phase system to allow pedestrian access from the property, across the 101 Interstate on and off ramps, to the Manzanita Park and Ride Lot.
- Installing approximately 150 feet of sidewalk and curb ramps along the south side of Route 1 from Route 101 SB Ramp intersection to Manzanita Transit Center entrance intersection.
- Upgrading a water main that runs underneath the Interstate 101 on-ramp.
- Closing the present driveway into the Fireside site from Shoreline Highway for general use but retaining the road for emergency access. Bollards will be installed to prevent general access and the area will be landscaped.
- Installing a new driveway on an easement across the adjacent Fountain Motel site to create a new entrance to the property.
- Installing a new two-way left turn lane in the center of Shoreline Highway for a distance of approximately 300 feet to allow staged left turns onto the highway from the Fireside property.

### Relocation

- A relocation plan was developed for the project in February 2004 by Overland, Pacific and Cutler, Inc. That study estimated relocation costs at $550,000.
- There were 15 households with 22 adults and 1 child occupying the motel on the site. Of these, 14 households were eligible for relocation benefits. The cost of the benefits to the residents is approximately $480,000, of which $300,000 has been incurred to date.
- The cost of the study and associated legal costs are $70,000.
- The developer is in discussions with the County about them absorbing the cost of the relocation and removing it as a project expense.

## COSTS

The project cost is approximately $421,000 per unit. If we exclude the $450,000 developer contribution, the $270,000 bridge loan interest and the $75,000 transitional operating reserve the cost is approximately $405,000. While the per unit cost is relatively high compared to other affordable housing developments, the cost of the project on a per bedroom basis and a per residential square foot is comparable to other similar projects. The site, entitlement constraints and relocation costs add approximately $100,000 per unit. These are detailed below.

- Entitlement Constraints - $3,740,000 or $78,000/unit
  - Preservation of 3.3 acres of open space of the 4.3 acre site which lowered the density and necessitated podium construction for two of the three residential buildings. This added approximately $3,000,000 in costs.
  - Adaptive reuse of the Fireside Inn, which includes seismic upgrades, elimination of recent additions and preservation of historical features. At most, this adds $200,000 to the cost of the project.
  - Creation of the pedestrian access to the Manzanita Transit center, abandoning of three driveways, creation of the new two way turn lane, and creation of a new expanded driveway. These projects required that the project retain a traffic engineer and required additional landscape, civil engineering and design costs, as well as increasing the capital costs for the offsite work. This added $200,000 in costs.
  - Green and sustainable development requirements will add an additional $340,000 to project costs.
  - Lead Paint and Asbestos removal in the demolition of the existing structure and construction mitigation measures for lead paint remaining in the Fireside Inn
  - Noise mitigation requirements due to the proximity of the site to the highway and the Interstate on and off ramps including building a sound wall buffer, double paned windows and additional insulation.

- Soil and Hillside Conditions – these costs have not been quantified to date.
  - Rockslide and debris mitigation measures including catchment fences and deflection walls
  - A temporary and permanent slope cut which requires a new concrete retaining wall spanning the entire length of the development to provide additional level area for the development
  - Soil conditions, which require spread footings for the senior buildings and pile foundations for the family building.

- Cultural Resources Preservation - $80,000 or $1,600 per unit
  - The archeologist will cost $45,000
  - The native American monitor will cost $35,000
  - Additional architectural and landscape design costs necessary to preserve the cultural resources in the site
  - Additional interest reserve to allow for time delays in the event that resources are disturbed.

- Tenant Relocation costs of $550,000 of $11,000 per unit

## SPECIAL NEEDS SERVICES

- Eighteen of the units will serve households where an adult member is disabled with mental illness, HIV/AIDS, a history of chronic substance abuse or a chronic disabling health condition. A household member will also be required to be homeless, formerly homeless or at risk of homelessness. Ten of the supportive housing units will be reserved for families, and eight for seniors.
- The project has received a one year renewable grant from HUD of approximately $80,000 to fund the first year of services.
- Supportive services will be provided Homeward Bound of Marin and by Power Up.
- Homeward Bound will provide a case-manager, and a Mental Health Counselor. Part of the cost of the case-manager will be funded through the projects operating budget.
- Homeward Bound of Marin is the chief provider of transitional and long-term housing and support services for homeless people in Marin County. They currently serve 2,000 persons including 200 children.
- Power Up was created by Citizens Housing Corporation to develop and coordinate resident services at CHC properties. They will provide an initial orientation for all residents, and general information and referral services for the non-supportive housing residents. They will provide recreational, social and community building activities and create ongoing educational opportunities for all residents.
- Homeless families will receive intensive case management with an emphasis on assisting families in addressing behavioral health and physical health issues of both adults and children. Adults will be assisted with independent living skills and parenting skills and on meeting employment and educational goals. Childcare, supplemental educational programs and after-school programs will be available for the children.
- Homeless seniors will receive intensive case management with an emphasis on addressing behavioral health and physical health issues, assistance in accessing entitlement programs, and building life skills.
- Mental Health Services will be available on-site including crisis intervention services, clinical assessments, individual counseling and family therapy. Residents will also have off-site access to ongoing counseling, treatment for substance abuse and mental health problems, and support groups for disabilities at off-site locations.

## MARKET

### Market Overview

- The Primary Market Area is defined as the southeastern tip of Marin County and includes the cities of Mill Valley, Corte Madera, Ross, Tiburon, Marin City, Sausalito, Larkspur and the southern portion of San Rafael. The Secondary Market Area includes the whole of Marin County.
- The population of the PMA is 111,092 and is expected to decrease by .01% by 2010. There are 45,359 households in the PMA of which 58% are owners and 42% are renters. There are 16,223 seniors in the PMA in 8,438 households of which 42% are owners and 58% are renters. The number of senior households is expected to grow 7.5% by 2010.
- There are 25,897 disabled households in Marin County.
- There are 2,943 households in the PMA living “below poverty” levels defined as $15,000 per year.

- No information is available on local employers. The unemployment rate in the PMA is 2.6%.

**Housing Supply and Demand**

- The local market offers very limited rental housing. The majority of the local land uses are owner-occupied detached single-family homes and condominiums.
- Only four market rate properties were identified within a mile of the site. All were built in the 1960's and 1970's. The closest market rate senior property is 4 miles from the site. The Fireside will offer a superior product to all of the market rate general occupancy and senior projects in the area. The market rate properties are 97.6% occupied.
- There are 9 LIHTC family properties in Marin County, of which 3 are located in the PMA. These 3 properties are 100% occupied and two of the properties report waiting lists. One is a 28 unit property that has 5 people on its waiting list but which it closed several years ago, and the other, a 60 unit property, reports a waiting list of 80 people.
- There are 3 senior LIHTC properties in Marin County and none in the PMA. All are 100% occupied and have waiting lists of 80 people, 10 people and 40 people.
- There are 1,218 persons on the Section 8 waiting list for Marin County. The list was closed several years ago, and given the shortage of available vouchers, the county does not anticipate reopening the list for several years.
- There are no planned or proposed market rate or LIHTC properties in the PMA. There is one planned 41 unit transitional family project proposed in the SMA in Novato approximately 8.5 miles north of the site. There is also a proposed general occupancy LIHTC project in Novato.

**PROJECT FEASIBILITY**

**Estimated Lease-up Period**

The estimated lease-up period is 2.2 months based on an absorption rate of 21 units per month.

**ARTICLE XXXIV:**

A satisfactory opinion letter will be required prior to construction loan closing.

**ENVIRONMENTAL**

A Phase I Environmental Assessment report was completed on December 19, 2000 and updated July 29, 2005, by Treadwell and Rollo. The report concludes that there are no adverse environmental conditions that warrant further investigation or remedial action.

