CalHFA BOARD OF DIRECTORS

Thursday, January 12, 2006

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

9:30 a.m.

1. Roll Call.

2. Approval of the minutes of the November 9, 2005 Board of Directors meeting.

3. Chairman/Executive Director comments.

4. Discussion, recommendation and possible action relative to final loan commitment for the following project: (Beverly Fretz-Brown)

NUMBER	DEVELOPMENT	LOCALITY	UNITS
05-027-A/S	Palm Springs Senior Apartments	Palm Springs/ Riverside	116

5. Discussion, recommendation and possible action relative to an additional final loan commitment and a modification to the original commitment for the following project: (Beverly Fretz-Brown)

NUMBER	DEVELOPMENT	LOCALITY	UNITS
TBD	Bay Area Housing Plan	Bay Area Counties	71

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

7. Discussion, recommendation and possible action relative to the adoption of a resolution authorizing the Agency's multifamily bond indentures, the issuance of multifamily bonds, short- and long-term credit facilities for multifamily purposes, and related financial agreements and contracts of services. (Bruce Gilbertson)

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

9. Discussion, recommendation and possible action relative to the adoption of a resolution authorizing the issuance of the Agency's bonds, short- and long-term credit facilities, and related financial agreements and contracts of services for the purpose of financing loans in connection with the Bay Area Housing Plan. (Bruce Gilbertson)

10. Discussion, recommendation and possible action relative to the adoption of a resolution authorizing applications to the California Debt Limit Allocation Committee for private activity bond allocations for the Agency's homeownership and multifamily programs. (Bruce Gilbertson)

11. Discussion of the 2005/06 to 2009/10 Business Plan Update:

    a) Business Plan Update Presentation. (Bruce Gilbertson; Stan Sowers; Greg Carter; Beverly Fretz-Brown; Jackie Riley)

    b) Board Member Comments

12. Discussion, recommendation and possible action relative to the formation of a CalHFA Board Audit Committee. (Tom Hughes)

14. Discussion of other Board matters.

15. 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; and 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 March 22, 2005, at the Clarion Hotel Sacramento, Sacramento, California.

Bd.1-12-06
#123990

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

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BOARD OF DIRECTORS

PUBLIC MEETING

ORIGINAL

-oOo-

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

Wednesday, November 9, 2005
9:32 a.m. to 11:04 a.m.

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

Attest: 01/12/06

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

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STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

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BOARD OF DIRECTORS

PUBLIC MEETING

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

Wednesday, November 9, 2005
9:32 a.m. to 11:04 a.m.

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

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A P P E A R A N C E S

Board of Directors Present

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

EDWARD HEIDIG
for Sunne Wright McPeak
Secretary
Business, Transportation and Housing Agency

PETER N. CAREY
President/CEO
Self-Help Enterprises

JUDY NEVIS
Acting Director
Department of Housing and Community Development

THERESA A. PARKER
Executive Director
California Housing Finance Agency

JACK SHINE
Chairman
American Beauty Development Co.

E. DENNIS TRINIDAD
for Sean Walsh
Director
Office of Planning and Research

LAURIE WEIR
for Phillip Angelides
State Treasurer

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A P P E A R A N C E S

Continued

CalHFA Staff Present:

THOMAS C. HUGHES
General Counsel

JOJO OJIMA

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For the Staff of the Agency:

EDWIN C. GIPSON II
Chief
MultiFamily Programs

RICHARD LaVERGNE
Chief Deputy Director

DENNIS MEIDINGER
Comptroller

KATHY WEREMIUK
Multifamily Loan Officer

Also Present

JAMES BUCKLEY
Citizens Housing Corporation

CAROL GOODMAN
Loan Officer
River City Bank

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BE IT REMEMBERED that on Wednesday, November 9, 2005, commencing at the hour of 9:32 a.m., at The Westin San Francisco Airport, 1 Old Bayshore Highway, Millbrae, California, before me, DANIEL P. FELDHAUS, CSR #6949, RDR and CRR, the following proceedings were held:

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CHAIRPERSON COURSON: I would like to call our Board meeting to order.

And before we do call the roll, I would like to welcome Dennis Trinidad, who joins us from OPR today.

Thank you very much, Dennis, for coming.

MR. TRINIDAD: Thank you.

CHAIRPERSON COURSON: Judy has been with us before, and is with us again and her --

MS. PARKER: In her capacity as the director of the --

CHAIRPERSON COURSON: Thank you.

Just as a ventriloquist: She says it, she mouths it and I say it.

And her capacity is, just as I was going to say, the acting director of ACD.

So, Judy, thank you.

MS. NEVIS: Thank you.

CHAIRPERSON COURSON: And from BT&H, representing the Secretary, we have Ed Heidig. And I know Ed has been here before also previously.

So should I just call the roll?

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Item 1: Roll Call

CHAIRPERSON COURSON: We'll call the roll then.

MS. OJIMA: Thank you.

Ms. Weir for Mr. Angelides?

MS. WEIR: Here.

MS. OJIMA: Mr. Carey?

MR. CAREY: Here.

MS. OJIMA: Mr. Czuker?

(No audible response.)

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Here.

MS. OJIMA: Ms. Galante?

(No audible response.)

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

MR. HEIDIG: Here.

MS. OJIMA: Mr. Morris?

(No audible response.)

MS. OJIMA: Mr. Shine?

MR. SHINE: Here.

MS. OJIMA: Mr. Trinidad for Mr. Walsh?

MR. TRINIDAD: Here.

MS. OJIMA: Mr. Genest?

(No audible response.)

MS. OJIMA: Ms. Parker?

MS. PARKER: Here.

MS. OJIMA: Mr. Courson?

CHAIRPERSON COURSON: Here.

MS. OJIMA: We have a quorum.

CHAIRPERSON COURSON: Thank you.

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Item 2. Approval of the minutes of September 8, 2005, Board of Directors Meeting

CHAIRPERSON COURSON: If we could then -- the minutes are in your binders, and a motion to approve the minutes of the September 8th board meeting would be in order.

MR. SHINE: So moved.

CHAIRPERSON COURSON: Moved by Mr. Shine.

MR. CAREY: Second.

CHAIRPERSON COURSON: And seconded by Mr. Carey.

MS. OJIMA: Ms. Weir?

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey?

MR. CAREY: Yes.

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Yes.

MS. OJIMA: Mr. Heidig?

MR. HEIDIG: Yes.

MS. OJIMA: Mr. Shine?

MR. SHINE: Here.

CHAIRPERSON COURSON: "Yes."

MS. OJIMA: Yes?

CHAIRPERSON COURSON: "Yes"? Not "here," "yes."

MR. SHINE: Yes.

MS. OJIMA: Thank you, Mr. Shine.

Mr. Courson?

CHAIRPERSON COURSON: Yes.

MS. OJIMA: The minutes have been approved.

CHAIRPERSON COURSON: Thank you.

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Item 3: Chairman/Executive Director Comments

CHAIRPERSON COURSON: Let me make a couple of comments.

First of all, on a personal note, we are certainly not going to rush the meeting. We are going to get all of our business done in due order. At the same time, I have to leave about 11:20, to attend a personal -- a funeral in Oregon. So I'll be leaving so I can catch a plane.

But if we're not finished with our business, we'll carry on. I believe the votes that we need for our quorum will be conducted and concluded by that time, and

Terri will take over and chair the balance of the meeting.

Having said that, at your places, you'll see some additional material. I know we got e-mails yesterday. There are two additional pages to add to one of our projects, and then there are some colored photos of the Chavez project that's in our book. So you have those.

In addition to that, I think JoJo handed out a white envelope, and those contain the annual reports. We're going to talk a little bit later on today about our financials and our fiscal year-end financials; but you will see the year-end report that is included in that white folder.

Let me make just a couple of other comments real briefly. One is that at the last meeting, I noted that we would be moving towards, and we had a little discussion -- and I think concurrence -- that we would be putting forth for the Board's consideration the formation of a board of directors audit committee, which we have not had, but I think certainly is an important function that this Board should have such an entity.

And frankly, part of it is my fault. I promised counsel and our executive director that I'd get them some of my thoughts on that. I did, but I'm tardy, based on some other commitments I've had. So we have not had a chance yet to really sit down and sort of vet through my rough outline and Terri's and Tom's. So we will do that; and that will be on the agenda in January. We'll get that task finished and put together, a proposal for the Board's consideration and discussion of formation of that audit committee and some of its duties and responsibilities.

Having said that, the other thing I'd say is I had the opportunity to attend the Governor's Housing Summit in Kentucky, and speak -- do the keynote speech at lunch at that summit.

They had 550 people in Kentucky attending the Governor's summit, all the way from consumer advocates, they had -- they had housing advocates, they had nonprofits, they had home builders there, the realtors were there, the mortgage lenders were there, many of the government agency leadership were there, and 550 of them for a conference one day was very impressive, and they did a very, very good job.

And they were interested in many of the things we're doing. It's amazing when you see some of the things we're doing, both single-family and our multifamily, and then look at what they do. And so we were -- I was able to impart to them some of the things that we are doing, that they really have -- I think they would be quick to adopt -- some of our progress out here. It was an interesting experience.

The other thing I'd just like to -- and I know that he has got a couple of months left -- but this will be, I think, Dick LaVergne's last Board meeting. So I'm just going to take the chance as a board -- I know the staff and so on will do a lot of other things, but to thank Dick for his years and support and his friendship.

Dick and I have not known each other very long, but one of the real nice guys that I've dealt with.

And, Dick, thank you very much for that.

MR. LaVERGNE: Thank you.

CHAIRPERSON COURSON: I'll now turn it over to our executive director, Terri Parker.

MS. PARKER: Thank you, Mr. Chairman.

I'm going to be equally brief. But I think what I'll do, is use your comment about Dick to segue, as the Agency is now in its thirty-first year, some of the people who have been with the Agency, almost the entire life of it -- like Dick, over 20 years -- are moving on in their life. And so we always have change. So I am in the process of recruiting a chief deputy.

I have the name of an individual that I will be talking to the Governor's office with. It will be a gubernatorial appointment. So it's not a name that I can share until the Governor's office has concurred with it. That's their rules.

As you know, I sent you all a letter about Linn Warren resigning as director of Multifamily. And two things about that. I can't remember if I said in your letter. Linn, because of his civil service status, has requested to be reinstated. He has reinstatement rights -- mandatory reinstatement rights. He will be working in the Multifamily area. We're in the process of outlining and discussing what those duties will be. And in addition then, I'll be recruiting for a director of Multifamily.

The director of Multifamily's position is a Board appointment. So as I go through that process, the candidate or candidates will be brought before the Board for their consideration and appointment, as was done with Linn.

We continue to have a staff that is wearing multiple hats. Certainly Dick is doing that, being chief deputy and, you know, helping out in providing management and oversight for the Multifamily. But he is also doing it in the Homeownership area because Ken Williams, as you know, retired. Jerry Smart, several weeks ago, had four bypass surgery. So he is out recuperating, getting stronger every day.

Stan Sowers who is here -- wave, Stan -- is running the Homeownership, under the leadership and oversight of Mr. LaVergne.

So Mr. LaVergne has many hats these days, as he has had in the past. But I think it's fair to say that, you know, the Agency is continuing to serve its customers, keep our business lines going, and we have lots and lots and lots of work to do.

On another front, the major initiative that I talked with you about several times is the Homeless Initiative, the Governor's Homeless Initiative that was in his budget that was enacted this year, that we are in partners with HCD and the Department of Mental Health. Our folks have been working with Mental Health and HCD on the NOFA which is just about finalized, and should be going out before the end of the year.

Dick Schermerhorn has been hired by the Governor's office of OPR, where the responsibility for coordination for homeless rests in the Schwarzenegger Administration.

You all remember Dick LaVergne as our prior director -- excuse me, Dick Schermerhorn as our prior director of programs. So he's serving as the coordinator to the director of OPR on the Homeless Initiative. So we're working with him on the NOFA and the overall homeless plan.

In addition, we are playing a role in discussions on the possible use of Prop. 63 funds in a broader arena out in the future, of whether or not the flow of funds could be coming in on an annual basis, and part of it could be dedicated to housing for chronic homelessness. And so the Agency is continuing to work on a number of existing initiatives and creating new initiatives. And you'll certainly hear the progress that we have accomplished recently when we do the report on the Bay Area Housing Plan.

So with that, Mr. Chairman, that would conclude my remarks.

CHAIRPERSON COURSON: I do want to add two things: One, in front of each of the Board members is the schedule of the meetings next year. We have graciously acceded to the wishes of those who reside in the southern part of our great state to have three meetings down there. I trust the attendance from the south will be a little more robust if we have those meetings down there than it seems to be when we meet in San Francisco or Sacramento.

And the second is that the proverbial "*If you parked your car, you get a discount by attending this* *meeting.*" I have those slips up here that you can get on your way out.

Having attended to that, let's move to our projects.

Let me say one other thing. After we've finished the two projects, then we're also going to do an update and a status report on our Bay Area Housing project.

And we have Garrett Bell with us from Bank of America -- Gabe, is it? -- is with us. So they are here representing Bank of America also. And we're going to do an update on that after we go through our two projects for the day.

So with that, let's move to the Cesar Chavez.

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Item 4. Discussion, recommendation and possible action relative to final loan commitments for three projects.

Resolution 05-37 (Cesar Chavez)

MR. GIPSON: Good morning. This is a final commitment request for a 7 million dollar construction loan for 18 months, a permanent first mortgage in the amount of $765,000 for 25 years at 3 percent, and a bridge loan of 3 and a half million for three years at 3 percent.

Cesar Chavez Plaza is a 53-unit family project located on a 2.15 acre site in the City of Davis. Nineteen of the units will be special-needs with units targeted to families in which at least one adult member has a physical disability, illness, and/or a substance-abuse problem.

The borrower is NP Cesar Associates, an L.P., a California Limited Partnership, whose managing general partner is the Yolo County Housing Authority. The developer general partner is Neighborhood Partners, LLC, and the general partner and service provider is Davis Community Meals.

The project has received additional financing from HCD MHP, supportive service-based financing from HCD, and an AHP grant sponsored by River City Bank. Carol Goodman is the loan officer, and she'll walk us through the details of the project.

MS. GOODMAN: Good morning.

The aerial view that you see on the screen shows you that Cesar Chavez Plaza is an infill project on Davis. It's on Olive Drive, and it's immediately north of Interstate 80. If you were going west on 80 from Sacramento and you took the Richards Boulevard exit, it's right behind that exit. So it's right up against the freeway.

There are no environmental issues for this site, but it is very close to the freeway.

A little practice with the mouse.

This is a larger view of the site. And you can see that it's between a self-storage building on what we're looking at is on our right, and a new student apartment building called Lexington Apartments, which is on the left.

The developer for Lexington Apartments originally owned the whole site, including the Cesar Chavez site. But they donated it to the city to meet the requirement of the city's inclusionary ordinance. And then the city gave the land to Neighborhood Partners as the developer to construct the project. And once the project is constructed, it will transfer to the limited partnership.

A unique aspect of this project -- and you can see it on the screen -- is that the site is very narrow. So there is room on the site for parking, which will go along the left side of the site. But there's a driveway there on Lexington Apartments property, and that is going to be going to end up being a shared driveway. There will have to be reciprocal easements that will be recorded. And the owner of the apartment building is now drafting that agreement. So we will require, at the

Agency, that the easements be acceptable to us, and that they're recorded before the loan closes.

Cesar Chavez Plaza will consist, as Ed mentioned, of 53 units. The neighborhood includes single and multifamily residences, as well as some commercial sites.

And as you can look at the site plan, the project includes five two-story buildings: three near the front of the project and two at the back. And among the five, there will be 52 one-bedroom apartments and one two-bedroom manager's unit.

And then in the center, that's sort of circled, is a separate one-story community building that will have office space and a laundry room, as well as a clubhouse, with a computer room and meeting rooms. Then in the front of it, towards the bottom, is community space, outdoor, a picnic area, some play structures. And then toward the back right-hand side, a community garden.

As I mentioned, there are 52 one-bedrooms. They're all basically the same. So what I'm showing here is a unit plan for one of the five buildings that illustrates the typical unit layout.

This is an elevation that shows the building from Olive Drive. The building exterior is going to be two-tone stucco. I know at the bottom it looks like brick, but it's actually another color. And the buildings will also have a passive solar orientation, so that the units will be cooler in the summer and warmer in the winter.

This is the rent chart. And it shows the ranges of rents as a percentage of area median income. The rents are going to range between 22 and 61 percent of market. And the estimated lease-up is three months.

Now, the main thing that's of interest about this project is that, as Ed mentioned, it's a special-needs project. It's a permanent supportive housing project; and the target population is people with physical or mental disabilities or substance-abuse problems, and who are homeless or at risk of homelessness. And 35 percent of the units, or 19, will be committed to this population.

There are no other comparable projects in Davis, and none are planned. But the need in Davis is great, and it will be the only project in the area that offers supportive services to the homeless.

Bill Pride, who is the executive director of Davis Community Meals which, as Ed mentioned, is one of the general partners, took me to the area where many of the homeless live this Davis. And if you were to go down in Olive Drive in your previous aerial, the other side of

Richards Boulevard, Putah Creek is along that side of Olive. And they live down in that area, behind Olive Drive.

Bill Pride told me he expects to refer 40 people, himself, to the project. These are people that he has met or run into through the course of the other service activity in which he is engaged in Davis.

Davis Community Meals will staff the project. They'll have a full-time case manager. And that case manager will do a number of things. In our view and in HCD's view, the most critical function is the outreach and tenant engagement because the offices are voluntary in a project like this. They really need to be, not only because that's the best way to get people into housing, but also because then when you engage them, they are voluntarily participating and the outcomes are better.

The case manager will help the tenants, who are special-needs clients, figure out what their service needs are, determine what the outcomes are that they hope to achieve, develop a service plan, and then obtain those services. They will also refer people to community-based services, such as substance-abuse counseling and treatment, mental health treatment, and employment services.

The Davis Community Meals which, as we said, will be a general partner, has been in Davis for 15 years. Meals used to be their primary work, but now it's the smallest part of what they do. They operate shelters, they operate transitional housing projects and also scattered site transitional housing programs; and they've worked extensively with clients with mental illness and substance abuse. They're very excited about this. This is their first opportunity to be a part of a permanent housing project.

Are there any questions?

MR. GIPSON: Well, with that, we request approval of Chavez Plaza.

CHAIRPERSON COURSON: Yes, Mr. Shine?

MR. SHINE: With respect to the access, which I take it, is only through this shared driveway off of Olive --

MS. GOODMAN: Yes.

MR. SHINE: -- on whose -- this parking -- am I correct in assuming that there's parking on both sides of that?

MS. GOODMAN: There are. But the parking for this site --

MR. SHINE: I understand that.

MS. GOODMAN: We can go back to that --

MR. SHINE: The parking off of the easement is on both sides for automobiles? There is on one side --

MS. GOODMAN: They're on both sides; right. But our parking, if you look along to the north side in that picture, is the parking for this site, and also in the back.

The parking on the other side is for Lexington, but the driveway is on the Lexington property. It will be shared.

MR. SHINE: That was going to be my question.

MS. GOODMAN: Yes.

MR. SHINE: So they're going to own it and pay taxes on it?

MS. GOODMAN: That is my understanding, yes.

MR. SHINE: Thank you.

CHAIRPERSON COURSON: Other questions on the project?

(No audible response.)

CHAIRPERSON COURSON: Is there a motion to approve?

MS. NEVIS: I would move to approve the project.

CHAIRPERSON COURSON: Okay, Ms. Nevis moves. Is there a second?

MR. CAREY: Second.

CHAIRPERSON COURSON: Okay, Mr. Carey seconds. Any discussion?

(No audible response was heard.)

CHAIRPERSON COURSON: Any comments or discussion from the public?

(No audible response was heard.)

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

MS. OJIMA: Ms. Weir?

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey?

MR. CAREY: Yes.

MS. OJIMA: Ms. Nevis?

MR. NEVIS: Yes.

MS. OJIMA: Mr. Heidig?

MR. HEIDIG: Yes.

MS. OJIMA: Mr. Shine?

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson?

MR. COURSON: Yes.

MS. OJIMA: Resolution 05-37 has been approved.

CHAIRPERSON COURSON: Okay, thank you.

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Item 4. Resolution 05-38 (Fireside Apartments)

CHAIRPERSON COURSON: Our second project is the Fireside Apartments in Marin County.

MR. GIPSON: Correct.

You've received a few updated pages for Fireside this morning, which you discussed earlier.

This is a final commitment request for a $12,165,000 construction loan for 21 months, a permanent first mortgage in the amount of $1,350,000 for 25 years at 3 percent, and a second mortgage of $250,000 for 15 years at 3 percent. There's also a bridge loan in the amount of 4,450,0000, for three years, at 3 percent.

Fireside is a 50-unit new construction and rehabilitation project with 32 units set aside for seniors and a manager's unit.

Eighteen of the units will be designated for households in which an adult member has a disability and is at risk of homelessness, and there may be other mental illnesses used or HIV possible as well.

The borrower is Fireside Affordable Housing Associates, a California Limited Partnership, whose general partner is Fireside Housing, LLC, whose sole member is Stevenson Housing Corporation, a California nonprofit, wholly controlled by Citizens Housing Corporation.

The project has received additional financing from HCD MHP funds, Marin County Trust Fund, Marin County Homes CDBG and fee waivers, Marin Community Foundation, McKinney Supportive Housing Funds, and AHP funds.

Kathy Weremiuk is the project officer, and she'll take us through the project.

MS. WEREMIUK: Right. As I'm talking about the aerial, I thought I would talk about the changed pages and the changes in the staff report.

At the time the staff report was written, the HCD commitment had not been issued. As of Friday, they have issued an initial commitment for $4,882,000 of MHP funds.

The basis of the commitment was negotiations that occurred between HCD senior staff and the County of Marin and the borrower to accommodate concerns that HCD had.

The County agreed to remove 1.8 million in costs from the project that they would absorb themselves through their trust fund, including all of the relocation costs, all of the fees, and all of the acquisition costs, including interest-carry, engineering costs, and some of the consulting costs that were specific to County requirements.

With that removal, the change that you will see is that the County of Marin loan that we're projecting is 1,122,000, instead of 2 million. They've absorbed 800 of that.

The home loan will be a 1,225,000 instead of

1,775,000. They've absorbed all of the relocation costs.

Relocation has already occurred. There are a few appeals on the relocation amounts, but the County has settled with all of the residents who were in the former motel.

And the other change is that the fee waiver is not showing as a cost. The county has just absorbed that. They're not showing it as a contribution to the project.

And some of the grant costs are going to cover some of the infrastructure costs, so that we're showing 395 in grants, instead of 595 in grants.

The impact of that, is to bring the cost of the project down to 3 million -- or, I'm sorry, $381,000 per unit. It's a little different than costs in the HCD commitment, but it has to do with our bridge loan interest, and the fact that we, at this point in the project, require higher interest reserves than would have been shown in the original HCD commitment.

But the project is in compliance with HCD, and all of the funding in the project is currently committed.

The other change -- and we weren't sure at the time that we wrote the Board packet -- as to whether or not the County would absorb the costs by taking a leasehold interest. The County determined that they did not want to do that, that they would rather just pay the costs and not record deeds of trust for those amounts against the property, because many of the costs have already been incurred, and they already have deeds of trust; and they would have to incur about a hundred thousand in additional legal costs. They didn't feel they needed a ground lease and they didn't want to go through additional legal work. So those are changes that you will see in the funds.

I've put the changes in italics, and tried to do a bold and italics for you in terms of the items that have changed. Nothing else in the project has changed.

The project itself is in Marin County. It's in the unincorporated area of Marin.

It is fairly close to Marin -- this is Marin City. This is Richardson Bay. This is the Golden Gate National Recreation Area that starts here, and goes all the way to the Pacific Ocean. This is Highway 101. This is Route 1, or Shoreline Highway. And this is the project site. The project site goes up -- it's got about a three-quarter of an acre buildable pad, and then goes up into a hillside.

And when I drew this, I hadn't seen the exact plot plan; but it actually goes up to a residential community at the top of the bluff.

This is a closer view of the site. And you will see -- this is the bluff. There is a Park-and-Ride right here *(pointing)*. There is a proposal -- and it's been approved by Caltrans, the encroachment permit hasn't been finalized -- but to build a pedestrian crosswalk across the on/off-ramp to Highway 101. Residents would then be able to walk across here *(pointing)*, go through the Park-and-Ride. And right about here, there's a signalized crosswalk that would let them get closer to the bay.

Children who are bicycling can also take their bikes up through the Golden Gate Regional Park Area and cross over here *(pointing)*, take the bike path down, and then there is a Shoreline bike path. And as I mentioned, it extends all the way across.

This is Tan Junction. Mill Valley is just a little bit further to the north. All of the grocery stores, pharmacies, schools that will serve the project are located in Tan Junction.

This is just a plot plan of the site, showing the contours of the hills. Somewhere in here *(pointing)* there's an old quarry area.

The site has on it an historic inn. It's not a national registered building, but it's been a sited building. It was in the 1850s, it was an inn and I guess sort of a Pony Express.

The inn itself will be altered somewhat. This section *(pointing)*, which is new, will be removed; and the facade will be brought back to its original condition. It's one of the conditions for its approval.

The top floor of the inn will be used as the manager's unit, and the bottom floor, 2,700 square feet, will be community area and an area for supportive services for the residents.

There is a fireplace. It's a beautiful open area, and it will probably be the nicest community space that we've seen built out of a project that we've worked with.

This is just another view of the site and the Fireside *(pointing)*. This addition, which is a non-historic addition, will also be removed.

The housing will be sited along this end of the site *(pointing)*. Just another view again.

This is a rendering of the site developed. These will be senior units *(pointing)*. They will be on a podium. There will be surface parking in front. The inn itself will be there. And then behind the inn will be the 18 two-family dwelling units, half of which will be townhomes and half of which will be flats.

This is a plot plan -- or a plan of the site.

This shows the 32 senior units *(pointing)*. They will be on top of a podium. The family units will be here. There will be some encroachment into the hillside.

The site has historic resources on it. It was an Indian burial ground at one point in time. And the location and siting of the buildings, they're being sited on top of what was a previous motel that had been on the site -- in part, because it was determined that by building exactly on that footprint, they wouldn't disturb any resources.

Many years ago, when one of the additions, (they're now taking off the inn) was put on, they did discover Indian artifacts and a burial ground. And, therefore, this area of the site will be non-disturbed.

This circle right here *(pointing)* and this circle right here *(pointing)* are probably the most vulnerable, in terms of artifacts; and, therefore, there will be a non-disturbance of that area.

There is an easement that was purchased with property. The easement is across the adjacent -- the land of the adjacent motel, Fountain Motel; and it will be a non-exclusive easement that will allow for a driveway up into the parking or into the podium structure.

In front of the property and buffering it from

Route 1 is a parcel of Caltrans land. There's currently an access road. That access road will be blocked off. It will no longer be an access road, into the on- and off-ramp. Although Caltrans will still own and control this portion of the property, but it will be landscaped and it will be an amenity for the project itself.

In terms of the costs of the project, which I mentioned before, this is one of the last buildable sites in Marin. It was zoned to a density of 12.7 units per acre, which required the full 4.3-acre parcel.

Competition for purchase of the site would have been another motel, some kind of retail, or condominiums. Land costs were high, and they were costs the site had to absorb.

On the hillside behind the site, there is instability. There is some possibility of debris coming down the hillside. Therefore, there will be a wall built around the edges of the property, and then further up on the hillside there will be a catchment area for debris, as well as a debris fence.

The project is a supportive housing project. The supportive service provider is Upward Bound. They are the largest provider of homeless family services in Marin County. They will be providing a case manager and mental health counseling and services on-site.

The expected disability is mental illness, although it can also be HIV, AIDS, substance-abuse, co-occurring disorders, or also chronic medical conditions which we might see with the senior population.

They have an absolutely excellent track record of providing services, both on a site-specific basis and also scattered sites. And they are contributing staff to the project.

There will be some money, about $30,000 in the operating budget, that will also be set aside for supportive housing staff.

Our loan is at 3 percent because of the supportive service component. But the income profile of the project will be even lower. There are 15 -- the 15 percent AMI units, eight of the studios which will be reserved for seniors -- indeed, restricted for seniors -- will be at 15 percent AMI. The remainder of the studios will be somewhat below market.

The one-bedroom units will not have a deeply targeted set-aside; but there are ten of them, and the borrower has gotten ten Section 8 units. So those ten units will be reserved for very, very low-income families. Market rents are substantially higher.

And then nine of the one-bedroom -- ten of the one-bedroom units -- our two-bedroom units, which are reserved for families, will be targeted at 15 percent AMI. And then there will be an additional seven units that will be at 60 percent AMI.

The Marin market has been a market that has fallen somewhat since it peaked in 2001. It has restabilized at these rental rates. It lost about 25 percent. It went down about 25 percent from 2001 to 2004; with the exception of the studios, which actually held level, all the way -- they peaked -- they didn't go up, but they didn't go down in rents.

And I think that's the project. If there are any questions -- oh, on the resolution, I think the resolution needs to be modified. It didn't mention the bridge loan.

MR. HUGHES: Right. Mr. Chairman, I was going to mention that the final version of the resolution will reflect the financing shown on the project summary. The bridge loan is currently not on it.

CHAIRPERSON COURSON: Okay, we'll note that when we get ready to take some action.

I have a couple of questions.

You were talking about the Marin and some of the changes. In the report, it talks about their 1,645,000 acquisition loan. Now, is that still in place?

MS. WEREMIUK: The acquisition loan will still be in place. It will be coming out of CDBG and out of the Housing Trust fund. They'll allocate it as --

CHAIRPERSON COURSON: And is that subordinated to our construction loan?

MS. WEREMIUK: All of the other loans, yes. All of the other loans will be subordinated to our deed of trust.

CHAIRPERSON COURSON: And then you talk about -- there's some conversation about the different project costs. You talked about the entitlement constraints and cultural -- and so on.

You talk about soil and hillside conditions --

MS. WEREMIUK: Yes.

CHAIRPERSON COURSON: -- which obviously is fairly dramatic on this site, I might add.

MS. WEREMIUK: Yes.

CHAIRPERSON COURSON: It says, "These costs have not been quantified to date."

Does that mean they are not included in the per-unit cost?

MS. WEREMIUK: No, they are included in the per-unit cost. They weren't broken out as separate line items that I could pull out and tell you exactly what those costs are.

In terms of where this project is, it is past working drawings, and has been submitted for plan check. And all of the estimates come off of complete drawings. There may be some modifications as it goes through plan check, but we're pretty comfortable on the costs of the project.

The only thing that hasn't been resolved yet is the encroachment permit with Caltrans. They've agreed they would do it, but the actual expedition of getting that permit, that can take some months. And that will actually -- our borrower's success in getting the permit will set the construction start date.

CHAIRPERSON COURSON: And then my last question at this point is, I notice that you -- there's a comment which we see on many projects that the developers have requested an earthquake waiver.

MS. WEREMIUK: Right.

CHAIRPERSON COURSON: Going back to the site that we've just discussed, what criteria would cause us to grant such a waiver on a site like this?

MS. WEREMIUK: We would grant -- we would have the drawings and the plans, the structural plans for the site reviewed by URS, who is our consultant. They would determine whether they were adequate for the specific conditions of the site itself.

If they weren't, they would request

modifications, and we would require that those modifications be made before we went forward and closed the construction loan.

CHAIRPERSON COURSON: Other questions?

Mr. Shine?

MR. SHINE: Going back to your comment, am I correct in assuming that the soils and geotechnical assessments have all been made based upon which the foundation recommendations --

MS. WEREMIUK: That's correct.

MR. SHINE: -- have been drawn?

MS. WEREMIUK: That's correct.

And URS to date -- I don't have the final report back, but they've been very comfortable. I've gotten feedback that they're very comfortable with the engineers and the work that's been done. But we have -- I'm still waiting for a final.

MR. SHINE: Excuse me, I'm sorry, who is comfortable?

MS. WEREMIUK: Our seismic consultant, our engineering consultant. We contract with URS, which is an international firm that has tremendous expertise in --

MR. GIPSON: Seismic and engineering matters.

MS. WEREMIUK: -- seismic and engineering matters.

And we've gotten preliminary comments back from them that they are comfortable with the firm, they are comfortable with what they've seen to date; but I haven't gotten a final report.

MR. SHINE: Okay, that's great. And that has been coupled with a soils and geotechnical analysis of the cut and fill and stability and the slope you're going to end up with when the work is finished?

MR. GIPSON: It includes all that.

MS. WEREMIUK: It includes all that.

The only concern that they had in terms of slope stability at the end of the process from the geotech reports was the possibility for debris migration down the hillside because it's very steep. And that's the reason that there will be a catchment area, debris fences, and then also this --

MR. GIPSON: Wall.

MS. WEREMIUK: -- the wall.

MR. SHINE: Any planting of stuff on the slope itself?

MS. WEREMIUK: The slope is -- they're not going to be doing any planting on the slope. The slope is covered with vegetation.

MR. SHINE: Okay, with respect to the Indian burial, have you -- not you -- I mean, are we satisfied that the developers or builders have made their peace with the Indians, and that those lines -- that's a commitment? Because sometimes those things change as you go along and you find yourself reinterring and doing a lot of things. And I don't know, the minute I hear the word "burial ground," I get a little excited. So I hope we are paying a lot of attention to that one.