Treadwell and Rollo completed a Geotechnical Investigation on December 19, 2002, which recommended mitigation measures including a concrete retaining wall, excavation, and refill of the soil, deep foundations, spread footings, and debris flow prevention measures. A Hydrology study was completed on April 14, 2002, which made mitigation recommendations similar to the Treadwell and Rollo Geotechnical investigation.

A Hazardous Materials survey prepared by North Tower Environmental on March 2, 2004 identified lead based paint and asbestos containing materials in the Fireside Inn and in the former motel. The hazardous materials were removed or abated prior to the demolition of the motel in 2004. The project received a Clearance Notification dated December 27, 2004 which cleared the buildings for motel for demolition and the Fireside Inn for preoccupancy. There is lead based paint remaining on building components in Fireside Inn which will require lead–related construction mitigation measures if it is disturbed during the rehabilitation of the Inn.

Archaeological Resource Service conducted a Cultural Resources Evaluation on April 3, 2000 and determined that the Fireside Inn was constructed on top of a Native American habitation site, known to contain prehistoric cultural deposits and significant features including human skeletal remains. They also performed archeological testing and prepared a Treatment Plan dated March 3, 2003, which plan outlines the requirements for completing the developments with required archeological finding preservation and monitoring procedures. During the testing it was determined that no evidence of any culturally modified soil deposits were seen in the artificially cut hillside area where the new buildings will be built. The recommendations in the Treatment Plan were incorporated into the project entitlements.

On December 17, 2004, Archeological Resources Services issued the results of monitoring and testing during the demolition of the old motel. The findings did not change the March 3, 2003 Treatment Plan recommendations

A Noise Assessment was conducted by Wilson IHRIG & Associates, Inc. dated April 17, 2003, which identified unacceptable noise levels from the street traffic and made design recommendations to mitigate the noise. These include using special building materials, building a sound wall to buffer the noise from the on-ramp, locating the new buildings at the back of the property, and orienting the balconies away from the highway.

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

## DEVELOPMENT TEAM

### Borrower

Fireside Affordable Housing Associates

- Fireside Affordable Housing Associates, a California Limited Partnership, will own the property. The initial general partner is Citizens Housing Corporation (CHC) but they will be replaced by Fireside Housing, LLC a limited liability company whose sole member is Stevenson Housing Corporation, a California nonprofit public benefit corporation wholly controlled by CHC.
- CHC is the developer of the property.
- Formed in 1992, CHC has developed or has under development 2,800 units of transitional housing, senior housing, family housing and housing for persons with special needs. CHC developments are all in California, primarily in the Bay Area.

**Management Agent**

CHC Property Management Corporation

CHC Property Management Corporation was established by the developer in 2001 to manage CHC's portfolio of properties. They currently manage 1,014 units in eleven properties.

**Architect**

TWM architects and planners

TWM was formed in 1965 as a full service design firm. There are three principals. They are licensed in California, Nevada, Washington, Arizona and Utah. The project architect is Derek Dutton. He has recently designed six multifamily residential projects with a combined total of 707 units in the Bay Area. He specializes in sustainable design and is LEED accredited by the U.S. Green Building Council.

**Contractor**

Cahill Contractors, Inc.

Cahill Contractors, Inc. is based in San Francisco. They were formed in 1921. They have completed at least 44 residential projects in the Bay Area. Their bonding capacity is over $250 million dollars. They have bonding capacity available to post a bond for the project's improvements. Cahill is currently the contractor on the Coliseum I project which the Agency is financing and the developer has worked them successfully on four projects.

## PROJECT SUMMARY — PROJECT NUMBER: 05-016

**Final Commitment**

| | | | |
|---|---|---|---|
| ***Project:*** | **Fireside Apartments** | | |
| ***Location:*** | 115 Shoreline Highway | ***Developer:*** | **Citizens Housing Corporation** |
| ***City:*** | Unincorporated Marin County | ***Partner:*** | Same |
| ***County:*** | Marin | ***Investor:*** | To be determined |
| ***Zip Code:*** | 94941 | | |

| | | | | |
|---|---|---|---|---|
| | | *No. of Buildings:* | 4 | |
| *Project Type:* | New Construction & rehab | *No. of Stories:* | 2 & 3 | |
| *Occupancy:* | Family/Senior/Special Needs | *Residential Space* | 28,378 | sq. ft. |
| *Total Units:* | 50 | *Community Space* | 2,700 | sq. ft. |
| *Style Units:* | Flats | *Commercial Space* | 0 | sq. ft. |
| *Elevators:* | none | *Gross Area* | 30,700 | sq. ft. |
| *Total Parking* | 53 | *Land Area* | 196,000 | sq. ft. |
| *Covered* | 39 | *Units per acre* | 11 | |

| CalHFA Construction Financing | Amount | Rate | Term (Mths) |
|---|---|---|---|
| CalHFA Construction Financing | $12,165,000 | Variable | 21 Months |

| Permanent Sources of Funds | Amount | Rate | Years |
|---|---|---|---|
| **CalHFA First Mortgage** | **$1,350,000** | **3.00%** | **25** |
| **CalHFA Bridge Loan** | **$4,450,000** | **3.00%** | **3** |
| **CalHFA Second Mortgage** | **$250,000** | **3.00%** | **15** |
| County of Marin Trust Fund | $2,000,000 | 3.00% | 55 |
| County of Marin HTF/Help Loan | $100,000 | 3.30% | 10 |
| HOME Loan | $1,775,000 | 3.00% | 55 |
| CDBG Loan | $65,800 | 3.00% | 55 |
| Marin Community Foundation Loan | $1,600,000 | 0.00% | 55 |
| McKinney Supportive Housing Funds | $610,000 | | |
| Grants | $595,000 | | |
| HCD MHP | $4,882,222 | 3.00% | 55 |
| Marin County Fee Waiver | $373,750 | | |
| AHP | $400,000 | 0.00% | 10 |
| Income from Operations | $5,044 | | |
| Developer Contribution | $450,000 | | |
| Deferred Dev. Fee | $38,034 | | |
| Tax Credit Equity | $6,579,086 | | |

| Construction Valuation | | Appraisal | | Value Upon Completion | |
|---|---|---|---|---|---|
| **Investment Value** | $13,600,000 | **Appraisal Date:** | **Sept 30, 2005** | **Restricted Value** | $4,000,000 |
| **Loan / Cost** | 62% | **Cap Rate:** | **5.50%** | **Perm. Loan / Cost** | 8% |
| **Loan / Value** | 89% | | | **Perm. Loan / Value** | 40% |

### CalHFA Fees and Reserve Requirements

| **CalHFA Loan Fees** | **Amount** | **Required Reserves** | **Amount** |
|---|---|---|---|
| CalHFA Construction Loan Fee | $91,238 | Other Reserve | $0 |
| CalHFA Permanent Loan Fees | $8,000 | Replacement Resv. Initial Deposit | $0 |
| Bridge Loan Fee | $0 | Repl. Reserve - Per Unit/ Per Yr | $336 |
| CALHFA Legal Fee | $10,000 | | |
| CalHFA Inspection Fee | $27,000 | CalHFA Operating Expense Reserve | $46,083 |
| **Construction Loan - Guarantees and Fees** | | TOR | $75,000 |
| Completion Guarantee | $8,985,238 | Other Reserve | $54,678 |
| Contractors Payment Bond | $8,985,238 | | |
| Contractors Performance Bond | $8,985,238 | | |

**Date:** 10/26/2005 **Senior Staff Date:** 10/24/2005

## UNIT MIX AND RENT SUMMARY

**Fireside Apartments**

**05-016**

### Total Unit Mix

| # of Units | Unit Type | # of Baths | Average Sq. Ft. |
|---|---|---|---|
| 22 | 0 Bedroom Flat | 1 | 396 |
| 10 | 1 Bedroom Flat | 1 | 567 |
| 9 | 2 Bedroom Flat | 1 | 819 |
| 9 | 2 Bedroom Townhome | 2 | 819 |
| | 3 Bedroom Townhome | 2 | |
| | 4 Bedroom Townhome | 2.5 | |
| 50 | | | |

### Number of Regulated Units By Agency

| Agency | 15% | 30% | 50% | 60% | 80% | Unrestricted | Total |
|---|---|---|---|---|---|---|---|
| *CalHFA* | | | 17 | | | | 17 |
| *Tax Credits* | | | | 49 | | | 49 |
| *HOME* | | | | 24 | | | 24 |
| *Marin County HTF* | | | | 24 | | | 24 |
| *Marin Comm. Foundation* | | | | | | | TBD |
| *Grants* | | | | | | | 0 |
| *HELP* | | | | 24 | | | 24 |
| *CDBG* | | | | | | 25 low/mod | 25 |
| *HCD* | 18 | | 6 | | | | 24 |
| *AHP* | | | 42 | 7 | | | 49 |
| *Section 8 Vouchers* | | | 10 | | | | 10 |
| *HUD McKinney* | 18 | | | | | | 18 |

### Restricted Rents Compared to Average Market Rents

| Median Income Rent Levels | Units Restricted | Restricted Rents | Avg. Market Rate Rents | Dollars Difference | % of Market |
|---|---|---|---|---|---|
| STUDIO | | | $1,009 | | |
| 15% | 8 | $297 | | $729 | 28% |
| 45% | 0 | $0 | | $0 | 0% |
| 50% | 14 | $917 | | $109 | 89% |
| 60% | 0 | $0 | | $0 | 0% |
| 80% | 0 | $0 | | $0 | 0% |
| One Bedroom | | | $1,467 | | |
| 15% | 0 | $0 | | $0 | 0% |
| 45% | 0 | $0 | | $0 | 0% |
| 50% | 10 | $1,038 | | $429 | 71% |
| 60% | 0 | $0 | | $0 | 0% |
| 80% | 0 | $0 | | $0 | 0% |
| Two Bedroom | | | $1,703 | | |
| 15% | 10 | $352 | | $1,351 | 21% |
| 45% | 0 | $0 | | $0 | 0% |
| 50% | 0 | $0 | | $0 | 0% |
| 60% | 7 | $1,444 | | $259 | 85% |
| 80% | 0 | $0 | | $0 | 0% |

## Sources and Uses of Funds — Fireside Apartments

05-016

Final Commitment

| SOURCES OF FUNDS: | Funds in during Construction ($) | Funds in at Permanent ($) | Total Development Sources: Total Sources of Funds ($) | Sources per Unit | % |
|---|---|---|---|---|---|
| **CalHFA Construction Financing** | 12,165,000 | | | | |
| Construction Only Source 2 | - | | | | |
| Construction Only Source 3 | - | | | | |
| **CalHFA First Mortgage** | | 1,350,000 | 1,350,000 | 27,000 | 6% |
| **CalHFA Second Mortgage** | | 250,000 | 250,000 | 5,000 | 1% |
| County of Marin Trust Fund | 2,000,000 | | 2,000,000 | 40,000 | 9% |
| County of Marin HTF/Help Loan | 100,000 | - | 100,000 | 2,000 | 0% |
| Accrued Interest - Marin HTF/HELP Loan | | | | | 0% |
| HOME Loan | 1,775,000 | - | 1,775,000 | 35,500 | 8% |
| CDBG Loan | 65,800 | - | 65,800 | 1,316 | 0% |
| Marin Community Foundation Loan | | 1,600,000 | 1,600,000 | 32,000 | 8% |
| McKinney Supportive Housing Funds | 610,000 | | 610,000 | 12,200 | 3% |
| Grants | 595,000 | - | 595,000 | 11,900 | 3% |
| HCD MHP | - | 4,882,222 | 4,882,222 | 97,644 | 23% |
| Marin County Fee Waiver | 373,750 | - | 373,750 | 7,475 | 2% |
| AHP | 400,000 | - | 400,000 | 8,000 | 2% |
| 0 | - | - | - | - | 0% |
| Income from Operations | 5,044 | - | 5,044 | 101 | 0% |
| Developer Contribution | | 450,000 | 450,000 | 9,000 | 2% |
| Deferred Developer Fee | | 38,034 | 38,034 | 761 | 0% |
| Tax Credit Equity | 1,681,957 | 4,897,129 | 6,579,086 | 131,582 | 31% |
| **Total Sources** | 19,771,551 | 13,467,385 | 21,073,936 | 421,479 | 100% |
| (Gap)/Surplus | (0) | (0) | (1) | (0) | |

| USES OF FUNDS: | Construction ($) | Permanent ($) | Total Development Costs: Total Uses of Funds ($) | Cost per Unit | % |
|---|---|---|---|---|---|
| ***LOAN PAYOFFS & ROLLOVERS*** | | | | | |
| Construction Loan payoffs | | **$12,165,000** | | | |
| ***ACQUISITION*** | | | | | |
| Lesser of Land Cost or Value | 4,020,000 | - | 4,020,000 | 80,400 | 19% |
| Demolition | 106,207 | - | 106,207 | 2,124 | 1% |
| Title & Recording | 9,000 | - | 9,000 | 180 | 0% |
| **Subtotal - Land Cost / Value** | 4,135,207 | - | 4,135,207 | 82,704 | |
| Existing Improvements Value | - | - | - | - | 0% |
| Off-Site Improvements | 150,000 | - | 150,000 | 3,000 | 1% |
| Holding Costs | 300,000 | - | 300,000 | 6,000 | 1% |
| **Total Acquisition** | **4,585,207** | **-** | **4,585,207** | **91,704** | **22%** |
| ***REHABILITATION*** | | | | | |
| Site Work | - | - | - | - | 0% |
| Rehab to Structures | 800,000 | - | 800,000 | 16,000 | 4% |
| General Requirements | - | - | | - | 0% |
| Contractors Overhead | - | - | - | - | 0% |
| Contractors Profit | - | - | - | - | 0% |
| Contractor's Bond | - | - | - | - | 0% |
| General Liability Insurance | - | - | - | - | 0% |
| Environmental Mitigation Expense | - | - | - | - | 0% |
| Other | - | - | - | - | 0% |
| Other | - | - | - | - | 0% |
| **Total Rehabilitation** | **800,000** | **-** | **800,000** | **16,000** | **4%** |
| ***RELOCATION EXPENSES*** | | | | | |
| Relocation Expense | 550,000 | - | 550,000 | 11,000 | 3% |
| Relocation Compliance Monitoring | - | - | - | - | 0% |
| **Total Relocation** | **550,000** | **-** | **550,000** | **11,000** | **3%** |

(Continued on Next 2 Pages)