MS. WEREMIUK: There is at least one published four-inch book of reports on the Indian burial ground issue. And the plan was conservatively developed -- it was developed in a way that that they expect to not encounter any remains as they -- because they're not going to be excavating any area where remains could be found.

MS. PARKER: Kathy, is it done in a way --

MS. WEREMIUK: But there will be a consultant on site.

MS. PARKER: -- though, that, in the future, there is no room for it to be arbitrarily changed? Or is the plan very specific, so that in the future, there can't be any encroachment or changes as time goes on?

I think that's what you were looking for.

MR. SHINE: Yes. You've got to decide --

MS. WEREMIUK: If I might be able to -- Jim

Buckley, who is the executive director of Citizens Housing is here, and he is much more of an expert on the negotiations that have gone on than I am.

CHAIRPERSON COURSON: Yes, Mr. Buckley, if you would join us, that would be great.

MR. SHINE: Can I restate my question before you give me the answer?

Do you have a deal with the Indians signed off, where they have drawn a line in the sand, saying beyond this, they won't do investigations while you're under construction?

MR. BUCKLEY: Thank you. I'm Jim Buckley from Citizens Housing.

Your question is perfect. That is a big concern that we had from the beginning. We have been in contact with the Graton Rancheria of Pomo Indians. And we have worked out a plan for them to observe the site. If there is anything found, a protocol for how that's treated. Again, we went through the investigative process, so that where would there likely be any remains, and then how would they be treated if there was. So there has been contact with the peoples that the state has determined would be most likely related to any burials there. And we would be working with them, should anything be found.

MR. SHINE: So if you're trenching through your foundations and a dog turns up which means it's buried next to its master, then you have a protocol for removal, replacement, and continuation, and it's merely a matter of money, not capability to develop?

MR. BUCKLEY: That's correct.

MR. SHINE: Okay, thank you.

I have other questions. But on that issue, Mr. Chairman, I'm okay.

CHAIRPERSON COURSON: Are there other questions? And then we can come back to Mr. Shine.

Other questions?

MS. NEVIS: I just had a question and maybe some background.

Because this is a project that came to our loan and grant committee; and that committee, in a rather unusual action -- it happens from time to time -- recommended that the project not be approved because of the excessive costs. And so we will be working with the sponsor since that time to try to work out a way that we could be sensitive to that recommendation and still find a way for the project to go forward.

So our recent commitment to the project is a conditional one. It was issued on November 10th. And the condition is that the development cost per unit not exceed $359,000.

And when we discussed it a little bit -- a little while ago, I know that for CalHFA's purposes, the development cost is, I think, 381 per unit.

And I don't have a clear understanding of that difference. That would be sort of tough for me to -- I didn't quite get that difference. But if perhaps you could address that, that would be helpful.

MS. WEREMIUK: Yes, the difference -- projects generally come to your staff fairly early in their processing. And we will add some costs as we go along.

We increase the interest-carry on the project by three months -- maybe, actually, three to five months -- just to take care of the possibility that any Indian remains were found and the project was slowed down. That's a caution on our part, but we felt it was a positive caution. Those funds won't be expended if we don't have to, we don't have that interest-carry.

The other cost that's not shown on the proforma that HCD would have, is the cost for our bridge-loan interest. We're making a bridge loan to the project at a reduced rate that will allow the project to get in more tax credit equity and a higher pay-in rate. And, actually, the pay-in rate is the highest I've ever seen. It's about a dollar twenty-one --

MR. GIPSON: Per credit.

MS. WEREMIUK: -- per credit.

And that's really based on the fact that there is a bridge loan on the project. That really ups the equity. It's an equity boost.

CHAIRPERSON COURSON: I guess I'm still confused. HCD's approval is subject to a per-unit cap of three fifty-nine.

MS. NEVIS: That's correct.

CHAIRPERSON COURSON: And I'm looking at our modified of three eighty-one.

MS. WEREMIUK: Right. There's a difference in the way the HCD staff calculates that.

I have had conversations with Shelly Vincent on the differences as to how we calculated it. But it has to do with the way we calculate our interest-carry, and the fact that they don't show the bridge-loan interest as a cost, but I show it as a cost. It's actually a wash.

I could show it to the Board as just a net tax credit equity, and not show the fact that we have a cost for the interest. But, instead, in an effort for full disclosure of the Board, I show the fact that we are being paid interest on that, and I show the higher tax credit amount.

CHAIRPERSON COURSON: So the loan proposal we're looking at today would meet the HCD standard of $359,000 per unit?

MS. WEREMIUK: Yes, that's correct.

CHAIRPERSON COURSON: Yes, Mr. Buckley?

MR. BUCKLEY: As a significant user of state programs, this would be a good time to put in a plug for what's called the universal application.

And our staff right here has been working very hard with your staff, because this does drive us crazy and it drives you all crazy. And it's just as a matter of semantics, and the projects are the same projects, you're looking at them. And anything we can do to help you put all the tax credit, bond, and CH applications together in the same way, we'd be happy to do that for you.

MS. PARKER: I can answer that plug, because I think we have -- we're at a point where we always -- we're looking at it internally and then sending it back, and then there's going to be -- it will be sent to all of our joint customers. So I think it's like days that --

MS. NEVIS: We are very close, is what staff has told us.

MR. BUCKLEY: That's right. Thank you.

CHAIRPERSON COURSON: Mr. Shine, you had another question?

MR. SHINE: Well, I'd like to talk about the

Fireside Inn for just a second.

First, could you tell me, when it's all done and finished, what is the Fireside Inn going to be used for?

MS. WEREMIUK: It will be used for a community room and supportive services. So there will be service space, a community room, and community kitchen. And then on the top floor, there will be a manager's unit. So it will be an integral part of the project, and it will no longer have to function as an inn.

MR. SHINE: Can you tell me approximately how much this project is being -- what the cost to the project is, of whatever it is that's going to be done to the Fireside Inn, besides the 4 million dollar land price, which I'm sure it takes that into consideration somewhere.

MR. BUCKLEY: The net cost of turning the Fireside Inn building into the manager's unit and the community space is about $200,000.

MR. SHINE: That's all?

MR. BUCKLEY: Over what it would cost to do it as new construction, that's correct.

If you were to build the same space --

MR. SHINE: So on a cash basis, you're only out-of-pocket $200,000 for the rehab --

MR. BUCKLEY: That's correct.

MR. SHINE: -- on that structure?

MR. BUCKLEY: That's correct. The building is essentially gutted, and will just be incorporated into the new uses.

CHAIRPERSON COURSON: Other questions?

(No audible response.)

CHAIRPERSON COURSON: Counsel, will you help us with the change then to the resolution?

MR. HUGHES: I think, Mr. Chairman, that we could simply -- the Board could simply acknowledge that the final version of the resolution will add the $4,450,000 bridge loan to the mortgage amounts that are shown at the bottom of the page 1.

CHAIRPERSON COURSON: All right.

MS. PARKER: The term is to make sure, since it's noted, for the bridge loan is --

MS. WEREMIUK: For three years.

MS. PARKER: And interest is --

MR. GIPSON: 3 percent.

CHAIRPERSON COURSON: It's three years, 3 percent.

MS. PARKER: 3, 3 years.

CHAIRPERSON COURSON: Are there any other questions?

(No audible response.)

CHAIRPERSON COURSON: Is there a motion?
MR. SHINE: Move approval.
CHAIRPERSON COURSON: Mr. Shine moves.
MR. CAREY: And I'll second.
CHAIRPERSON COURSON: And Mr. Carey seconds.
Is there any additional discussion from the Board?
(No audible response was heard.)
CHAIRPERSON COURSON: Any discussion from the public?
(No audible response was heard.)
CHAIRPERSON COURSON: Seeing none, we'll call the roll.
MS. OJIMA: Ms. Weir?
MS. WEIR: Yes.
MS. OJIMA: Mr. Carey?
MR. CAREY: Yes.
MS. OJIMA: Ms. Nevis?
MS. NEVIS: Yes.
MS. OJIMA: Mr. Heidig?
MR. HEIDIG: Yes.
MS. OJIMA: Mr. Shine?
MR. SHINE: Yes.
MS. OJIMA: Mr. Courson?
CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 05-38 has been approved.

CHAIRPERSON COURSON: Thank you.

Thank you, Mr. Buckley.

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Bay Area Housing Plan Update

CHAIRPERSON COURSON: Now, I think we're going to move -- it's not noted on your agenda, but while we're in this section of our agenda -- and talk about an update of our Bay Area project. You'll recall at our last Board meeting we spent a substantial amount of time talking about the Agnews project in the Bay Area. And we had a multiphase proposal in front of us, and I think our action was we approved moving forward with the first phase, with periodic reviews as to that status of that in the future phases.

Obviously, a lot has happened between the last board meeting and this board meeting. So as I mentioned before, we do have the two representatives here, Garrett and Gabe from Bank of America and some of our folks.

So why don't -- Ed, are you going to handle that or who is --

MR. GIPSON: I will handle that.

CHAIRPERSON COURSON: Okay.

MR. GIPSON: And then we have all the members here, so we can answer any questions as well.

CHAIRPERSON COURSON: Okay.

MR. GIPSON: I'll just start.

At the September board meeting we received final commitment approval for $20 million and a preliminary approval for $80 million for permanent financing for the Bay Area Housing Plan.

As a reminder, the Bay Area Housing Plan is part of the closure plan for the Agnews Development Center. It is a hundred million-dollar project to acquire, rehabilitate, or construct approximately 72 individual homes to house approximately 264 individuals, currently with developmental disabilities, residing at the Agnews Development Center.

In September, we expected to come back to this November board and provide an update and possibly request additional approval for more financing under that hundred million dollar line -- or hundred million dollar financing.

Since September, the working group, which has been led by Kathy and Nancy Abreu has been a key part of that, with assistance from Tom Hughes, Bruce Gilbertson from Financing, and Dick LaVergne, have been working with our associates at B of A, including Gabriel and Liz, to work through the numerous issues tied to the project.

We have been working through the legal issues, documentations, opinions, lease guarantees, and the general structure of the project.

B of A is providing the acquisition and construction financing. They will be doing approximately a $60 million line of credit, and it will be a revolving line of credit, and is expected that B of A will also now warehouse the loans upon completion before transfer to CalHFA under that line of credit, so that we can group those loans together in blocks of hopefully around $20 million -- sometimes more, sometimes less, but probably no less than $10 million -- so we can effectuate the sale of bonds. We will be issuing fixed rate bonds for 15 years.

CHAIRPERSON COURSON: And our approval was for -- I think our first approval of the action we took was for that first 20 million.

MR. GIPSON: For that first 20 million, exactly.

In addition, since our last meeting, key pieces of legislation have been assigned. The new special license category has been approved for one of the housing models. It's been approved that the current workers in Agnews will be able to work in these new homes as well.

Currently the Bay Area Housing Plan is under review by the joint Legislative Budget Committee. It is expected, approximately by November 21st, no later than, that they will receive approval.

With that in mind, the developer is expecting to start this project at the beginning of December, with their first closing at the beginning of the year in January.

Based on that timeline, CalHFA, working with Bank of America and our legal counsels and everyone are working on draft legal documents. And we are trying to have those done by November 18th. We are trying to have the forms and agreement. We are expecting to enter into a buy/sell type of agreement with Bank of America in order to purchase the notes and the deeds. So we're attempting to do as much due diligence in the front end of our traditional due diligence, and then Bank of America will put on the notes and deeds, and then we will transfer those notes and deeds to us at closing, hopefully expediting the closing process and making it a little smoother.

Since we last met, we've also negotiated additional equity into the property as collateral. Approximately 5 percent of our loan amount, we will be holding as collateral until the loan-to-value reaches 100 percent.

The Department of Developmental Services and the regional centers were allocated approximately $11 million to move this project forward. And our intention is to hold 5 percent of those funds at this current point, the number would be $5 million, until such time that if we are exceeding 100 percent loan-to-value, we will be holding those funds until we reach 100 percent loan-to-value. As you recall, our true collateralization is the leasehold payments that are being paid to finance these projects.

CHAIRPERSON COURSON: And didn't we at the last meeting think that perhaps loan-to-value was somewhere in the area of about 120 percent, as I recall?

MR. GIPSON: 120 to 130. And that number includes our one-year debt-service reserve fund as well.

CHAIRPERSON COURSON: Right.

MR. GIPSON: So that pushed it up a little bit.

CHAIRPERSON COURSON: Right.

MR. GIPSON: And what we expect now is, as we move forward, we're looking toward the January meeting. Based on the progress that we see from the developer in December, we will size our next commitment request.

Currently, we're looking at approximately asking for an additional 60 million in permanent commitment moving forward.

And with that, we're prepared to answer any questions you'd like.

CHAIRPERSON COURSON: Okay, so the point here, this is -- as we ask for it at every board meeting and a status, there's no request for additional funds. We'll have that, correct --

MR. GIPSON: Correct.

CHAIRPERSON COURSON: -- that request perhaps in January.

Are there questions on the status? We obviously have the two officers from Bank of America with us also, and I know this was a project we've spent a lot of time on. It's got a lot of -- it had a lot of discussion.

MS. PARKER: Can I interrupt to add that we had a third Bank of America colleague who has just joined us.

Liz?

LIZ: Yes?

MS. PARKER: Welcome.

LIZ: Thank you.

MS. PARKER: Excuse me, Mr. Chair.

CHAIRPERSON COURSON: Are there other questions?

(No audible response.)

CHAIRPERSON COURSON: None?

I'll bet there will be in January.

Okay, thank you.

We appreciate the three of you coming from Bank of America. Obviously, this is a project that we have spent a great deal of time on at our last board meeting. I trust we'll have additional extensive discussion in January as we move forward. But I also look forward to getting down the road some and get the project moving before we make the next presentation and commitment. But it's a very important project for us and obviously one that we want to stay close to until you get updated reports.

MS. PARKER: Mr. Chairman, can I add, certainly as the executive director, I just want to point out the exceptional work of the staff on this, the cooperation of all of our areas of Multifamily, Legal, coming together and making this happen with our colleagues in the Department of Developmental Services, and their colleagues in their regional centers. This is a horrendous -- and our outside partners with Bank of America. I mean, this is an historical achievement. And I just can't say enough about the work of the staff and really continuing to sort of come together and overcome all of the obstacles that have been put before trying to make this project work.

So if I sound incredibly proud of my colleagues, it's because it's really well deserved.

MR. GIPSON: Yes, I would be remiss if I neglected to mention some of the people working on this project. But with Kathy in lead and Nancy providing valuable assistance and Tom from Legal and Bruce from Financing, and especially Dick LaVergne providing insight and oversight to this entire project, it has been a team effort in working with Bank of America, the developer, and the Department of Developmental Services.

CHAIRPERSON COURSON: Good.

Thanks, Ed.

Thank you all.

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Item 5. Report on Fiscal 2004-05 Year-End Financials

CHAIRPERSON COURSON: Our next agenda item -- we all know Dennis Meidinger. And in your materials sent to you, was information on our fiscal year-end -- for fiscal year ending '05. We have that in the binder.

And then in addition, as I mentioned to you before, you have in front of you in the envelope the actual audit and annual report. And I think Dennis is going to run us through a summary of our financial results for year-end.

MR. MEIDINGER: Good morning.

My purpose today is to give you an overview of the Agency's financial statements for the California Housing Finance fund.

To give you a little bit of background, the fund was created in statute by 51000 of the Health and Safety Code, and the fund was created as a public service enterprise fund. This and governmental accounting is the closest thing to accounting for a fund that has almost real business-type activities, that has revenues, expenses, and fund equity.

This fund accounts for the Agency's bond and loan programs, such as the Homeownership, Multifamily areas. Also, our Housing Assistance Trust subordinate loans are in there, as well as the Agency's operating account.

Our statutes require that our Agency have its books and accounts audited at least annually by an outside CPA firm. Our auditors from Deloitte just completed their June 30th audit of our financials, and I've included their opinion letter in your board binder. Pretty much, in their opinion -- what their opinion letter says is, in their opinion, our financial statements present fairly the financial position of the fund, and it conforms with Generally-Accepted Accounting Principles.

Our Agency follows the standards of governmental accounting and reporting as promulgated by the Governmental Accounting Standards Board -- and that's GASB. And this way, our fund statements can be compared with other funds. And to ensure additional independence of our audits, we rotate our auditors every three years, by going out to bid, and we are also subject to review by the California Department of Finance.

So let's take a look at our financials for this year.

To preface the financial activities of the fund this year, I've heard our underwriters comment that the Agency and our industry has been going through the perfect storm where we have low-interest rates on our loans that we're making currently, but yet we're receiving high amounts of prepayments of our higher interest rate loans. So we have a steady deterioration of our weighted average interest rates. And so the Agency has taken the only action that it could, which is to redeem our highest interest rate, our highest coupon bonds.