| USES OF FUNDS (Cont'd): | Construction ($) | Permanent ($) | Total Development Costs: Total Uses of Funds ($) | Cost per Unit | % |
|---|---|---|---|---|---|
| ***NEW CONSTRUCTION*** | | | | | |
| Site Work | 1,336,064 | - | 1,336,064 | 26,721 | 6% |
| Structures (Hard Costs) | 6,666,729 | - | 6,666,729 | 133,335 | 32% |
| General Requirements | 471,536 | - | 471,536 | 9,431 | 2% |
| Contractors Overhead | 141,200 | - | 141,200 | 2,824 | 1% |
| Contractors Profit | 369,709 | - | 369,709 | 7,394 | 2% |
| Contractor's Perf. & Pymt Bond | 60,000 | - | 60,000 | 1,200 | 0% |
| Other | | | | - | 0% |
| Other | - | - | - | - | 0% |
| Other | - | - | - | - | 0% |
| **Total New Construction** | **9,045,238** | **-** | **9,045,238** | **180,905** | **43%** |
| ***ARCHITECTURAL & ENGINEERING*** | | | | | |
| Architectural Design | 413,456 | - | 413,456 | 8,269 | 2% |
| Architect's Supv during Construction | 63,000 | - | 63,000 | 1,260 | 0% |
| **Total Architectural** | **476,456** | **-** | **476,456** | **9,529** | **2%** |
| Engineering Expense | 373,544 | - | 373,544 | 7,471 | 2% |
| Engineers Supv. during Construction | - | - | - | - | 0% |
| ALTA Survey | 20,000 | - | 20,000 | 400 | 0% |
| **Total Engineering & Survey** | **393,544** | **-** | **393,544** | **7,871** | **2%** |
| ***CONSTRUCTION LOAN COSTS*** | | | | | |
| Construction Loan Interest | 906,870 | | 906,870 | 18,137 | 4% |
| CalHFA Construction Loan Fee | 91,238 | | 91,238 | 1,825 | 0% |
| Other Construction Loan Fees | - | | - | - | 0% |
| CalHFA Outside Legal Counsel Fees | 10,000 | | 10,000 | 200 | 0% |
| Other Lender Req'd Legal Fees | - | | - | - | 0% |
| Title and Recording fees | 8,000 | | 8,000 | 160 | 0% |
| CalHFA Req'd Inspection Fees | 27,000 | | 27,000 | 540 | 0% |
| Other Req'd Inspection Fees | - | | - | - | 0% |
| Prevailing Wage Monitoring Expense | - | | - | - | 0% |
| Taxes & Insurance during construction | 142,460 | | 142,460 | 2,849 | 1% |
| Predevelopment Interest | 40,000 | | 40,000 | 800 | 0% |
| Cost for Completion Guarantee | - | | - | - | 0% |
| Acquisition Period Interest | 362,750 | | 362,750 | 7,255 | 2% |
| **Total Construction Loan Expense** | **1,588,317** | **-** | **1,588,317** | **31,766** | **8%** |
| ***PERMANENT LOAN COSTS*** | | | | | |
| CalHFA Perm Loan Fees | 8,000 | - | 8,000 | 160 | 0% |
| CalHFA Bridge Loan Fees | - | - | - | - | 0% |
| CalHFA Loan Application Fee | 500 | - | 500 | 10 | 0% |
| Other Lender Perm. Loan Fees | - | - | - | - | 0% |
| Title and Recording | 5,000 | - | 5,000 | 100 | 0% |
| Perm. Bridge Loan Interest Expense | | 269,630 | 269,630 | 5,393 | 1% |
| Bond Origination Guarantee Fee | - | - | - | - | 0% |
| Tax Exempt Bond Allocation Fee | 600 | - | 600 | 12 | 0% |
| Other | - | - | - | - | 0% |
| **Total Permanent Loan Expense** | **14,100** | **269,630** | **283,730** | **5,675** | **1%** |
| ***LEGAL FEES*** | | | | | |
| Borrower Legal Fee | 80,000 | - | 80,000 | 1,600 | 0% |
| Syndication | 20,000 | - | 20,000 | 400 | 0% |
| **Total Attorney Expense** | **100,000** | **-** | **100,000** | **2,000** | **0%** |

| USES OF FUNDS (Cont'd): | Construction ($) | Permanent ($) | Total Development Costs | | |
|---|---|---|---|---|---|
| | | | Total Uses of Funds ($) | Cost per Unit | % |
| ***CONTRACT / REPORT COSTS*** | | | | | |
| Appraisal | 8,000 | - | 8,000 | 160 | 0% |
| Market Study | 7,500 | - | 7,500 | 150 | 0% |
| Archeologist | 45,000 | - | 45,000 | 900 | 0% |
| HUD Risk Share Environ. Review | - | - | - | - | 0% |
| CalHFA EQ Waiver Seismic Review Fee | 12,000 | - | 12,000 | 240 | 0% |
| Environmental Phase I / II Reports | 7,500 | - | 7,500 | 150 | 0% |
| Soils / Geotech Reports | 28,000 | - | 28,000 | 560 | 0% |
| Native American Monitor | 35,000 | - | 35,000 | 700 | 0% |
| Noise/Acoustical/Traffic Study Report | - | - | - | - | 0% |
| Asbestos/Lead | 7,500 | - | 7,500 | 150 | 0% |
| Traffic Consultant | 18,000 | - | 18,000 | 360 | 0% |
| **Total Contract Costs** | **168,500** | **-** | **168,500** | **3,370** | **1%** |
| ***CONTINGENCY*** | | | | | |
| Hard Cost Contingency | 904,524 | - | 904,524 | 18,090 | 4% |
| Soft Cost Contingency | 152,833 | - | 152,833 | 3,057 | 1% |
| **Total Contingency** | **1,057,357** | **-** | **1,057,357** | **21,147** | **5%** |
| ***RESERVES*** | | | | | |
| CalHFA Operating Expense Reserve | - | 46,083 | 46,083 | 922 | 0% |
| Construction Defects Reserve | - | - | - | - | 0% |
| Rent-Up Reserve | - | - | - | - | 0% |
| Capitalized Investor Req'd Reserve | - | 54,678 | 54,678 | 1,094 | 0% |
| TOR | - | 75,000 | 75,000 | 1,500 | 0% |
| **Total Reserves** | **-** | **175,761** | **175,761** | **3,515** | **1%** |
| ***OTHER*** | | | | | |
| CTCAC App/Alloc/Monitor Fees | 20,006 | 8,000 | 28,006 | 560 | 0% |
| Local Permit Fees | 46,070 | - | 46,070 | 921 | 0% |
| Local Development Impact Fees | 373,750 | - | 373,750 | 7,475 | 2% |
| Other Local Fees | - | - | - | - | 0% |
| Advertising & Marketing Expenses | 50,000 | - | 50,000 | 1,000 | 0% |
| 1st Year Taxes & Insurance | | | | - | 0% |
| Furnishings | 70,000 | - | 70,000 | 1,400 | 0% |
| Final Cost Audit Expense | - | 12,000 | 12,000 | 240 | 0% |
| Miscellaneous Admin Fees | - | - | - | - | 0% |
| Construction Testing | 25,000 | - | 25,000 | 500 | 0% |
| Other | - | - | - | - | 0% |
| Other | - | - | - | - | 0% |
| **Total Other Expenses** | **584,826** | **20,000** | **604,826** | **12,097** | **3%** |
| **SUBTOTAL PROJECT COSTS** | **19,363,545** | **12,630,391** | **19,828,937** | **396,579** | **94%** |
| ***DEVELOPER COSTS*** | | | | | |
| Developer Overhead/Profit (5% Acq.) | - | - | - | - | 0% |
| Developer Overhead/Profit (NC/Rehab) | 363,006 | 836,994 | 1,200,000 | 24,000 | 6% |
| Consultant / Processing Agent | - | - | - | - | 0% |
| Project Administration | - | - | - | - | 0% |
| Broker Fees to a related party | - | - | - | - | 0% |
| Construction Mgmt. Oversight | - | - | - | - | 0% |
| Syndication Consultant | 45,000 | - | 45,000 | 900 | 0% |
| **Total Developer Fee / Costs** | **408,006** | **836,994** | **1,245,000** | **24,900** | **6%** |
| **Total Costs** | **19,771,551** | **13,467,385** | **21,073,937** | **421,479** | **100%** |

| Annual Operating Budget | | | Fireside Apartments |
|---|---|---|---|
| Final Commitment | | | |

| INCOME: | $ Amount | Per Unit | % of Total |
|---|---|---|---|
| Total Rental Income | $471,696 | $9,434 | 97.61% |
| Laundry | $6,006 | $120 | 1.24% |
| Other Income | $5,520 | $110 | 1.14% |
| **Gross Potential Income (GPI)** | **$483,222** | **$9,664** | 100.00% |
| **Less:** | | | |
| Vacancy Loss | $22,392 | $448 | 4.86% |
| **Effective Gross Income** | **$460,830** | **$9,217** | |