So let's take a look at the balance sheet. As you can see, the balance sheet, it consists of assets, liabilities, and fund equity. 99 percent of our assets are made up of cash and investments and program loans receivable. Of the investments, besides our cash, we have about 2.6 billion of that 3.7 billion is all in guaranteed investment contracts. We also invest with our state surplus money investment fund, as well as in other securities and MBSs.

As you can see, at the end of the year, compared with June 30th of 2004, we reduced our cash and investments by $360 million. This was all used to redeem high coupon rate bonds.

Our program loans receivable for the year did increase by $94 million. This was mainly attributable to the increase in our Multifamily lending of construction loans, as well as increased lending in our subordinate loans.

Our Homeownership activity netted out at $73 million less.

Our other assets, as you can see, decreased by about $21 million, and that was mainly to decrease in interest receivable, there again, from the program loans for Homeownership.

So in total, our assets decreased by 287 million.

On the liability side, 91 percent of our liabilities are all in bonds payable. And as you can see, we reduced our bonds payable by $372 million.

We started the year with about 200 series of bonds. And by the end of the year, we ended up with 160 series of bonds. So we redeemed 40 series of bonds last year.

In the other liabilities area, these are other entities that we owe to, about half of that $700 million, 300 million is amounts that are payable to the State Treasurer in the form of a loan that they had made to us out of their Pooled Money Investment Fund. This is the money that we used to warehouse our loans.

We also have about a couple of hundred million that are invested in -- that we are investing for impounds of our Homeownership and Multifamily loans, on loans that we actually service in-house. And these are impounds.

In addition to that, we also owe the IRS. And we owe the IRS under two conditions. If we earn amounts over our spread -- as you know, we work on very thin spreads. If we invest at amounts over the bond yield, then that's called "arbitrage rebate," and we have to rebate that money back to the IRS. And on our variable rate bonds, sometimes if our variable rate loans earn over our allowable spread, then that's called "yield reduction payments." And that, primarily, is the 15 million that's shown as an accrual there.

As you can see, our fund equity increased by $70 million; and I'll show you how that's derived when we look at the income statement.

Our income statement consists of revenues, expenses, and net income. Our interest income from program loans, between this year and last year, we made about $45.9 million less. This was primarily due from a reduction in our Homeownership loan portfolio, coupled with the decrease in the weighted average interest rates of our Homeownership loans.

Our Homeownership portfolio had a net decrease of 4,700 loans. We started the year with about 33,000 loans, and ended up the year with 28,400 loans.

Our weighted average interest rates of our loans, loan portfolio, as of June of 2004, was about 5 and three-quarter percent. And by the end of June of 2005, it had fallen to 5.32 percent.

In addition to that, the average interest rates of our loans that we were making as of 2004, our average interest rates of loans were 4.95 percent. And this year, at the end of June 30th, was 4.62 percent. So we had a steady erosion of our Homeownership portfolio.

Now, our Agency can't refinance loans like so many other lending institutions can. We only get one chance at our borrowers. If they want to refinance for a better rate or to consolidate other loans, we lose them as a customer.

Included in the $45 million reduction there, we had to recognize a reduction of about $13 million to our program loan interest; and this was because of those yield reduction payments that we owed to the IRS.

On the investment side, we showed a net increase of $2.6 million; and this actually was a positive arbitrage adjustment from last year's estimate.

The fair value of investments, GASB requires us to market our outside investments -- each quarter, as a matter of fact. And as you see, there was quite a swing there. And our market's values actually increased, as rates declined.

Under "commitment fees," we had about $3 million less of commitment fees, compared to last year, due to a lot of our Homeownership home builders deciding not to lock in long-term commitment rates, because our daily rates were just fine.

Our other own loan fees -- actually, the fees for maintaining our single-family bonds, was reduced also by $3.2 million because we were redeeming a lot of our old single-family bonds, which we make admin fees on.

And the other revenues area -- this is our Multifamily, HUD, earned surplus, and acquired development fees -- increased by $1.3 million.

So for the year, our revenues, compared to last year, fell by $39 million.

Under "operating expenses," our interest in swap fees, the amount that we paid on our debt service for bonds, fell. And that's logical because we redeemed more bonds last year.

Also, the amount that we paid to our outside servicers was reduced by 1.3 million because we had 4,700 less loans in our portfolio.

Our provision for loan losses increased. We work with our auditors each year, and they give us their recommended valuations that we should make by type of loan. For instance, a single-family loan that's current would get maybe just a 1 percent allowance, whereas if it goes into an REO, a 30 percent allowance.

We also take about a 9 to 12 allowance charge on our low-interest Housing Assistance Trust subordinate loans.

We did also take an increase of about $2 million just for our one non-performing Multifamily project, the Ridgeway Project. So that increased our allowance for loan loss.

Our salaries and wages and expenses for the year increased by $3.3 million. Of the $29 million that you see there, 19 of it is in salaries and wages and ten is in the areas of our operating expenses for facilities operation, contractual services, et cetera.

And finally, our other expenses for the amount that we paid to underwriters and other costs of issuance for our bonds decreased by 2.4 million. And this, again, is because of the reduction in the bond portfolio.

So our expenses, compared to last year, decreased by $5.7 million. Our net income was $21.3 million. To that, we transferred in $48.8 million; and this is from our Housing and Emergency Trust Fund Act, the Prop. 46 money that comes into the Agency. And we turn around and make our subordinate loans. So that's the $70 million that adds to our equity.

And if you add that to our beginning equity, at the beginning of the year, we finished out the year with equity of 1,189,000,000, or almost $1.2 billion.

So in conclusion, our Agency and the industry weathered another year of a perfect storm of low interest rates and high rates of prepayments. However, our equity was positive and continued to increase, and it's at $1.2 billion.

CSG ran a study a few months ago of our business plan, as well as our Agency cash flows, and they ran it through the rating agency "Worst Case Stress Scenarios." And what they concluded is that we have adequate capital to fully fund our business plan through 2010. And they also forecast positive growth in the future, in all scenarios, but slower growth than in the past.

And we've been watching the amounts of prepayments. Like all last year, it was over 100 million a month that was coming in. And in September, it finally hit about 95 million a month, as well as October. And so we're kind of waiting to see where the turning point is.

CHAIRPERSON COURSON: Questions?

I'll make a comment. We just, as a company, finished our annual strategic planning meeting -- actually we finished it up yesterday, and looked at a lot of industry statistics. And I would suggest that your prepayments are going to continue to decline.

The total mortgage market this year, they've adjusted it again, is estimated to be about $2.7 trillion. And for next year, down to $2.2 trillion. So a little over 20 percent decline.

MR. MEIDINGER: Right.

CHAIRPERSON COURSON: That kind of decline obviously reflected by slowing purchase activity and rising rates, I think that we'll certainly see prepayments and the change in the refinancing market come.

The other side is -- and Terri and I talked about this a little bit last night -- what does that bode for our Homeownership side?

Historically, as rates go up, our first-time home buyer below-market rates, if you would, that we can afford to help people get into those first homes become more attractive. And those spreads widen a little bit between our capability through our tax-exempt financing and the market rate. And so we may be in for a year of positive growth as opposed to some shrinkage over the last couple years.

Our numbers -- dollar volumes we funded have been constant, but the number of units -- they're constant because the loan amounts are really going up. We have really been losing in terms of the number of units.

MR. MEIDINGER: Right.

CHAIRPERSON COURSON: But I suspect that we might see in fiscal year '05, that trend will reverse from what we believe is an accurate forecast.

And, frankly, that forecast, we looked at -- the Mortgage Bankers Association takes that out as just Fannie Mae for three years and sees a pretty narrow band of activity over the next three years.

Questions or comments on the financials of Dennis?

MS. PARKER: Mr. Chairman, can I just add one comment to your --

CHAIRPERSON COURSON: Go ahead.

MS. PARKER: Actually, the phone call I took earlier, we've had our IOP program, now in effect for six months. And just to give you an early update to what we'll probably be telling you when we do our midyear update in January. As you recall, when we put the business plan together, we projected that the 35-year IOP product was probably going to be about 15 percent of our lending for the entire year.

What we are seeing right now -- and this, again, we don't have all our lenders, like, major lenders like Countrywide on, but our IOP loans are probably running more around 31 percent. So it has been a very, very successful product.

And The Sacramento Bee is calling because they're going to be doing another really nice article about the success of this particular program.

So I think having it has really helped with us keeping our -- in fact, we're going to be above-goal in our Homeownership program from a dollar volume standpoint. But hopefully, you know, that will continue to help us be viable in a marketplace that continues to have such a huge gap between income and sales price availability to our customers.

CHAIRPERSON COURSON: Mr. Carey?

MR. CAREY: Could you talk a little bit about the requirement for the increased loan loss reserves, and what's driving that?

MR. MEIDINGER: Well, we did have that one non-performing Multifamily project.

MR. CAREY: To what extent is it Homeownership?

MS. PARKER: Dennis, are these requirements --

MR. MEIDINGER: I think it was actually, most of the increase was because our increased lending was in a lot of our subordinate loans, and that always takes a real high allowance.

MS. PARKER: Yes, this goes back to the rating Agency's requirements on our capital per --

CHAIRPERSON COURSON: Let me take another -- let me go around it a different way.

Of the 6.8 million, how much of that is reserved for the one Multifamily project?

MR. MEIDINGER: Two million.

CHAIRPERSON COURSON: So that's a third of it.

MR. MEIDINGER: Yes, right.

CHAIRPERSON COURSON: Other questions on the financials?

(No audible response.)

CHAIRPERSON COURSON: Okay, Dennis, thank you very much.

MR. MEIDINGER: Okay.

CHAIRPERSON COURSON: It was very informative, very good.

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Item 6. Discussion of Conflict of Interest Procedures

CHAIRPERSON COURSON: The next item on our agenda, and not to belabor this, but after our last Board meeting, Tom Hughes, our counsel, sent to all Board members a document that set forth issues regarding conflict of interest and the procedures for clearing conflict of interest. As you recall, we've had a couple of occasions over the last year where, as we get into a meeting like this and start a discussion of a project, a Board member raises the issue that he or she may have a conflict. And, obviously, that poses us some issues, A, if we're very close to a quorum; and B, based on what Tom had said, it could affect other members on the board also.

So I've just asked Tom to do a real brief update on what he sent us.

MR. HUGHES: Thank you, Mr. Chairman.

I don't have a conflict of interest seminar or lecture to put on here today, but I did want to, very briefly, review what I think the most productive procedure would be for identifying and potentially resolving conflicts-of-interest issues.

Just very briefly, I know in some of the materials I've provided to the Board, the conflict issues that each of you deal with as a CalHFA Board member are somewhat more complicated than you would probably find in a typical government agency or board; and that's because there are three primary sources of conflict-of-interest rules that affect us as public employees and you as board members, which are CalHFA's own statutes, the Political Reform Act that's enforced by the FPPC, and Government Code section 1090. And it is the last one that creates the more complex issues, because Government Code section 1090 only deals with the formation of contracts.

The average, typical government agency is typically a regulatory agency or a law enforcement-type agency. And their actions are not -- their typical, routine actions are not the formation of contracts, where almost everything that this Board does involves the formation of a contract, because each one of the loans that we create is a contract.

So by default, in essence, most of the Board's actions are going to be subject to the stricter section 1090 rules.

And under Government Code section 1090, the remedies, if you will, are very different from CalHFA's own statute and the Political Reform Act. In both of those two instances, the typical remedy or process for a Board member with financial interest is to disqualify yourself from voting or participating in the matter.

However, under Government Code section 1090, the default rule, if you will, is not only that the Board member's disqualified, but the entire board is disqualified from hearing it if one member has a financial interest. And under 1090, the financial interest of one board member is imputed to all of the board members. It's a very severe form of conflict rule.

There are both civil and criminal remedies that attach to section 1090. The civil ones are essentially voiding of the contract. That affects the Agency. And the criminal ones, essentially, attack the individual participant, i.e., the Board members in this case. So it's certainly worth a detailed consideration of the nature of the conflict.

As I said, the default rule is disqualification of the Board. That's subject to a series of rules then that kick in to determine whether the interest -- the financial interest that the Board member has is remote, in which case the recusal or disqualification is a valid remedy. Or there is actually another list of situations in which it's deemed that there will be no conflict. But the sort of default application of the rule actually prevents the entire board from hearing it.

My suggestion is that we consider a process for dealing with these.

I should add that another common situation that I have not seen recently, but which has come up in the past, is that Board members will sometimes disqualify themselves, not because there's an actual conflict of interest under the law, but to avoid the appearance of impropriety. And that's been common, particularly among ex officio members in the past.

There's nothing wrong with that. That's perfectly fine. But it would be helpful if I knew in advance whether a disqualification is based on an appearance of impropriety or an excess of caution, as opposed to an actual conflict under one of those conflict laws, because I need to determine if the remedy is then appropriate.

So my suggestion would be, to the fullest extent possible, that each Board member try to identify any potential conflicts that they see in the Board package. One of the reasons why we've really been trying to work on getting the Board materials out earlier and making access available on the Web is to give each of the Board members at the earliest opportunity a chance to quickly -- that the loans that are up, to see whether there are any names in there that might suggest a conflict problem.

And my recommendation would be that Board members contact me. But you can also contact your own personal counsel, if you choose. But to contact me, so that we can work through the issues.

Many of the conflict issues are very fact-dependent. It's extremely difficult and not particularly practical to try and resolve these for the first time at the Board meetings, primarily, because sometimes the nature of the research or the factual investigation takes enough time that we won't be able to resolve it at the Board meeting.

If, in fact, it were a true 1090 issue, and if, in fact, one of the statutory exceptions to 1090 didn't apply, or if that exception -- the application of it were not perfectly clear, there is a risk associated with the Board considering that project. And certainly the conservative approach to protect Board members and the Agency would be to not hear that project until we can go back and review the conflict issue.

So I think what I'm simply suggesting is that we try and identify conflicts as early as possible, that we deal with them. And that if a conflict does come up for the first time at a board meeting, my recommendation would be to take a break and see if we can figure out whether it's a true conflict, an appearance of impropriety. And if it is a conflict under 1090, if there isn't an exception that creates a clear path to a recusal, the consequences attached not only to the individual Board member that have that conflict, but to the other Board members that are participating. So it is something certainly worth spending some time reviewing in advance.

CHAIRPERSON COURSON: Thank you.

I think that is important. And we are now getting the Board packages well in advance. And even if it's not an opportunity to do detailed review until later, we certainly should be able to go through in a summary manner and take a look and see if there's any issues or parties that could pose potential questions, and then call counsel, and let's get those cleared up so we know how to proceed with the Board package.

MR. HUGHES: And the other thing I would simply mention is that one of the recurring issues that we have, is that very few, if any, of the state laws were drafted with the notion of the CalHFA entity in mind, an actual business operation. And the application of these laws is not always clear. In some cases, there will be a risk-tolerance factor, as to whether the laws don't mesh probably with the conservative approach of disqualifying the entire Board or going ahead is not entirely clear. So, again, the more time we have to work through that, the better.

CHAIRPERSON COURSON: Questions of counsel? Ms. Weir?

MS. WEIR: I appreciate the work that you're doing on this. The Treasurer takes not just conflicts, but potential or appearance of conflict very seriously. And, you know, we have sort of a system set up with CalHFA staff internally to relay that information to us.

And while the briefing packet is available on the Web now earlier than it has been in the past, that specific document information on each project that we're looking for doesn't always come as early as what gets posted on the Web.

And when I discuss this internally, just the comment was: "Time, time, time. Give us as much lead time on this as possible." This is something that is looked at very, very carefully and taken very seriously. So to the extent that we can get that sort of enhanced packet of information as early as possible, that should be a very successful thing for the Treasurer's office.

MR. HUGHES: We appreciate that.

As Terri knows, we've been looking extensively at ways to try and get the information flow as quickly as possible. One of the challenges to that, of course, is that many of these deals come together right before the Board time. But I think that point is well taken, and we will do whatever we can to get that information out.

CHAIRPERSON COURSON: It's certainly moving in the right direction, based on where we've been over the last six months in getting it.

MS. PARKER: It would be interesting to see how the joint application helps with that, too, from that standpoint, of pointing out some of those issues in a format that might be more quickly identified.

MR. CAREY: In fact, it's not really the dollars or the deal, but the parties involved.

MR. HUGHES: Correct.

MR. CAREY: And it might be easier to get a list of the parties together earlier than a full packet about the deal.

MS. WEIR: The one that almost always lags behind are the names of the sellers. And sometimes that's easy because the entity already owns or the locality owns. But in cases where it's a bona fide arm's-length transaction, we go the extra mile with those parties; and that's usually what I'm sort of saying, okay, get me that last piece of information.

MS. PARKER: That's helpful.

MR. HUGHES: Right. And one of the other challenges is that the parties change in these transactions. Sometimes these entities are created for special-purpose entities and/or the initial party may be a placeholder for something to be formed, or an agreement or a partnership to come together later. And that's a constant challenge, both for us and for the Multifamily folks, because those things are happening in realtime out in the market. And nonetheless, we are trying to get that information to flow as quickly as we can nail it down.