| EXPENSES: | Total Cost | Per Unit | % of Total |
|---|---|---|---|
| Payroll | $142,500 | $2,850 | 44.85% |
| Administrative | $19,900 | $398 | 6.26% |
| Management fee | $30,000 | $600 | 9.44% |
| Utilities | $37,000 | $740 | 11.65% |
| Operating and Maintenance | $26,500 | $530 | 8.34% |
| Insurance and Business Taxes | $30,000 | $600 | 9.44% |
| Locality Compliance Monitoring Fee | $0 | $0 | 0.00% |
| Other | $0 | $0 | 0.00% |
| **Subtotal Expenses** | **$285,900** | $5,718 | 89.99% |
| Replacement Reserves | $16,800 | $336 | 5.29% |
| Taxes & Assessments | $15,000 | $300 | 4.72% |
| **Total Expenses** | $317,700 | $6,354 | 100.00% |
| **Financial Expenses** | | | |
| CalHFA First Mortgage | $76,822 | $1,536 | |
| CalHFA Second Mortgage | $20,717 | $414 | |
| Other Required Debt Service | $23,805 | $476 | |
| **NET OPERATING INCOME** | **$21,785** | **$436** | |

Cash Flow | Final Commitment | CalHFA Project Number: 05-016 | Fireside Apartments

| RENTAL INCOME | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Affordable Rents** | 466,176 | 475,500 | 485,010 | 494,710 | 504,604 | 514,696 | 524,990 | 535,490 | 546,199 | 557,123 |
| *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** | 5,520 | 5,630 | 5,743 | 5,858 | 5,975 | 6,095 | 6,216 | 6,341 | 6,468 | 6,597 |
| *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** | 471,696 | 481,130 | 490,753 | 500,568 | 510,579 | 520,790 | 531,206 | 541,830 | 552,667 | 563,720 |
| **OTHER INCOME** | | | | | | | | | | |
| **Laundry** | 6,000 | 6,120 | 6,242 | 6,367 | 6,495 | 6,624 | 6,757 | 6,892 | 7,030 | 7,171 |
| **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** | 6,000 | 6,120 | 6,242 | 6,367 | 6,495 | 6,624 | 6,757 | 6,892 | 7,030 | 7,171 |
| **GROSS POTENTIAL INCOME** | 477,696 | 487,250 | 496,995 | 506,935 | 517,074 | 527,415 | 537,963 | 548,723 | 559,697 | 570,891 |
| **VACANCY ASSUMPTIONS** | | | | | | | | | | |
| *Affordable (Blended Average)* | 4.70% | 4.70% | 4.70% | 4.70% | 4.70% | 4.70% | 4.70% | 4.70% | 4.70% | 4.70% |
| *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** | 22,392 | 22,840 | 23,297 | 23,763 | 24,238 | 24,723 | 25,217 | 25,721 | 26,236 | 26,761 |
| **EFFECTIVE GROSS INCOME** | 455,304 | 464,410 | 473,698 | 483,172 | 492,836 | 502,692 | 512,746 | 523,001 | 533,461 | 544,130 |
| **OPERATING EXPENSES** | | | | | | | | | | |
| **Expenses** | 285,900 | 294,477 | 303,311 | 312,411 | 321,783 | 331,436 | 341,380 | 351,621 | 362,170 | 373,035 |
| *Annual Expense Increase* | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| **Taxes and Assessments** | 15,000 | 15,300 | 15,606 | 15,918 | 16,236 | 16,561 | 16,892 | 17,230 | 17,575 | 17,926 |
| *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** | 16,800 | 16,800 | 16,800 | 16,800 | 16,800 | 16,800 | 17,640 | 17,640 | 17,640 | 17,640 |
| *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** | 317,700 | 326,577 | 335,717 | 345,129 | 354,819 | 364,798 | 375,912 | 386,491 | 397,384 | 408,601 |
| **NET OPERATING INCOME** | 137,604 | 137,833 | 137,981 | 138,043 | 138,016 | 137,895 | 136,834 | 136,510 | 136,077 | 135,529 |
| **DEBT SERVICE** | | | | | | | | | | |
| CalHFA - 1st Mortgage | 76,822 | 76,822 | 76,822 | 76,822 | 76,822 | 76,822 | 76,822 | 76,822 | 76,822 | 76,822 |
| CalHFA - Bridge Loan | 1,573,210 | 1,573,210 | 1,573,210 | 0 | 0 | | | | | |
| CalHFA - 2nd Mortgage | 20,717 | 20,717 | 20,717 | 20,717 | 20,717 | 20,717 | 20,717 | 20,717 | 20,717 | 20,717 |
| HCD MHP | 20,505 | 20,505 | 20,505 | 20,505 | 20,505 | 20,505 | 20,505 | 20,505 | 20,505 | 20,505 |
| HELP Loan/County of Marin | 3,300 | 3,300 | 3,300 | 3,300 | 3,300 | 3,300 | 3,300 | 3,300 | 3,300 | 3,300 |
| Sum of all req'd debt service | 121,345 | 121,345 | 121,345 | 121,345 | 121,345 | 121,345 | 121,345 | 121,345 | 121,345 | 121,345 |
| Cash flow after CalHFA debt service | 40,064 | 40,293 | 40,441 | 40,504 | 40,477 | 40,355 | 39,295 | 38,970 | 38,537 | 37,990 |
| **CASH FLOW after all debt service** | 16,259 | 16,488 | 16,636 | 16,699 | 16,672 | 16,550 | 15,490 | 15,165 | 14,732 | 14,185 |
| **DCR for just CalHFA loans** | 1.41 | 1.41 | 1.41 | 1.42 | 1.41 | 1.41 | 1.40 | 1.40 | 1.40 | 1.39 |
| **DEBT COVERAGE RATIO** | 1.13 | 1.14 | 1.14 | 1.14 | 1.14 | 1.14 | 1.13 | 1.12 | 1.12 | 1.12 |

Cash Flow | CalHFA Project Number: 05-016 | Fireside Apartments

| RENTAL INCOME | Year 11 | Year 12 | Year 13 | Year 14 | Year 15 | Year 16 | Year 17 | Year 18 | Year 19 | Year 20 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Affordable Rents** | 568,266 | 579,631 | 591,224 | 603,048 | 615,109 | 627,412 | 639,960 | 652,759 | 665,814 | 679,130 |
| *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 |
| *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** | 568,266 | 579,631 | 591,224 | 603,048 | 615,109 | 627,412 | 639,960 | 652,759 | 665,814 | 679,130 |
| **OTHER INCOME** | | | | | | | | | | |
| **Laundry** | 7,314 | 7,460 | 7,609 | 7,762 | 7,917 | 8,075 | 8,237 | 8,401 | 8,569 | 8,741 |
| **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** | 7,314 | 7,460 | 7,609 | 7,762 | 7,917 | 8,075 | 8,237 | 8,401 | 8,569 | 8,741 |
| **GROSS POTENTIAL INCOME** | 575,580 | 587,092 | 598,833 | 610,810 | 623,026 | 635,487 | 648,196 | 661,160 | 674,384 | 687,871 |
| **VACANCY ASSUMPTIONS** | | | | | | | | | | |
| *Affordable (Blended Average)* | 4.70% | 4.70% | 4.70% | 4.70% | 4.70% | 4.70% | 4.70% | 4.70% | 4.70% | 4.70% |
| *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** | 27,094 | 27,636 | 28,188 | 28,752 | 29,327 | 29,914 | 30,512 | 31,122 | 31,745 | 32,380 |
| **EFFECTIVE GROSS INCOME** | 548,486 | 559,456 | 570,645 | 582,058 | 593,699 | 605,573 | 617,684 | 630,038 | 642,639 | 655,492 |
| **OPERATING EXPENSES** | | | | | | | | | | |
| **Expenses** | 384,226 | 395,752 | 407,625 | 419,854 | 432,449 | 445,423 | 458,786 | 472,549 | 486,726 | 501,327 |
| *Annual Expense Increase* | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| **Taxes and Assessments** | 18,285 | 18,651 | 19,024 | 19,404 | 19,792 | 20,188 | 20,592 | 21,004 | 21,424 | 21,852 |
| *Annual Tax Increase* | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| **Replacement Reserve** | 17,640 | 18,522 | 18,522 | 18,522 | 18,522 | 18,522 | 19,448 | 19,448 | 19,448 | 19,448 |
| *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** | 420,151 | 432,925 | 445,171 | 457,780 | 470,764 | 484,133 | 498,825 | 513,001 | 527,597 | 542,628 |
| **NET OPERATING INCOME** | 128,335 | 126,531 | 125,474 | 124,278 | 122,935 | 121,440 | 118,859 | 117,037 | 115,041 | 112,864 |
| **DEBT SERVICE** | | | | | | | | | | |
| CalHFA - 1st Mortgage | 76,822 | 76,822 | 76,822 | 76,822 | 76,822 | 76,822 | 76,822 | 76,822 | 76,822 | 76,822 |
| CalHFA - Bridge Loan | | | | | | | | | | |
| CalHFA - 2nd Mortgage | 20,717 | 20,717 | 20,717 | 20,717 | 20,717 | 0 | 0 | 0 | 0 | 0 |
| HCD MHP | 20,505 | 20,505 | 20,505 | 20,505 | 20,505 | 20,505 | 20,505 | 20,505 | 20,505 | 20,505 |
| HELP Loan/County of Marin | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sum of all req'd debt service | 118,045 | 118,045 | 118,045 | 118,045 | 118,045 | 97,327 | 97,327 | 97,327 | 97,327 | 97,327 |
| Cash flow after CalHFA debt service | 30,796 | 28,991 | 27,935 | 26,738 | 25,396 | 44,618 | 42,037 | 40,215 | 38,219 | 36,042 |
| **CASH FLOW after all debt service** | 10,291 | 8,486 | 7,430 | 6,233 | 4,891 | 24,113 | 21,532 | 19,710 | 17,714 | 15,537 |
| **DCR for just CalHFA loans** | 1.32 | 1.30 | 1.29 | 1.27 | 1.26 | 1.58 | 1.55 | 1.52 | 1.50 | 1.47 |
| **DEBT COVERAGE RATIO** | 1.09 | 1.07 | 1.06 | 1.05 | 1.04 | 1.25 | 1.22 | 1.20 | 1.18 | 1.16 |

Cash Flow — CalHFA Project Number: 05-016

| RENTAL INCOME | Year 21 | Year 22 | Year 23 | Year 24 | Year 25 |
|---|---|---|---|---|---|
| **Affordable Rents** | **692,713** | **706,567** | **720,699** | **735,113** | **749,815** |
| *Affordable Rent Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| **Rental Subsidies** | **0** | **0** | **0** | **0** | **0** |
| *Rental Subsidy Increases* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| **Unrestricted Units** | **0** | **0** | **0** | **0** | **0** |
| *Unrestricted Unit Increases* | *0%* | *0%* | *0%* | *0%* | *0%* |
| **TOTAL RENTAL INCOME** | **692,713** | **706,567** | **720,699** | **735,113** | **749,815** |
| **OTHER INCOME** | | | | | |
| **Laundry** | **8,916** | **9,094** | **9,276** | **9,461** | **9,651** |
| **Other Income** | **0** | **0** | **0** | **0** | **0** |
| *Other Income Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| **TOTAL OTHER INCOME** | **8,916** | **9,094** | **9,276** | **9,461** | **9,651** |
| **GROSS POTENTIAL INCOME** | **701,629** | **715,661** | **729,974** | **744,574** | **759,465** |
| **VACANCY ASSUMPTIONS** | | | | | |
| *Affordable (Blended Average)* | *4.70%* | *4.70%* | *4.70%* | *4.70%* | *4.70%* |
| *Rental Subsidy Income* | *3.00%* | *3.00%* | *3.00%* | *3.00%* | *3.00%* |
| *Unrestricted Units* | *0%* | *0%* | *0%* | *0%* | *0%* |
| *Laundry & Other Income* | *5.00%* | *5.00%* | *5.00%* | *5.00%* | *5.00%* |
| **LESS: VACANCY LOSS** | **33,027** | **33,688** | **34,362** | **35,049** | **35,750** |
| **EFFECTIVE GROSS INCOME** | **668,601** | **681,973** | **695,613** | **709,525** | **723,716** |
| **OPERATING EXPENSES** | | | | | |
| **Expenses** | 516,367 | 531,858 | 547,814 | 564,248 | 581,176 |
| *Annual Expense Increase* | *3.00%* | *3.00%* | *3.00%* | *3.00%* | *3.00%* |
| **Taxes and Assessments** | 22,289 | 22,735 | 23,190 | 23,653 | 24,127 |
| *Annual Tax Increase* | *2.00%* | *2.00%* | *2.00%* | *2.00%* | *2.00%* |
| **Replacement Reserve** | 19,448 | 20,421 | 20,421 | 20,421 | 20,421 |
| *Percentage Increase Yearly* | *5.00%* | *0.00%* | *0.00%* | *0.00%* | *0.00%* |
| **TOTAL EXPENSES** | **558,105** | **575,014** | **591,424** | **608,322** | **625,723** |
| **NET OPERATING INCOME** | **110,497** | **106,960** | **104,189** | **101,203** | **97,993** |
| **DEBT SERVICE** | | | | | |
| CalHFA - 1st Mortgage | 76,822 | 76,822 | 76,822 | 76,822 | 76,822 |
| CalHFA - Bridge Loan | | | | | |
| CalHFA - 2nd Mortgage | 0 | 0 | 0 | 0 | 0 |
| HCD MHP | 20,505 | 20,505 | 20,505 | 20,505 | 20,505 |
| HELP Loan/County of Marin | 0 | 0 | 0 | 0 | 0 |
| Sum of all req'd debt service | 97,327 | 97,327 | 97,327 | 97,327 | 97,327 |
| Cash flow after CalHFA debt service | **33,675** | **30,138** | **27,367** | **24,381** | **21,171** |
| **CASH FLOW after all debt service** | **13,170** | **9,633** | **6,862** | **3,876** | **666** |
| **DCR for just CalHFA loans** | **1.44** | **1.39** | **1.36** | **1.32** | **1.28** |
| **DEBT COVERAGE RATIO** | **1.14** | **1.10** | **1.07** | **1.04** | **1.01** |