CHAIRPERSON COURSON: Okay, other questions? Comments?

(No audible response.)

CHAIRPERSON COURSON: Thank you, Tom.

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Item 7. Reports

CHAIRPERSON COURSON: You have in the back of your book the report on our annual investment report, which Bruce Gilbertson, who is not with us, Bruce is ill, and he was not able to join us. But you have that information. And, obviously, questions can be directed to Bruce, if you have them.

Item 9. Public Testimony

CHAIRPERSON COURSON: At this point, I will ask also if there's any public testimony or comments from the public in attendance?

(No audible response.)

CHAIRPERSON COURSON: And seeing none, our next meeting is January the 12th. If you're comfortable in the chair you're seated in, you can put your name on it because we'll be right back here.

MS. PARKER: I'm sorry, I was looking at the question that Mr. Shine had passing me.

CHAIRPERSON COURSON: Okay. And seeing no other activity or agenda items, I will adjourn the meeting.

Thank you.

(Proceedings concluded at 11:04 a.m.)

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REPORTER'S CERTIFICATE

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

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

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

In witness whereof, I have hereunto set my hand on November 10, 2005.

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

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Palm Springs Senior Apartments
Palm Springs, Riverside County, CA
CalHFA # 05-027A/S

SUMMARY

This is a Final Commitment request. Security for the acquisition/rehabilitation and permanent loans will be a 116-unit senior apartment complex known as Palm Springs Senior Apartments, located at 3200 East Baristo Road, Palm Springs, California. Palm Springs Senior Affordable, L.P., whose managing general partners are Palm Springs Senior Affordable AGP, L.P. and Las Palmas Foundation, a California nonprofit corporation, will own the project.

Palm Springs Senior Apartments is an existing portfolio loan currently owned by Palm Springs Senior Citizen Complex, a California limited partnership, whose general partner is a real estate investment trust known as Apartment Investment & Management Company (AIMCO). The project was constructed in 1981 and is a 116-unit, two-story O-shaped building, senior apartment complex. The project is 100% Section 8 and the initial 20-year HAP contract plus four (4) additional 5-year renewals expires on September 30, 2021. In addition, the project also has a ground lease between the City of Palm Springs and the current owner, which expires on September 30, 2024. A 36-year ground lease extension was approved by the City of Palm Springs on November 2, 2005. A ground lease modification is currently under negotiation.

LOAN TERMS

Acquisition/Rehabilitation

First Mortgage	$2,735,000
Interest Rate	5.55%, variable
Term	24 Months, interest only
Financing	Tax-exempt

Second Mortgage*	$4,400,000
Interest Rate	5.35%
Term	20 year fixed, fully amortized
Financing	$2,740,000 tax-exempt $1,660,000 HAT earned surplus

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

Permanent

First Mortgage	$2,930,000
Interest Rate	5.45%
Term	30 year fixed, fully amortized
Financing	Tax-exempt

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

OTHER FINANCING

There is no other financing involved in this transaction.

HOUSING ASSISTANCE PAYMENT ("HAP") CONTRACT

The original HAP contract was executed on August 11, 1981, for a term of 20 years. The HAP contract expired on September 30, 2001, and by its terms, was extended for the first of four (4) additional 5-year terms (20 years total). The contract is in the first 5-year renewal period. CalHFA is the Section 8 Contract Administrator.

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

CalHFA is currently seeking approval from the Los Angeles HUD office recommending that the existing 20-year HAP contract remain in place with HUD. A response from HUD is still pending. In addition, a transition reserve of $150,000 will be funded at permanent loan closing representing approximately 6 months of debt service reserve towards any potential shortfall in Section 8 funding.

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

This project is a pre 1980 HAP contract with limited distribution to the project sponsor. The existing residual receipts reserve along with the existing replacement and operating reserves will be transferred with the property at the time of sale to Palm Springs Senior Affordable, L.P, upon ownership.

PROJECT DESCRIPTION

Project Location

- The project is located in the central area of Palm Springs, two miles from downtown, and two blocks from Palm Springs International Airport, in the Coachella Valley area of Riverside County, 110 miles southeast of Los Angeles.
- The site is 1.25 miles west of Highway 111, also known as Gene Autry Trail and Palm Springs Canyon, which is the major north/south route through the region, and 5-7 miles north/northeast of Interstate 10.
- Palm Springs is surrounded by the cities of Desert Hot Springs to the north, Cathedral City to the east, the San Jacinto Mountains to the south and San Jacinto Wilderness Park to the west.

- Land uses in the site vicinity include the Palm Springs Police Department and Training Academy to the north, residential condominiums and single family homes to the south, a vacant lot to the east, and a gated, owner-occupied condominium community to the west.
- Proximity to off-site amenities include a bus stop is within 90 yards of the project, the Palm Springs Mall (anchored by Vons, RiteAid, Office Max, True Value Hardware) 0.4 miles west, Wal-Mart Super Center 1.5 miles east, pharmacy 0.55 miles north, senior center 1 mile southwest, Palm Springs Family Care 0.2 miles north, Palm Springs Immediate Care Clinic, 0.55 miles, and Desert Regional Medical Center (full service acute care facility/hospital) 3.0 miles northwest.

Site

- The site is a rectangular shape parcel and is 3.2 acres in size.
- The site is zoned CC-PD, a Civic Center Planned Development, representing a residential land use zoning designation. The site and its use are legally conforming.
- The subject and surrounding land uses are consistent with the zoning of the area.
- The project has a ground lease between the City of Palm Springs and the current owner, which expires on September 30, 2024. A 36-year ground lease extension was approved by the City of Palm Springs on November 2, 2005. A ground lease modification is currently underway.

Improvements

- This 116-unit project was built in 1981 and consists of a two-story O-shaped building surrounding a large interior courtyard. The basic structure is wood frame with stucco exterior. Access for all the units is through a secure main pedestrian entrance. Common interior hallways lead to each of the units with three elevators and interior stairways providing access to the second floor units. The roofing on the building is the original roof covering just over 23 years old.
- All of the 115 one -bedroom units are flat style units. Twelve (12) of the 115 units are accessible units. Each unit has a garbage disposal, double sinks, gas stoves and a patio or balcony. Each unit also contains a wall air conditioner except for the accessible units, which have central air.
- The common area amenities include a community room with a kitchen, three laundry facilities, trash chutes, second floor meeting room, pool, spa, two barbeque areas, and a leasing office.
- The project offers 58 uncovered, open parking spaces.

PHYSICAL NEEDS ASSESSMENT / SCOPE OF WORK

- The project is in average overall condition for a development of this type when compared to other developments of similar type and age in the City of Palm Springs and surrounding areas.
- The scope of rehabilitation work totals $1,830,061 or $15,776 per unit and includes:
- **Site work, $315,711** – walkways/asphalt repair, seal coat, and restriping ($80,000), concrete repairs ($30,000), card reader system ($15,600), New Trellis ($87,000), landscaping upgrades ($58,811), signage, and miscellaneous ($44,300).
- **Building and Residential Units, $1,072,670** – interior & exterior painting ($257,700), windows ($242,980), glass, drywall, flooring ($98,220), painting & decorating ($257,700),

cabinets ($132,820), appliances ($51;250), termite and misc. ($63,400, roof repair ($215,000), and rough carpentry ($12,000).

- **Mechanical systems, $334,980** – new wall a/c units and remove existing ($138,800), plumbing ($124,640), and electrical work ($71,540).

  Work is scheduled to commence in late spring/early summer 2006 and is projected to be completed within 12 months.

Off-site improvements

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

Relocation

- There is approximately $60,350 in relocation expense allocated for this project. Most of the renovation will take place around the occupied units. The rehabilitation plan does not assume invasive construction activity. However, specific interior unit renovation such as window replacement, vinyl flooring, and cabinet replacement is going to take place on a cluster basis (groups of units) and is scheduled to be completed within 3 days and two nights. The residents will be offered a hotel voucher or cash equivalent for the period of their displacement. The Borrower will provide transportation and moving arrangements. In addition, these temporary displaced residents shall be entitled to compensation for all reasonable out of pocket expenses incurred in connection with temporary relocation.

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

MARKET

Market Overview

The Primary Market Area [PMA] is defined as the city of Palm Springs. PMA boundaries extend approximately 1.5 to 6.5 miles from the subject property.

The defined PMA comprises 50,194 people in 24,015 households per 2005 ESRI estimates. The population is forecast by ESRI to increase by nearly 10,000 people during the next five years. The median household income for the PMA of $42,158 is below the Coachella Valley median (-12%) and Riverside County median (-16%), and nearly one-third (29%) of PMA residents have annual incomes below $25,000 (vs. 23.5% countywide). The average age for residents within the PMA, 49.2, is 9.2 years higher than the Coachella Valley and 15.7 years higher than Riverside County. In addition, of the 24,015 households within the PNA, 8,918 households were aged 65+, with an anticipated increase of 22% over the next five years (for this project, the HUD definition of a senior is a minimum age limitation of 62 years+).

Of the 24,015 households within the PNA population, renters account for 38% of the households. Extrapolating from 2000 Census data provided in the ESRI "Age 55+ Profiles" and "Market Profile" demographic reports, 23% of households aged 65+ were renters, in comparison to 39% across all age groups at the time of the Census.

Census data indicates that 65+ renter households are more likely to be paying 35% or more of their income toward rent than renters overall. Based on 2000 Census data, 51% of 65+ renters paid 35% or more of income toward rent, versus 39% of renters overall.

Housing Supply and Demand

The entire existing affordable senior housing rental stock in the PMA consists of two HUD projects totaling 111 units. Both were constructed in the mid to late 1990s and are located within 2.0 miles of the project. Both projects are 100% occupied with waiting lists of 50+ persons and income restricted at 50% AMI. There are no planned or proposed senior LIHTC/bond projects other than this project.

A total of seven (7) projects in the PNA were reviewed in the market analysis, comprising 798 units. Two are age-restricted HUD projects totaling 111 units (excluding the subject property). Five (5) are market rate projects totaling 687 units.

PROJECT FEASIBILITY

Estimated Lease-up Period

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

ENVIRONMENTAL

Barr & Clark Environmental completed a Phase I Environmental Assessment report on October 7, 2005. The report concludes that there are no adverse environmental conditions that warrant further investigation or remedial action.

SEISMIC

URS Corporation performed a seismic review assessment on October 5, 2005. The damage ratio met the Agency's seismic risk criteria and no further review is needed.

DEVELOPMENT TEAM

Borrower

Palms Springs Senior Affordable, L.P.

- The non-profit Managing General Partner will be Las Palmas Foundation, located in Carlsbad, California.
- The co-general partner and sponsor/developer, Palms Springs Senior AGP, L.P., a subsidiary of Palm Springs Senior GP, LLC (Bentall Residential), will be an initial general partner in the LP. Bentall was founded in 2002 in Irvine, California to acquire and manage affordable and market rate multifamily housing in the United States. Bentall has over 20 years of experience developing affordable quality rental housing. Bentall has

developed 8 senior/family facilities representing over 2,411 units, in San Jose, Oakland, and various cities throughout Southern California.

Bentall has developed projects with CalHFA including Baywood (77-unit, senior facility), El Rancho Verde (700-unit, senior facility), Coronado Terrace (312-unit family facility), Summercrest (372-unit, family and senior facility) and Vista Terrace Hills (262-unit, family facility). On September 8, 2005, CalHFA approved final loan commitments for two additional projects with Bentall; Hemet Estates (80-unit family facility) and Sterling Village (80-unit family facility).

Management Agent

<u>The John Stewart Company</u>

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

Architect

<u>Gary R. Collins and Associates (GRC+A)</u>

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

Contractor

<u>ICON Builders</u>

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

PROJECT SUMMARY

PROJECT NUMBER: 05-027-A/S

Final Commitment

Project:	**Palm Springs Senior Apartments**		
Location:	3200 East Baristo Road	*Developer:*	**Bentall Residential**
City:	Palm Springs	*Partner:*	Las Palmas
County:	Riverside	*Investor:*	Yet to be determined
Zip Code:	92262		

		No. of Buildings:	1	
Project Type:	Rehabilitation	*No. of Stories:*	2	
Occupancy:	Senior	*Residential Space*	89,502	sq. ft.
Total Units:	116	*Community/Leasing Spac*	0	sq. ft.
Style Units:	Flats	*Commercial Space*	0	sq. ft.
Elevators:	Yes	*Gross Area*	89,502	sq. ft.
Total Parking	58	*Land Area*	139,450	sq. ft.
Covered	0	*Units per acre*	36	

CalHFA Acquisition/Rehab Financing	Amount	Rate	Term (Mths)
CalHFA Acquisition Financing	$2,735,000	5.550%	24

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	**$2,930,000**	**5.45%**	**30**
CalHFA Bridge Loan	**$0**	**0.00%**	**0**
CalHFA Second Mortgage* **(funded at acquisition)**	**$4,400,000**	**5.35%**	**20**
Existing Reserves	$0	0.00%	0
Earned Surplus	$0	0.00%	0
Source 4	$0	0.00%	0
Source 5	$0	0.00%	0
Source 6	$0	0.00%	0
Source 7	$0	0.00%	0
Source 8	$0	0.00%	0
Source 9	$0	0.00%	0
Source 10	$0	0.00%	0
Source 11	$0	0.00%	0
Source 12	$0	0.00%	0
Income from Operations	$0		
Developer Contribution - Mezz.Loan	$0		
Deferred Dev. Fee	$28,288		
Tax Credit Equity **(2,210,959 funded at acquisition)**	$245,662		

***$2,740,000 Tax-Exempt, $1,660,000 HAT Earned Surplus**

Construction Valuation		Appraisal		Value Upon Completion	
Investment Value	$11,320,000	**Appraisal Date:**	**10/15/05**	**Restricted Value**	$8,100,000
Loan / Cost	67%	**Cap Rate:**	**6.50%**	**Perm. Loan / Cost**	66%
Loan / Value	63%			**Perm. Loan / Value**	90%

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	**Amount**	**Required Reserves**	**Amount**
CalHFA Acquisition Loan Fee	$71,350	Other Reserve	$0
CalHFA Permanent Loan Fees	$14,650	Replacement Resv. Initial Deposit	$116,000
Construction Defect	$12,920 Loc.	Repl. Reserve - Per Unit/ Per Yr	$350
Construction Loan - Guarantees and Fees		CalHFA Operating Expense Reserve	$111,176
Completion Guarantee Fee	$368,153 Loc.	Rent Up Reserve	$0
Contractors Payment/Perf. Bond	$2,454,354	Transitional Operating Reserve	$150,000
	$0	Other Reserve	$0

Date: 12/28/2005 **Senior Staff Date:** 12/19/2005

UNIT MIX AND RENT SUMMARY — Palm Springs Senior Apartments

05-027-A/S

Total Unit Mix

# of Units	Unit Type	# of Baths	Average Sq. Ft.
103	1 Bedroom Flat	1	579
12	1 Bedroom Flat	1	682
1	2 Bedroom Flat	1	803
	2 Bedroom Townhome	2	
	3 Bedroom Townhome	1.5	
	4 Bedroom Townhome	2.5	
116			

Number of Regulated Units By Agency

Agency	35%	45%	50%	60%	80%
CalHFA			23		
Tax Credits				116	
Locality					
HCD					
AHP					
Zoning					
Other					

Restricted Rents Compared to Average Market Rents

Median Income Rent Levels	Units Restricted	Restricted Rents	Avg. Market Rate Rents	Dollars Difference	% of Market
One Bedroom			$715		
35%	0	$0		$0	0%
45%	0	$0		$0	0%
50%	35	$453		$262	63%
60%	80	$580		$135	81%
80%	0	$0		$0	0%
Two Bedroom			$0		
35%	0	$0		$0	0%
45%	0	$0		$0	0%
50%	0	$0		$0	0%
60%	0	$0		$0	0%
80%	0	$0		$0	0%
Three Bedroom			$0		
35%	0	$0		$0	0%
45%	0	$0		$0	0%
50%	0	$0		$0	0%
60%	0	$0		$0	0%
80%	0	$0		$0	0%
Four Bedroom			$0		
35%	0	$0		$0	0%
45%	0	$0		$0	0%
50%	0	$0		$0	0%
60%	0	$0		$0	0%
80%	0	$0		$0	0%