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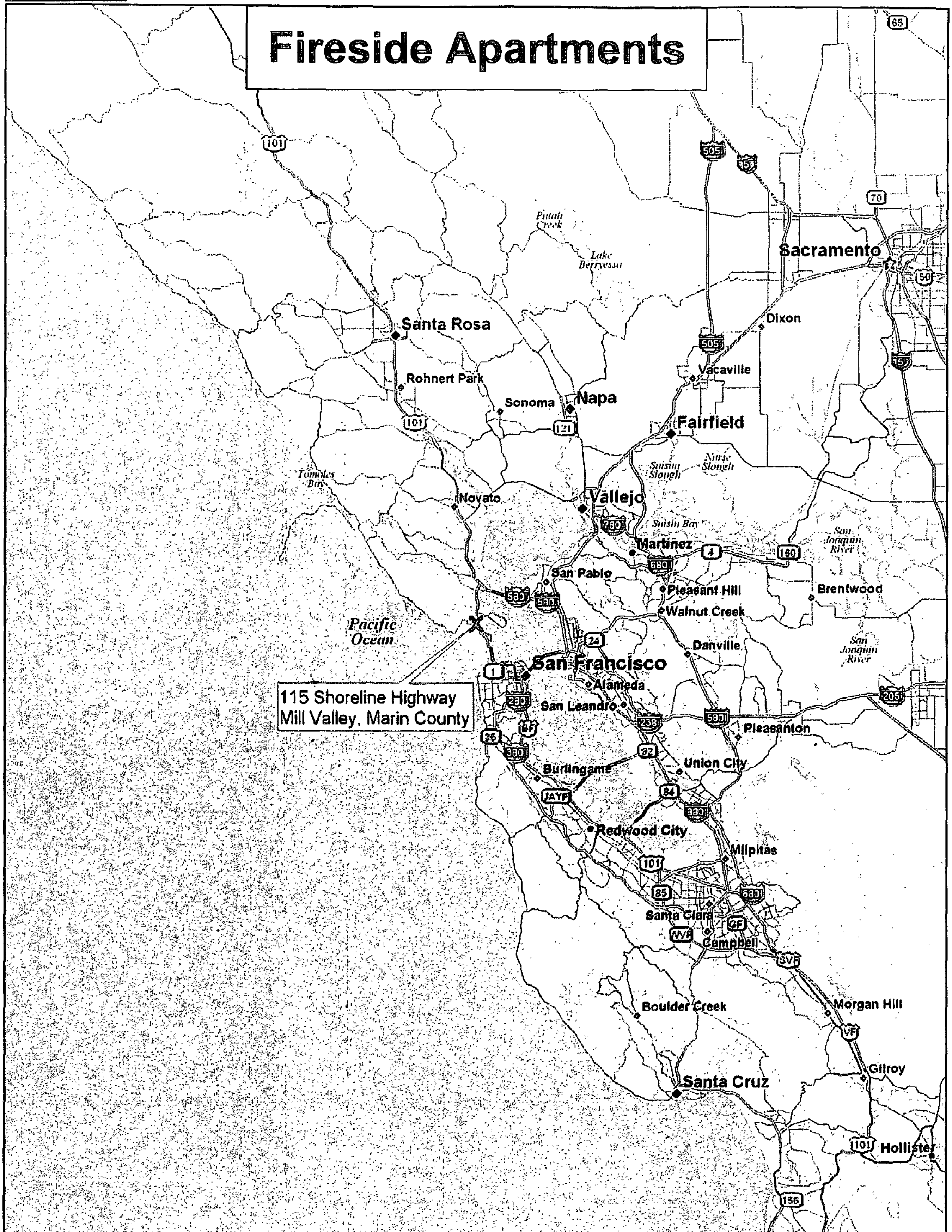




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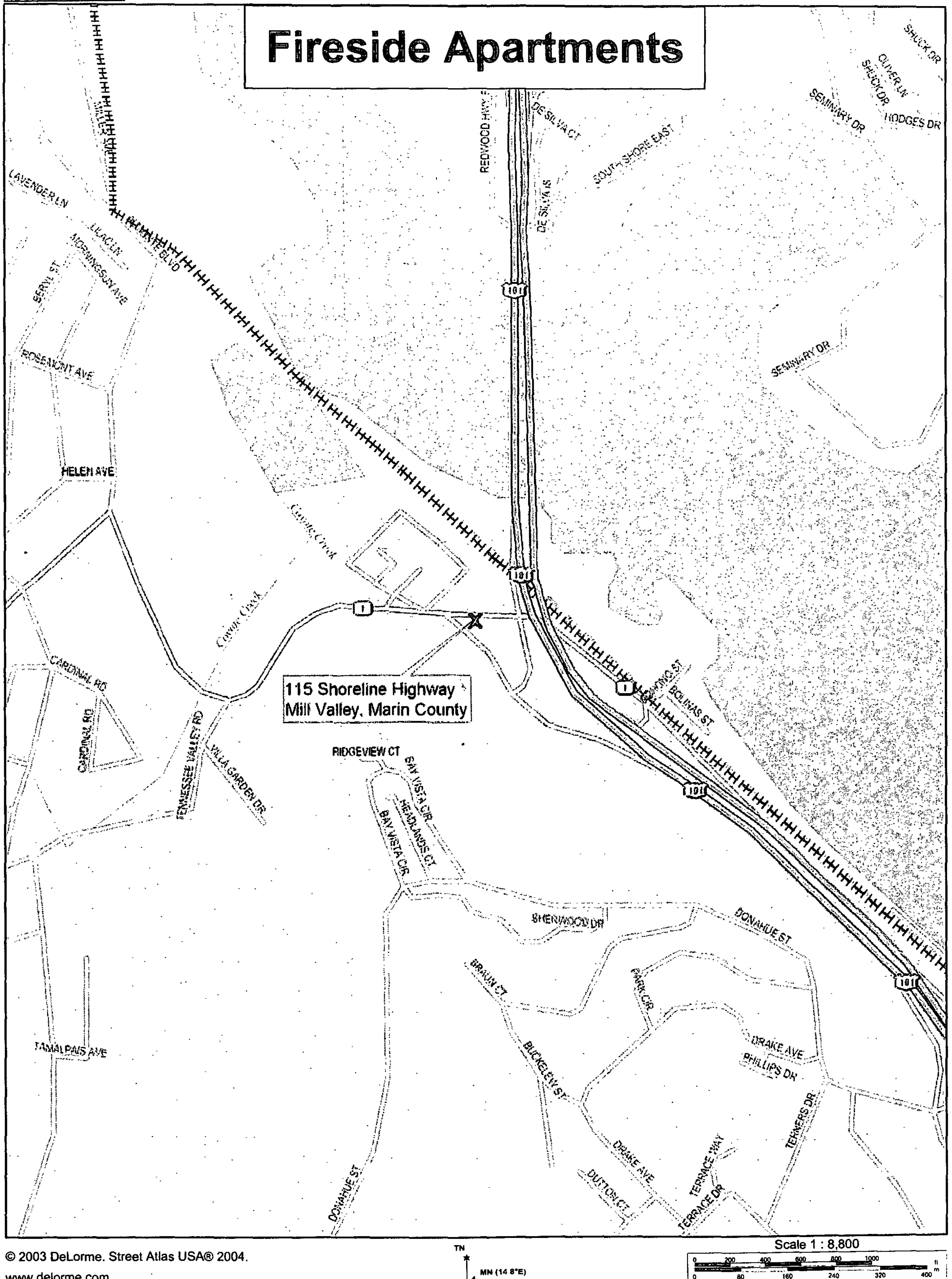
Street Atlas USA® 2004

# Fireside Apartments



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RESOLUTION 05-38

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Fireside Affordable Housing Associates, 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 Marin County, California, to be known as Fireside 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 October 11, 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, subject to his/her 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 | NUMBER OF UNITS | MORTGAGE AMOUNT |
|---|---|---|---|
| 05-016-C/N | FIRESIDE APARTMENTS | 50 | $12,165,000 Construction Loan |
| | | | $ 1,350,000 Permanent 1st Loan |
| | | | $ 250,000 Permanent 2nd Loan |
| | | | $ 4,450,000 Bridge Loan |

Resolution 05-38
Page 2

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 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 05-38 adopted at a duly constituted meeting of the Board of the Agency held on November 9, 2005, at Millbrae, California.

ATTEST: ____________________
Secretary

RESOLUTION 05-38

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Fireside Affordable Housing Associates, 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 Marin County, California, to be known as Fireside 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 October 11, 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, subject to his/her 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 | NUMBER OF UNITS | MORTGAGE AMOUNT |
|---|---|---|---|
| 05-016-C/N | FIRESIDE APARTMENTS | 50 | $12,165,000 Construction Loan |
| | | | $ 1,350,000 Permanent 1st Loan |
| | | | $ 250,000 Permanent 2nd Loan |

Resolution 05-38
Page 2

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 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 05-38 adopted at a duly constituted meeting of the Board of the Agency held on November 9, 2005, at Millbrae, California.