Sources and Uses of Funds — Palm Springs Senior Apartments

05-027-A/S
Final Commitment

SOURCES OF FUNDS:	Funds in during Acq/Rehab ($)	Funds in at Permanent ($)	Total Sources of Funds ($)	Sources per Unit	%
CalHFA Acquisition Financing	2,735,000				
Construction Only Source 2	-				
Construction Only Source 3	-				
CalHFA First Mortgage		2,930,000	2,930,000	25,259	26%
CalHFA Second Mortgage*	4,400,000	-	4,400,000	37,931	39%
Existing Reserves	812,721	-	812,721	7,006	7%
Earned Surplus	302,710	-	302,710	2,610	3%
Source 4	-	-	-	-	0%
Source 5	-	-	-	-	0%
Source 6	-	-	-	-	0%
Source 7	-	-	-	-	0%
Source 8	-	-	-	-	0%
Source 9	-	-	-	-	0%
Source 10	-	-	-	-	0%
Source 11	-	-	-	-	0%
Source 12	-	-	-	-	0%
Income from Operations	-	-	-	-	0%
Developer Contribution - Mezz.Loan	-	-	-	-	0%
Deferred Developer Fee	211,871	28,288	240,159	2,070	2%
Tax Credit Equity	2,210,959	245,662	2,456,621	21,178	22%
Total Sources	10,673,261	3,203,950	11,142,211	96,054	100%
(Gap)/Surplus	-	0	0		

(Total Development Sources)

USES OF FUNDS:	Acq/Rehab ($)	Permanent ($)	Total Uses of Funds ($)	Cost per Unit	%
LOAN PAYOFFS & ROLLOVERS					
Construction Loan payoffs		**$2,735,000**			
ACQUISITION					
Lesser of Land Cost or Value	624,675	-	624,675	5,385	6%
Seller's Prepayment Penalty	-	-	-	-	0%
Legal - Acquisition Related Fees	15,000	-	15,000	129	0%
Subtotal - Land Cost / Value	639,675	-	639,675		
Existing Improvements Value	5,639,325	-	5,639,325	48,615	51%
Off-Site Improvements	-	-	-	-	0%
Other	-	-	-	-	0%
Total Acquisition	**6,279,000**	**-**	**6,279,000**	**54,129**	**56%**
REHABILITATION					
Site Work	-	-	-	-	0%
Rehab to Structures	2,152,781	-	2,152,781	18,558	19%
General Requirements	150,695	-	150,695	1,299	1%
Contractors Overhead	46,070	-	46,070	397	0%
Contractors Profit	104,808	-	104,808	904	1%
Contractor's Bond	-	-	-	-	0%
General Liability Insurance	-	-	-	-	0%
Environmental Mitigation Expense	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Rehabilitation	**2,454,354**	**-**	**2,454,354**	**21,158**	**22%**
RELOCATION EXPENSES					
Relocation Expense	60,350	-	60,350	520	1%
Relocation Compliance Monitoring	-	-	-	-	0%
Total Relocation	**60,350**	**-**	**60,350**	**520**	**1%**

(Total Development Costs)

(Continued on Next 2 Pages)

USES OF FUNDS (Cont'd):	Acq/Rehab ($)	Permanent ($)	Total Development Costs: Total Uses of Funds ($)	Cost per Unit per Unit	%
NEW CONSTRUCTION					
Site Work	-	-	-	-	0%
Structures (Hard Costs)	-	-	-	-	0%
General Requirements	-	-	-	-	0%
Contractors Overhead	-	-	-	-	0%
Contractors Profit	-	-	-	-	0%
Contractor's Perf. & Pymt Bond	-	-	-	-	0%
General Liability Insurance	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total New Construction	**-**	**-**	**-**	**-**	**0%**
ARCHITECTURAL & ENGINEERING					
Architectural Design	15,000	-	15,000	129	0%
Architect's Supv during Construction	-	-	-	-	0%
Total Architectural	**15,000**	**-**	**15,000**	**129**	**0%**
Engineering Expense	21,000	-	21,000	181	0%
Engineers Supv. during Construction	-	-	-	-	0%
ALTA Survey	-	-	-	-	0%
Total Engineering & Survey	**21,000**	**-**	**21,000**	**181**	**0%**
ACQUISITION LOAN COSTS					
Construction Loan Interest	-		-	-	0%
CalHFA Acquisition Loan Fee	71,350		71,350	615	1%
Other Construction Loan Fees	-		-	-	0%
CalHFA Outside Legal Counsel Fees	-		-	-	0%
Other Lender Req'd Legal Fees	-		-	-	0%
Title and Recording fees	5,000		5,000	43	0%
CalHFA Req'd Inspection Fees	18,000		18,000	155	0%
Other Req'd Inspection Fees	-		-	-	0%
Prevailing Wage Monitoring Expense	5,000		5,000	43	0%
Taxes & Insurance during rehab	-		-	-	0%
Predevelopment Interest	-		-	-	0%
Cost for Completion Guarantee	-		-	-	0%
Other	-		-	-	0%
Total Construction Loan Expense	**99,350**	**-**	**99,350**	**856**	**1%**
PERMANENT LOAN COSTS					
CalHFA Perm Loan Fees	14,650	-	14,650	126	0%
CalHFA Bridge Loan Fees	-	-	-	-	0%
CalHFA Loan Application Fee	500	-	500	4	0%
Other Lender Perm. Loan Fees	-	-	-	-	0%
Title and Recording	-	5,000	5,000	43	0%
Perm. Bridge Loan Interest Expense	-	-	-	-	0%
Bond Origination Guarantee Fee	-	-	-	-	0%
Tax Exempt Bond Allocation Fee	600	-	600	5	0%
Other	-	-	-	-	0%
Total Permanent Loan Expense	**15,750**	**5,000**	**20,750**	**179**	**0%**
LEGAL FEES					
Borrower Legal Fee	100,000	-	100,000	862	1%
Other	-	-	-	-	0%
Total Attorney Expense	**100,000**	**-**	**100,000**	**862**	**1%**

USES OF FUNDS (Cont'd):	Acq/Rehab ($)	Permanent ($)	Total Development Costs		
	•		Permanent of Funds ($)	Per Unit per Unit	%
CONTRACT / REPORT COSTS					
Appraisal	10,000	-	10,000	86	0%
Market Study	14,000	-	14,000	121	0%
Physical Needs Assessment	4,500	-	4,500	39	0%
HUD Risk Share Environ. Review	-	-	-	-	0%
CalHFA EQ Seismic Review Fee	3,500	-	3,500	30	0%
Environmental Phase I / II Reports	5,000	-	5,000	43	0%
Soils / Geotech Reports	-	-	-	-	0%
Asbestos / Lead-based Paint Report	-	-	-	-	0%
Noise/Acoustical/Traffic Study Report	-	-	-	-	0%
Termite/dry rot	2,000	-	2,000	17	0%
Other	-	-	-	-	0%
Total Contract Costs	**39,000**	**-**	**39,000**	**336**	**0%**
CONTINGENCY					
Hard Cost Contingency	245,435	-	245,435	2,116	2%
Soft Cost Contingency	20,000	-	20,000	172	0%
Total Contingency	**265,435**	**-**	**265,435**	**2,288**	**2%**
RESERVES					
CalHFA Operating Expense Reserve	-	111,176	111,176	958	1%
Construction Defects Reserve	-	-	-	-	0%
Funded Replacement Reserve	-	116,000	116,000	1,000	1%
Capitalized Investor Req'd Reserve	-	-	-	-	0%
Transitional Operating Reserve	-	150,000	150,000	1,293	1%
Total Reserves	**-**	**377,176**	**377,176**	**3,252**	**3%**
OTHER					
CTCAC App/Alloc/Monitor Fees	8,977	43,350	52,327	451	0%
Local Permit Fees	12,000	-	12,000	103	0%
Local Development Impact Fees	-	-	-	-	0%
Other Local Fees	-	-	-	-	0%
Advertising & Marketing Expenses	-	-	-	-	0%
1st Year Taxes & Insurance	57,469	-	57,469	495	1%
Furnishings	150,000	-	150,000	1,293	1%
Final Cost Audit Expense	-	-	-	-	0%
Miscellaneous Admin Fees	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Other Expenses	**228,446**	**43,350**	**271,796**	**2,343**	**2%**
SUBTOTAL PROJECT COSTS	**9,577,685**	**3,160,526**	**10,003,211**	**86,235**	**90%**
DEVELOPER COSTS					
Developer Overhead/Profit (5% Acq.)	-	-	-	-	0%
Developer Overhead/Profit (NC/Rehab)	1,095,576	43,424	1,139,000	9,819	10%
Consultant / Processing Agent	-	-	-	-	0%
Project Administration	-	-	-	-	0%
Broker Fees to a related party	-	-	-	-	0%
Construction Mgmt. Oversight	-	-	-	-	0%
Other	-	-	-	-	0%
Total Developer Fee / Costs	**1,095,576**	**43,424**	**1,139,000**	**9,819**	**10%**
Total Costs	**10,673,261**	**3,203,950**	**11,142,211**	**96054**	**100%**

Annual Operating Budget			Palm Springs Senior Apartments
Final Commitment			

INCOME:	$ Amount	Per Unit	% of Total
Total Rental Income	$1,164,720	$10,041	99.53%
Laundry	$5,549	$48	0.47%
Other Income	$0	$0	0.00%
Gross Potential Income (GPI)	**$1,170,269**	**$10,089**	100.00%
Less:			
Vacancy Loss	$58,513	$504	5.26%
Effective Gross Income	**$1,111,756**	**$9,584**	

EXPENSES:	Total Cost	Per Unit	% of Total
Payroll	$96,823	$835	23.37%
Administrative	$44,347	$382	10.71%
Management fee	$51,504	$444	12.43%
Utilities	$58,088	$501	14.02%
Operating and Maintenance	$65,514	$565	15.82%
Insurance and Business Taxes	$41,959	$362	10.13%
Locality Compliance Monitoring Fee	$0	$0	0.00%
Other	$0	$0	0.00%
Subtotal Expenses	**$358,235**	$3,088	86.48%
Replacement Reserves	$40,600	$350	9.80%
Taxes & Assessments	$15,401	$133	3.72%
Total Expenses	$414,236	$3,571	100.00%
Financial Expenses			
CalHFA First Mortgage	$151,793	$1,309	
CalHFA Second Mortgage*	$358,746	$3,093	
Other Required Debt Service	$0	$0	
NET OPERATING INCOME	**$186,982**	**$1,612**	

Cash Flow	Final Commitment				CalHFA Project Number: 05-027-A/S rings Senior Apartments							
RENTAL INCOME	Rehab Yr.1	Rehab Yr.2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Affordable Rents	747,192	765,872	785,019	804,644	824,760	845,379	866,514	888,176	910,381	933,140	956,469	980,381
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2 50%	2 50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Rental Subsidies	417,528	417,528	417,528	417,528	417,528	417,528	417,528	417,528	417,528	425,879	434,396	443,084
Rental Subsidy Increases	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.00%	2.00%	2.00%	2.00%
Unrestricted Units	0	0	0	0	0	0	0	0	0	0	0	0
Unrestricted Unit Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME	1,164,720	1,183,400	1,202,547	1,222,172	1,242,288	1,262,907	1,284,042	1,305,704	1,327,909	1,359,019	1,390,865	1,423,465
OTHER INCOME												
Laundry	5,549	5,688	5,830	5,976	6,126	6,279	6,436	6,597	6,761	6,930	7,104	7,281
Other Income	0	0	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%	2.50%	2.50%
TOTAL OTHER INCOME	5,549	5,688	5,830	5,976	6,126	6,279	6,436	6,597	6,761	6,930	7,104	7,281
GROSS POTENTIAL INCOME	1,170,269	1,189,088	1,208,377	1,228,148	1,248,414	1,269,186	1,290,477	1,312,301	1,334,670	1,365,949	1,397,969	1,430,746
VACANCY ASSUMPTIONS												
Affordable (Blended Average)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Unrestricted Units	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income	5.00%	5.00%	5 00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	58,513	59,454	60,419	61,407	62,421	63,459	64,524	65,615	66,734	68,297	69,898	71,537
EFFECTIVE GROSS INCOME	1,111,756	1,129,634	1,147,958	1,166,741	1,185,993	1,205,727	1,225,953	1,246,686	1,267,937	1,297,652	1,328,070	1,359,209
OPERATING EXPENSES												
Expenses	424,319	439,170	454,541	470,450	486,916	503,958	521,596	539,852	558,747	578,303	598,544	619,493
Annual Expense Increase	3.50%	3.50%	3.50%	3.50%	3.50%	3 50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Taxes and Assessments	15,401	15,709	16,023	16,344	16,671	17,004	17,344	17,691	18,045	18,406	18,774	19,149
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Replacement Reserve	0	0	40,600	40,600	40,600	40,600	40,600	40,600	42,630	42,630	42,630	42,630
Percentage Increase Yearly	0 00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.00%	0.00%	0.00%	0.00%	0.00%
TOTAL EXPENSES	439,720	454,879	511,164	527,394	544,186	561,562	579,540	598,143	619,422	639,339	659,948	681,272
NET OPERATING INCOME	672,036	674,754	636,794	639,347	641,807	644,165	646,413	648,543	648,515	658,313	668,123	677,937
DEBT SERVICE												
CalHFA - 1st Mortgage	151,793	151,793	198,533	198,533	198,533	198,533	198,533	198,533	198,533	198,533	198,533	198,533
CalHFA - Bridge Loan	0	0	0	0	0	0	0					
CalHFA - 2nd Mortgage	358,746	358,746	358,746	358,746	358,746	358,746	358,746	358,746	358,746	358,746	358,746	358,746
None	0	0	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0	0	0
DEBT COVERAGE RATIO	1.32	1.32	1.14	1.15	1.15	1.16	1.16	1.16	1.16	1.18	1.20	1.22
Cash Available for distribution	161,498	164,216	79,515	82,068	84,528	86,886	89,134	91,264	91,236	101,034	110,844	120,658

Cash Flow — CalHFA Project Number: 05-027-A/S — Palm Springs Senior 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	1,004,890	1,030,012	1,055,763	1,082,157	1,109,211	1,136,941	1,165,365	1,194,499	1,224,361	1,254,970
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	451,946	460,985	470,204	479,608	489,201	498,985	508,964	519,144	0	0
Rental Subsidy Increases	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Unrestricted Units	0	0	0	0	0	0	0	0	0	0
Unrestricted Unit Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME	1,456,836	1,490,997	1,525,967	1,561,765	1,598,411	1,635,926	1,674,329	1,713,642	1,224,361	1,254,970
OTHER INCOME										
Laundry	7,463	7,650	7,841	8,037	8,238	8,444	8,655	8,872	9,093	9,321
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	7,463	7,650	7,841	8,037	8,238	8,444	8,655	8,872	9,093	9,321
GROSS POTENTIAL INCOME	1,464,299	1,498,647	1,533,808	1,569,802	1,606,649	1,644,370	1,682,984	1,722,514	1,233,454	1,264,291
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Unrestricted Units	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	73,215	74,932	76,690	78,490	80,332	82,218	84,149	86,126	61,673	63,215
EFFECTIVE GROSS INCOME	1,391,084	1,423,715	1,457,118	1,491,312	1,526,317	1,562,151	1,598,835	1,636,388	1,171,782	1,201,076
OPERATING EXPENSES										
Expenses	641,175	663,616	686,843	710,882	735,763	761,515	788,168	815,754	844,305	873,856
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	19,532	19,923	20,321	20,728	21,142	21,565	21,996	22,436	22,885	23,343
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	42,630	44,762	44,762	44,762	44,762	44,762	47,000	47,000	47,000	47,000
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	703,337	728,301	751,926	776,372	801,667	827,842	857,164	885,190	914,190	944,198
NET OPERATING INCOME	687,747	695,414	705,192	714,941	724,650	734,310	741,671	751,198	257,592	256,878
DEBT SERVICE										
CalHFA - 1st Mortgage	198,533	198,533	198,533	198,533	198,533	198,533	198,533	198,533	198,533	198,533
CalHFA - Bridge Loan										
CalHFA - 2nd Mortgage	358,746	358,746	358,746	358,746	358,746	358,746	358,746	358,746	0	0
None	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0
DEBT COVERAGE RATIO	1.23	1.25	1.27	1.28	1.30	1.32	1.33	1.35	1.30	1.29
Cash Available for distribution	130,468	138,135	147,913	157,662	167,371	177,031	184,392	193,919	59,059	58,345