ATTEST:____________________
Secretary

**State of California**

# MEMORANDUM

**To:** Board of Directors

**Date:** October 24, 2005

Dennis Meidinger, Comptroller

**From:** CALIFORNIA HOUSING FINANCE AGENCY

**Subject** California Housing Finance Fund Financial Statements - June 30, 2005

Attached are summary copies of the Housing Finance Fund financial statements for the period ending June 30, 2005. During the fiscal year end, net income of $ 21.3 million was generated as compared to $ 54.9 million for one year earlier. The decrease in Operating income is reflective of a reduction in homeownership interest income due to a continued decrease in the weighted average interest rate on loans and the decrease in homeownership loans receivable. The following table provides quarterly and fiscal year-to-date comparative totals of revenues, expenses and net income.

| | Quarter Ending 6/30/05 | Quarter Ending 6/30/04 | % Change | FY Ending 6/30/05 | FY Ending 6/30/04 | % Change |
|---|---|---|---|---|---|---|
| Total Revenues | $ 115.7 M | $ 126.5 M | -8.54% | $ 510.1 M | $ 549.5 M | -7.17% |
| Total Expenses | $ 122.8 M | $ 116.4 M | 5.50% | $ 488.8 M | $ 494.5 M | -1.15% |
| Net Income | $ -7.1 | $ 10.1 M | -170.30% | $ 21.3 M | $ 55 M | -61.27% |

Program loans receivable (net of allowance for loan losses) totaled $ 5.6 billion on June 30th an increase of approximately $ 94 million from June 30, 2004. Homeownership receivables, however decreased by $73 million. The Agency's outstanding bonded indebtedness totaled $7.5 billion on june 30th, a decrease of approximately $372 million from June 30, 2004.

Attachments

| | Fiscal Yr Ending 6/30/05 | Fiscal Yr Ending 6/30/04 | Change (in millions) |
|---|---|---|---|
| **OPERATING REVENUE** | | | |
| Interest Income: | | | |
| Program Loans | 300.3 | 346.2 | -45.9 |
| Investments | 119.4 | 116.8 | 2.6 |
| FV Investments | 0.8 | -8.0 | 8.8 |
| Commitment Fees | 2.4 | 5.4 | -3.0 |
| Other Loan Fees (Admin) | 8.0 | 11.2 | -3.2 |
| Other Rev (HUD/ES/Acq Dev) | 79.2 | 77.9 | 1.3 |
| **Total Revenue** | 510.1 | 549.5 | -39.4 |
| **OPERATING EXPENSES** | | | |
| Interest/SWAP | 326.3 | 336.0 | -9.7 |
| Mortgage Servicers | 14.1 | 15.4 | -1.3 |
| Provision for Loan Loss | 6.8 | 2.4 | 4.4 |
| Salaries/General Expenses | 29.2 | 25.9 | 3.3 |
| Other Exp (HUD/UW/COI) | 112.4 | 114.8 | -2.4 |
| **Total Expenses** | 488.8 | 494.5 | -5.7 |
| **NET INCOME** | 21.3 | 55.0 | -33.7 |

Deloitte.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
California Housing Finance Agency
Sacramento, California

We have audited the accompanying combined balance sheets of the California Housing Finance Fund ("Fund"), which is administered by the California Housing Finance Agency ("Agency"), a component unit of the State of California, as of June 30, 2005 and 2004, and the related combined statements of revenues, expenses and changes in fund equity, and cash flows for the years then ended. These combined financial statements are the responsibility of the management of the Agency. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such combined financial statements present fairly, in all material respects, the financial position of the Fund, as of June 30, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of management of the Agency. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However we did not audit the information and we do not express an opinion on it.

Our audits were performed for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The supplemental combining program information as of and for the year ended June 30, 2005, on pages 40 through 57 are presented for the purpose of additional analysis and are not a required part of the basic 2005 combined financial statements of the Fund. The supplemental combining program information is the responsibility of the management of the Agency. Such information has been subjected to the auditing procedures applied in our audit of the basic 2005 combined financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic 2005 combined financial statements taken as a whole.

Deloitte + Touche LLP

September 27, 2005

**CALIFORNIA HOUSING FINANCE FUND**
**COMBINED BALANCE SHEETS**
**June 30, 2005 and June 30, 2004**
(Dollars in Thousands)

| | 2005 Combined Totals | 2004 Combined Totals |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 70,842 | $ 89,736 |
| Investments | 3,583,448 | 3,909,294 |
| Current portion - program loans receivable, net of allowance | 257,085 | 158,950 |
| Interest receivable: | | |
| Program loans, net | 24,118 | 25,792 |
| Investments | 33,324 | 45,157 |
| Accounts receivable | 28,266 | 31,988 |
| Other assets | 727 | 1,114 |
| Total current assets | 3,997,810 | 4,262,031 |
| Noncurrent assets: | | |
| Investments | 51,707 | 67,128 |
| Program loans receivable, net of allowance | 5,296,855 | 5,300,918 |
| Deferred financing costs | 31,474 | 35,151 |
| Other assets | 16,334 | 16,199 |
| Total noncurrent assets | 5,396,370 | 5,419,396 |
| Total assets | $ 9,394,180 | $ 9,681,427 |
| LIABILITIES AND FUND EQUITY | | |
| Current liabilities: | | |
| Current portion - bonds payable, net | $ 1,096,458 | $ 700,927 |
| Interest payable | 114,835 | 117,791 |
| Due to other government entities, net | 302,561 | 301,784 |
| Compensated absences | 2,119 | 1,659 |
| Deposits and other liabilities | 196,841 | 191,628 |
| Total current liabilities | 1,712,814 | 1,313,789 |
| Noncurrent liabilities: | | |
| Bonds and debenture notes payable, net | 6,404,308 | 7,172,080 |
| Due to other government entities, net | 40,832 | 27,155 |
| Deferred revenue | 46,826 | 49,103 |
| Total noncurrent liabilities | 6,491,966 | 7,248,338 |
| Total liabilities | 8,204,780 | 8,562,127 |
| Commitments and contingencies (see notes 11 and 13) | | |
| Fund equity: | | |
| Invested in capital assets | 906 | 752 |
| Restricted by indenture | 721,750 | 708,234 |
| Restricted by statute | 466,744 | 410,314 |
| Total fund equity | 1,189,400 | 1,119,300 |
| Total liabilities and fund equity | $ 9,394,180 | $ 9,681,427 |

**CALIFORNIA HOUSING FINANCE FUND**
**COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY**
**June 30, 2005 and June 30, 2004**
(Dollars in Thousands)

| | 2005 Combined Totals | 2004 Combined Totals |
|---|---|---|
| OPERATING REVENUES | | |
| Interest income: | | |
| Program loans, net | $ 300,330 | $ 346,229 |
| Investments, net | 119,381 | 116,837 |
| Increase (decrease) in fair value of investments | 788 | (8,089) |
| Loan commitment fees | 2,368 | 5,378 |
| Other loan fees | 7,994 | 11,183 |
| Other revenues | 79,263 | 77,942 |
| Total operating revenues | 510,124 | 549,480 |
| OPERATING EXPENSES | | |
| Interest | 326,345 | 336,052 |
| Amortization of bond discount and deferred losses on refundings of debt | 1,391 | 1,876 |
| Mortgage servicing expenses | 14,084 | 15,405 |
| Provision for program loan losses | 6,833 | 2,431 |
| Operating expenses | 29,199 | 25,870 |
| Other expenses | 111,007 | 112,933 |
| Total operating expenses | 488,859 | 494,567 |
| Operating income before transfers | 21,265 | 54,913 |
| Transfers, interfund | 48,835 | 39,685 |
| Increase in fund equity | 70,100 | 94,598 |
| Fund equity at beginning of year | 1,119,300 | 1,024,702 |
| Fund equity at end of year | $ 1,189,400 | $ 1,119,300 |

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