Cash Flow | CalHFA Project Number: 05-027-A/S | Palm Springs Senior Apartments

RENTAL INCOME	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Affordable Rents	1,286,344	1,318,503	1,351,466	1,385,252	1,419,884	1,455,381	1,491,765	1,529,059	1,567,286	1,606,468
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Rental Subsidies	0	0	0	0	0	0	0	0	0	0
Rental Subsidy Increases	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Unrestricted Units	0	0	0	0	0	0	0	0	0	0
Unrestricted Unit Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME	1,286,344	1,318,503	1,351,466	1,385,252	1,419,884	1,455,381	1,491,765	1,529,059	1,567,286	1,606,468
OTHER INCOME										
Laundry	9,554	9,793	10,037	10,288	10,546	10,809	11,079	11,356	11,640	11,931
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	9,554	9,793	10,037	10,288	10,546	10,809	11,079	11,356	11,640	11,931
GROSS POTENTIAL INCOME	1,295,898	1,328,296	1,361,503	1,395,541	1,430,429	1,466,190	1,502,845	1,540,416	1,578,926	1,618,399
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Unrestricted Units	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	64,795	66,415	68,075	69,777	71,521	73,309	75,142	77,021	78,946	80,920
EFFECTIVE GROSS INCOME	1,231,103	1,261,881	1,293,428	1,325,764	1,358,908	1,392,880	1,427,702	1,463,395	1,499,980	1,537,479
OPERATING EXPENSES										
Expenses	904,441	936,096	968,860	1,002,770	1,037,867	1,074,192	1,111,789	1,150,701	1,190,976	1,232,660
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	23,810	24,286	24,772	25,267	25,772	26,288	26,814	27,350	27,897	28,455
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	47,000	49,350	49,350	49,350	49,350	49,350	51,817	51,817	51,817	51,817
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	975,250	1,009,732	1,042,981	1,077,386	1,112,989	1,149,829	1,190,419	1,229,868	1,270,690	1,312,932
NET OPERATING INCOME	255,853	252,149	250,447	248,377	245,919	243,051	237,283	233,527	229,290	224,547
DEBT SERVICE										
CalHFA - 1st Mortgage	198,533	198,533	198,533	198,533	198,533	198,533	198,533	198,533	198,533	198,533
CalHFA - Bridge Loan										
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0
DEBT COVERAGE RATIO	1.29	1.27	1.26	1.25	1.24	1.22	1.20	1.18	1.15	1.13
Cash Available for distribution	57,320	53,616	51,914	49,844	47,386	44,518	38,750	34,994	30,757	26,014

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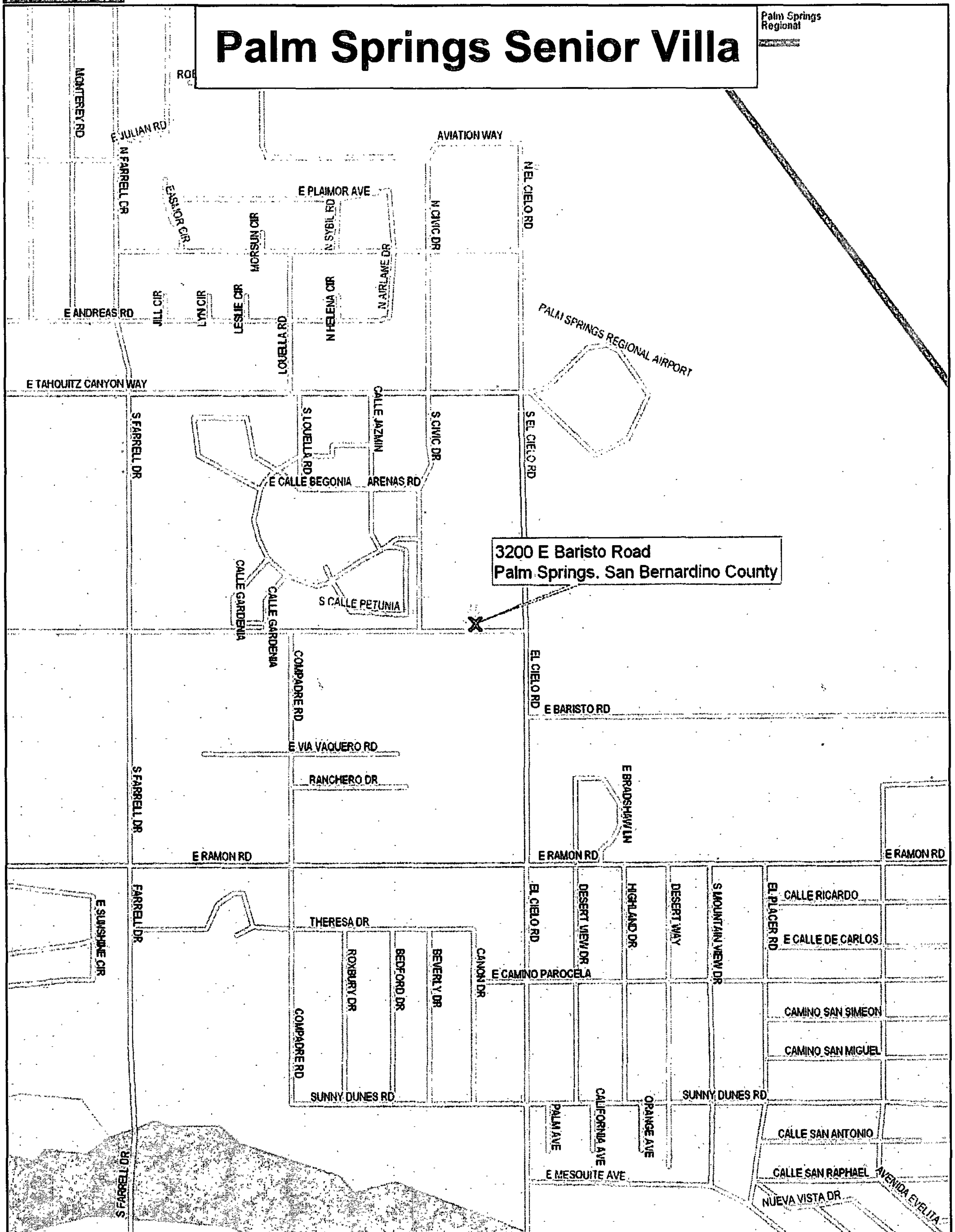
Street Atlas USA® 2004



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Scale 1 : 8,800

1" = 733.3 ft

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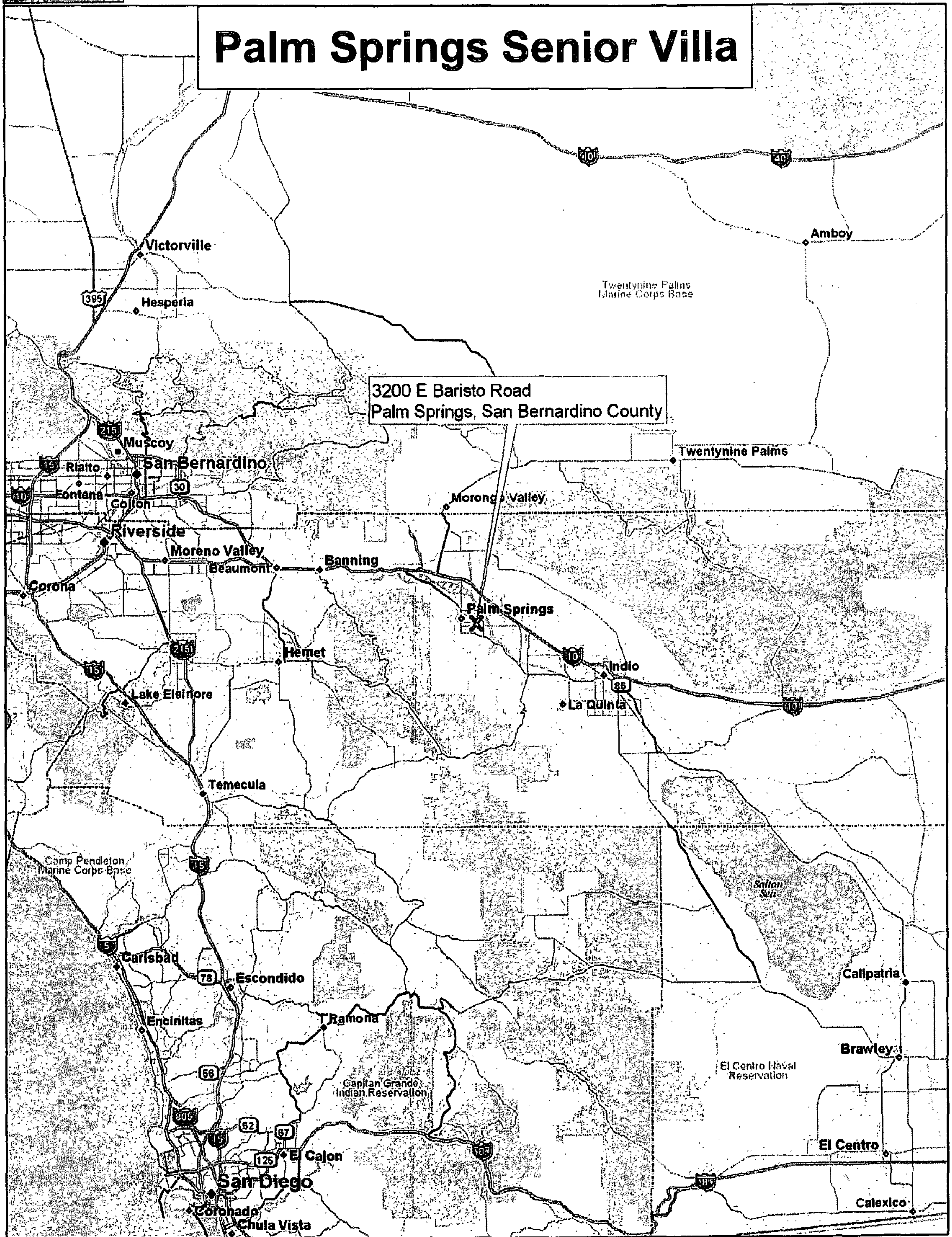
Street Atlas USA® 2004

Palm Springs Senior Villa



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Scale 1 : 1,100,000

1" = 17.36 mi

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RESOLUTION 06-01

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Palm Springs Senior Affordable, L.P., a California limited partnership (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in Palm Springs, Riverside County, California, to be known as Palm Springs Senior Citizen 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 December 19, 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
05-027-A/S	Palm Springs Senior Citizen Apts. Palm Springs, Riverside County, California	116	$2,735,000 Acq/Rehab 1st $4,400.000 Acq/Rehab 2nd $2,930,000 Permanent

Resolution 06-01
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 06-01 adopted at a duly constituted meeting of the Board of the Agency held on January 12, 2006 at Millbrae, California.

ATTEST:____________________
Secretary

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

SUMMARY

This is a final commitment request for $25,000,000 and a request to increase the preliminary approval by $20,000,000. This request will increase the Agency's final commitment on the Bay Area Housing Plan ("BAHP") from $20,000,000 to $45,000,000 and increase the total financing to $120,000,000.

The Board, at its September 9, 2005 meeting provided final commitment approval for $20,000,000, and a preliminary approval of an additional $80,000,000 for a total financing of $100 million for BAHP. Staff currently estimates that at completion, the 71 BAHP units will cost between $110,000,000 and $120,000,000, and that our final commitment requests will ultimately total more than the $100,000,000 originally anticipated. We will be returning to the Board for additional final approval authority as needed.

Security for the loans will be deeds of trust on approximately 71 single family homes modified for use by 254 developmentally disabled adults exiting the Agnews Developmental Center and annual lease payments authorized by the Regional Centers via annual contracts with the Department of Developmental Services ("DDS"). DDS receives funds for these contracts through annual appropriations from the State Legislature. There will also be additional collateral in the form of cash totaling 5% of the loan commitment amount.

The basic financial structure of the BAHP is a lease/purchase/conveyance model. Hallmark Community Services, a not-for-profit corporation, (the "Developer"), will own the properties initially. Ownership will be transferred at permanent financing to one of three non-profit housing organizations (the "NPOs") who in turn will lease the property to a selected service provider. Each Regional Center has designated a NPO for its service area. The Bay Area Housing Corporation is the designated NPO for the San Andreas Regional Center. The Housing Consortium of the East Bay is the designated NPO for the Regional Center of the East Bay. The West Bay Housing Corporation is the designated NPO for the Golden Gate Regional Center. The Regional Centers will be responsible for funding all necessary housing and service costs under the lease, which cost is included in its annual appropriations.

LOAN TERMS

Permanent

Total First Mortgages	**$25,000,000**
Interest Rate	150 basis points above the Agency's cost of funds
Term	15 - year fixed, fully amortized
Financing	Tax-exempt and Taxable fixed rate bonds

This final commitment gives staff authority to enter into a series of loan commitments on properties up to an aggregate amount of $45,000,000. The requested commitment amount will be used to finance 20 plus homes. Staff anticipates returning to the Board of Directors for an additional commitment of funds in March 2006 to complete an additional 15 homes and the 4 completed Cupertino homes.

PROGRESS SINCE THE SEPTEMBER 2005 BOARD APPROVAL

Completion of the Four Cupertino Homes

The four Cupertino Family Teaching Model homes have been completed. A service provider was chosen, the lease executed, and the lease payments have commenced. Staff has been hired and the homes are fully occupied with former Agnews Developmental Center Residents. The projects were brought in under budget. At permanent financing, the Agency loans on the family teaching model homes will be between 113% and 119% of appraised value. The Regional Centers paid for interest costs during construction. If the interest costs were financed during construction period interest, the LTV's would be 118% to 125%.

Address	10536 N. Foothill	10506 N. Foothill	10516 N. Foothill	10526 N. Foothill
Original Budget	1,283,973	1,312,424	1,312,424	1,312,424
Final Budget	1,229,814	1,303,645	1,298,816	1,297,412
Debt Service Reserve	135,984	144,147	143,613	143,458
Incidental Costs	15,000	15,000	15,000	15,000
Perm. Loan Amt	1,380,798	1,462,792	1,457,429	1,455,869
Appraised Value	1,220,000	1,220,000	1,220,000	1,220,000
Loan to Value	113%	119%	119%	119%

The Remaining 67 BAHP Homes

Even though no homes have been purchased since the Agency made a permanent loan commitment in September 2005, substantial progress has been made. Staff expects that the Developer and the Regional Centers will sign the BAHP documents in early January 2006 and the construction loan will close in late January 2006. The developer anticipates being able to close on the acquisition of 5 homes in January and 15 homes in February 2006.

Legislative Authority

All required legislation was enacted in the fall of 2005; SB 643, which amended AB 2100 (the Bay Area Housing Plan); SB 962, which created the licensure category for the medical model homes; AB 1378, which allowed State developmental center staff to be employed in the AB 2100 homes; and in November 2005 the Joint Legislative Budget Committee approved an expenditure plan for the Bay Area Housing Plan.

Required Approvals

On November 7, 2005, DDS provided notice pursuant to California Welfare and Institutions Code Section 4688.5(C) that the California Health and Human Service Agency had consented to the BAHP. Because of a 45-day statutory notice provision, the Regional Centers were required to wait until December 21, 2005, to enter into legally binding agreements with the

Developer for the implementation of the BAHP; long-term leases with the Service Providers, lease assurance agreements with the Developer, the service providers, Bank of America ("Bank"), the construction lender, and the Agency; contract modifications that incorporate the BAHP into the Regional Center's funding agreements with DDS; and the various other documents required for the closing. The Agency's commitment will be contingent upon these documents being approved by the Agency and fully executed. DDS has extended the completion date for all BAHP properties to December 31, 2007.

Predevelopment Financing

Predevelopment costs and earnest money deposits will be paid for by the Regional Centers who have made $3,000,000 available for this purpose. These funds will be held and administered by the Bay Area Housing Corporation ("BAHC"). These funds will be repaid to BAHC from the Bank of America credit facility at acquisition of the property.

Construction/Acquisition Financing

Bank of America is currently underwriting the financing of the acquisition, rehabilitation or construction of the homes, and all associated costs of the properties, with the maximum amount outstanding at any one time of $60,000,000 (the "Bank Credit Facility"). The size of the facility will depend upon the availability of an Agency permanent loan commitment of 110% of all anticipated costs. The additional 10% is a cost-overrun reserve. The Bank Credit Facility will be collateralized by deeds of trust on each property (Bank Property Loans). In addition to notes and deeds of trust on each property, the Bank will also require security agreements, completion agreements and lease assurance agreements as well as $11,110,000 of cash collateral (of which 5% will be transferred to the Agency at permanent loan for additional collateral). Bank credit approval is anticipated prior to the January 2006 Board meeting. The Bank Credit Facility will be a revolving credit facility, repaid as the Agency purchases loans from the Bank. The Bank is in the process of drafting and circulating loan documents in anticipation of credit approval. The Agency's final commitment is contingent upon the Bank's credit approval.

NEGOTIATED CHANGES IN THE FINAL COMMITMENT

Loan Fees and Other Costs

The Regional Centers will pay the Agency loan fee of 1% from their own funds and it will not be financed from Agency loan proceeds. Fifty percent of the fees are due at commitment and fifty percent of the fee will be due prior to the first construction draw on the Agency Commitment for those funds. The Developer will be responsible for third party fees including but not limited to legal fees, inspection fees, and tax service fees. The third party costs will be financiable.

Additional Collateral

To help mitigate the risk of making loans to 100% of cost, the Agency has required that the Regional Centers provide $5,000,000 or 5% of the permanent loan amounts, which ever is greater, as additional collateral. These funds will be aggregated into a single reserve, together with the interest they earn, and will be held by the bond trustee or the Agency at the Agency's discretion and released to the Regional Centers when the properties are at 100% loan to value based upon then-current appraisals of the properties. The appraisals will be at the Regional Centers' expense, and will be done by an appraiser to standards acceptable to the Agency. In the event of a default, the Agency will draw down on the cash collateral first. When it is exhausted, the Agency will draw down on the debt service reserve.

Debt Service Reserve

The debt service reserve shall equal one year of debt service on each loan. It shall be aggregated and held, together with the interest earned, by the bond trustee or the Agency at the Agency's discretion until the permanent mortgages have been retired, at which time it shall be returned to the NPOs, or at their instruction, to the Regional Centers. The borrower may request periodic payments of interest, which interest shall be released after required IRS yield restriction analysis has been performed, and payments due to the IRS, if any, have been paid.

Bond Financing

The Agency will not assume interest rate risk on the bonds. The interest rate for the loans will be set at the time of permanent financing, subject to existing bond market conditions. The bonds will be fixed-rate for a 15-year term, and will be backed by the Agency's general obligation. The loan may be prepaid by the borrower after year ten and the bonds will be structured with a 10-year optional call provision which can be exercised by the Agency at its discretion. It is anticipated that the Agency will finance the permanent loans in three or more bond financings of $20 to $40 million in size. The bond financings will include both taxable and tax-exempt bonds.

Regulatory Provisions

Replacement reserves will be held by the NPOs. The Agency will not impound for taxes and insurance, nor will it collect and hold replacement reserves. In the event that taxes are not paid, insurance lapses, or the replacement reserves are not properly held, the Agency will retain the right to collect impounds and reserves.

Loan Purchase Agreement

Upon completion of the improvements of the individual properties, the Agency has agreed to purchase the Bank Property Loans from the Bank under the terms of a loan purchase agreement. The Bank Property Loans, by their terms, will convert into loans with a term of 15 years. The Agency has agreed to purchase each of the individual loans from the Bank within 180 days of completion and acceptance of the completed project by the Agency. By purchasing the loans, the Agency will be able to maintain the lien priority of the bank and simplify the loan closing process.

The conditions for acceptance of the properties include the following:

- A final close-out report from an inspector, who will be jointly engaged by the Bank and the Agency, that concludes that the improvements are fully completed, built to previously approved plans and specifications (if new construction) or scope of work (if rehabilitation), that all required locality permit approvals have been obtained, and that all environmental requirements are met (including all required removal or remediation of lead based paint and asbestos containing materials), and certified by the Developer.

- A certificate of completion or occupancy has been recorded for the property.
- The Regional Center has issued a Certificate of Acceptance.
- As applicable, the property has received all required licensing approvals, or the Agency has determined to its satisfaction that the property is "licensable" and the Regional Centers have accepted the licensing risk.

The Agency will have the following additional conditions at loan purchase.

- The property has been conveyed by the Developer to the NPO; the initial service provider has assigned the lease to the end service provider; the applicable Regional Center has approved the end service provider and the residence has been placed in service for the intended use. The lease is in full force and effect, the monthly lease payments have been sized to service the loan and neither party is in default under the lease
- The title policy has been reissued naming the Agency as the insured in the form of the Bank's title policy, but showing fee title as being vested in the applicable NPO and the Agency's Regulatory Agreement is shown as an exception. The interest rate on the note has been modified to reflect the permanent interest rate.
- The Agency has received evidence of required insurance naming Agency as additional insured.
- The Agency receives, through escrow, a pro rata portion equal to 5% of loan amount of the Regional Centers' pledged additional collateral funds from the Bank, as well as the Debt Service Reserve, and any other funds due to the Agency.
- All required documents are executed including all assignment agreements and required subordination agreements.
- There is no material damage to the property and no condemnation proceedings have been threatened or commenced with respect to any of the applicable properties
- As applicable, the Agency's bond counsel has approved (A) the NPO and the end service provider for purposes of 501(c) (3) bond issuance and (B) the project costs certification.
- The costs have been certified.
- As applicable, the Service Provider has received licensing approval for the property.
- The Bank has paid the Developer their full fee for the property.

Execution of Core Agreements and Loan Documents

The parties are currently circulating and reviewing the core agreements and loan documents that are required for the transaction. The Agency has drafted Memoranda of Understanding between the Agency and DDS and between the Agency and the Regional Centers. We have also circulated draft legal opinions, a lease assurance agreement and a Permanent Financing Funding Agreement, which will be executed by the Agency and the NPOs. The Agency's final commitment is conditioned upon all core agreements being accepted by the Agency and executed by the parties, and all loan documents having been approved by the Agency.

Phase One of the Construction Program

The BAHP is divided into two phases based on identified residents who are prepared to move. Phase One will consist of 35 properties. Eight of the properties will be in Alameda County, eighteen in Santa Clara County, and nine in San Mateo County. Twelve of the homes will be specialized residential facilities ("SR Homes"), and thirteen of the homes will be SB 962 medical

model homes, both of which require licensure. The remaining ten homes will be family teaching model homes, which are not licensed. Service providers have either been chosen for the homes or request for proposals have been issued. The borrower is in the process of identifying properties. Staff anticipates that most of the SB962 model homes will be new construction, and that the rest will involve rehabilitation.
The Developer anticipates purchasing 5 homes in January, 15 in February and 15 in March of 2006. Phase One will require approximately $60,000,000 in commitments from the Agency for $55,000,000 in costs and $5,000,000 for a Bank required cost over run reserve. The Developer anticipates that the Family Teaching homes and the SR Homes to be financed by the Agency in November of 2006 and the SB 962 homes to be financed in May of 2007.

Phase Two of the Construction Program

Phase Two of the development will be comprised of 36 properties; 32 newly acquired properties and the 4 Cupertino homes. It will require an additional $60,000,000 in permanent commitments from the Agency for $55,000,000 in costs and $5,000,000 for a Bank required cost over-run reserve. The Regional Centers are still working with the residents and their families regarding location. The exact number of Family Teaching homes, SR Homes and SB 962 homes is still to be determined. The Developer intends to begin acquiring homes for Phase Two in May of 2006. The completion date for both phases is December 31, 2007. Permanent financing of the all of the Phase Two homes is anticipated to be completed by March of 2008.

	Homes	Client Beds	Total Beds	Type of Housing	Location	RFP or Identified Service Provider
Regional Center of the East Bay						
	Homes	*Client Beds*	*Total Beds*	*Type of Housing*	*Location*	*RFP or Identified Service Provider*
	2	3	6	SRHome-Behavior	Southern Alameda County	Alegria
	1	3	3	SRHome-Behavior	Northern Alameda County	Alegria
	1	4	4	SRHome-Behavior	Northern Alameda County	Alegria
	1	3	3	SRHome-Behavior	Southern Alameda County	Alegria
	1	4	4	SRHome-Senior	Southern Alameda County	Alegria
	2	5	10	SB 962 (Medical Model) Homes	Southern Alameda County	Request for Proposal
Totals	**8**		**30**			
San Andreas Regional Center						
	Homes	*Client Bed*	*Total Beds*	*Type of Housing*	*Location*	*RFP or Identified Service Provider*
	10	3	30	Family Teaching Model Homes	Cupertino and surrounding communities within a 30 minute travel radius of the original FTM properties.	CCO
	8	5	40	SB 962 (Medical Model) Homes	Santa Clara and greater San Jose area.	Request for Proposal
Totals	**18**		**70**			
Golden Gate Regional Center						
	Homes	*Client Beds*	*Total Beds*	*Type of Housing*	*Location*	*RFP or Identified Service Provider*
	3	3-5	9-15	SB 962 Homes	San Mateo County	1 identified; 2 Request for Proposal
	6	3	18	SRHomes	San Mateo County	All identified
Totals	**9**		**33-39**			
Phase I Total	**35**		**133-139**			

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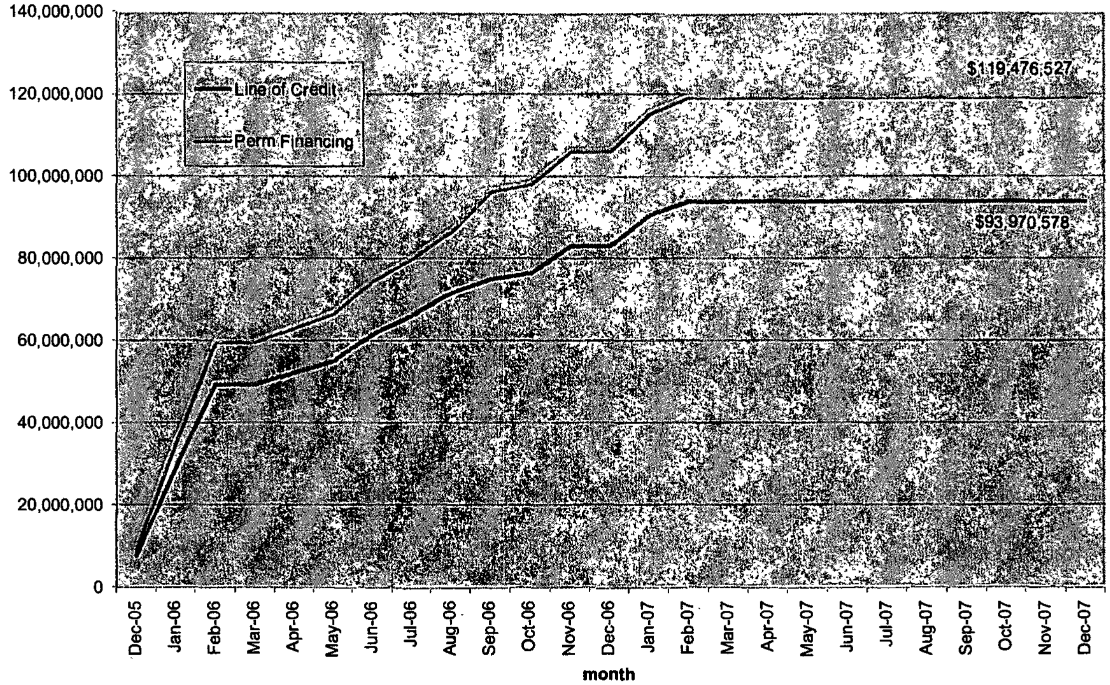
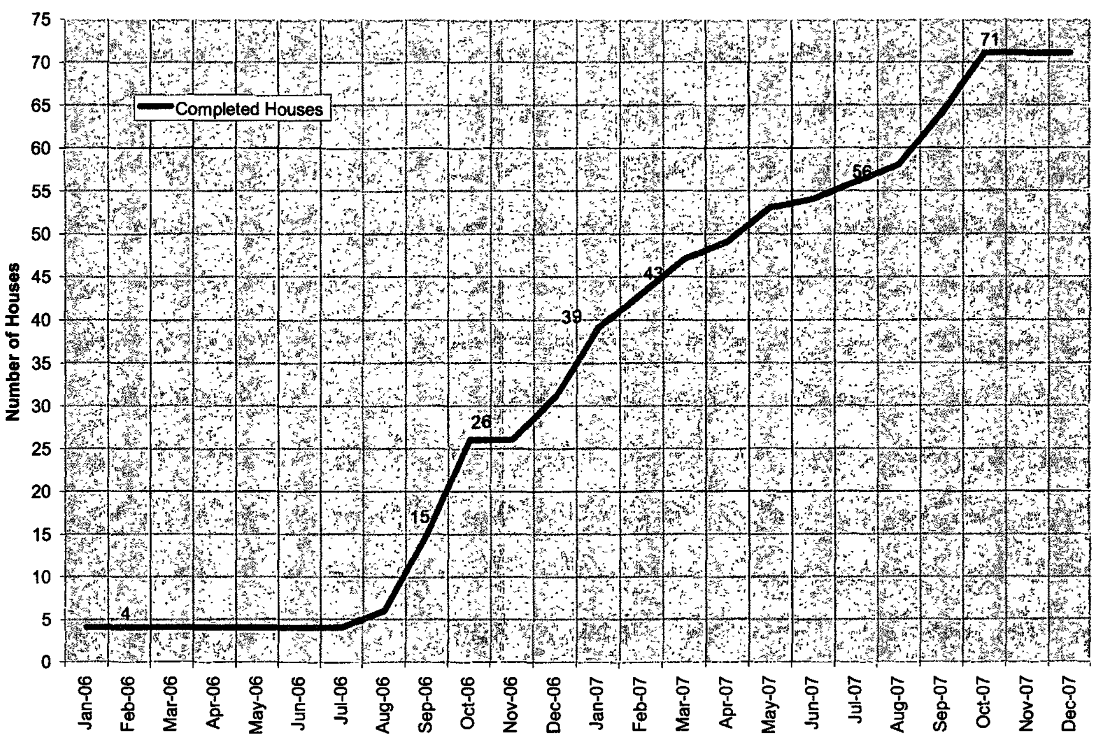
Projected LOC and Perm Funding Commitments



Completed Houses



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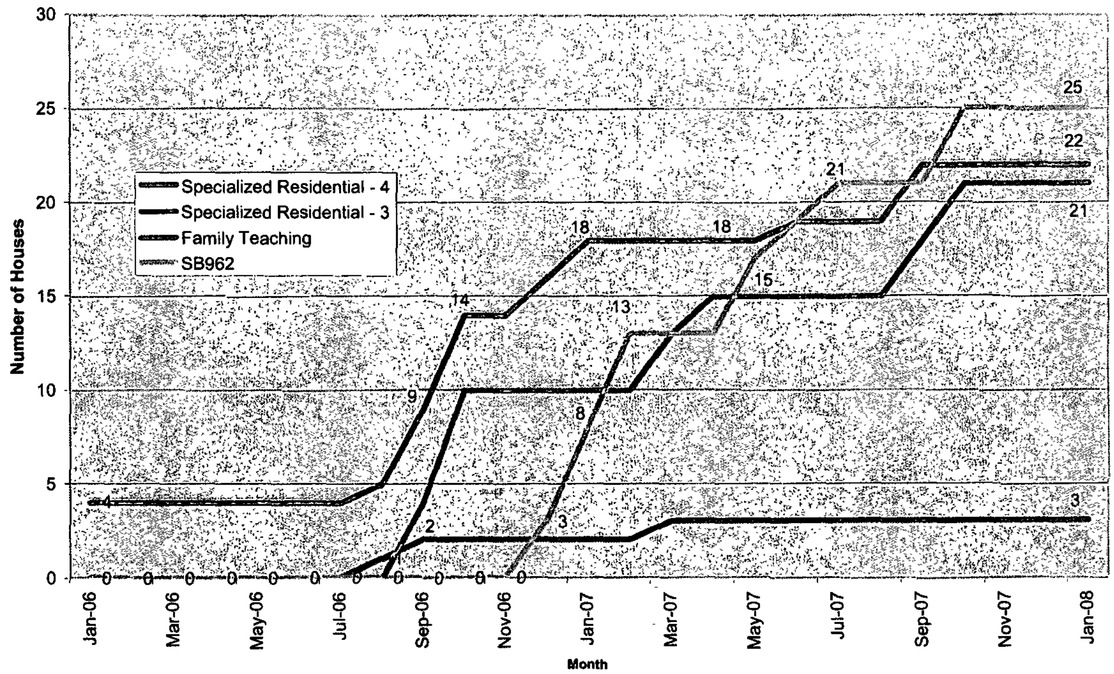
Completed Houses by Type



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Acquisition and Construction by Housing Type

	Specialized Residential - 4		Specialized Residential - 3		Family Teaching Home		SB962 Home - 5		SB962 Home - 4		SB962 Home - 3	
Interest Rate 6.50%	Bldg. SF:	2,225 SF	Bldg. SF:	2,000 SF	Bldg. SF:	3,000 SF	Bldg. SF:	3,500 SF	Bldg. SF:	3,275 SF	Bldg. SF:	3,050 SF
	Site Area:	0.15 A	Site Area:	0 A	Site Area:	0.15 A	Site Area:	0 A	Site Area:	0.18 A	Site Area:	0.16 A
		6,534 SF		6,534 SF		6,534 SF		8,712 SF		7,841 SF		6,970 SF
	# of Beds:	4 EA	# of Beds:	3 EA	# of Beds:	5 EA	# of Beds:	5 EA	# of Beds:	4 EA	# of Beds:	3 EA
	# of Clients:	4 EA	# of Clients:	3 EA	# of Clients:	3 EA	# of Clients:	5 EA	# of Clients:	4 EA	# of Clients:	3 EA
	Cost/SF	Cost	Cost/SF	Cost	Cost/SF	Cost	Cost/SF	Cost	Cost/SF	Cost	Cost/SF	Cost
Construction [1] [1a]	$80.00	$178,000	$80.00	$160,000	$80.00	$240,000	$179.00	$626,500	$181.00	$592,775	$184.00	$561,200
Sitework [2]	$0.00	$0	$0.00	$0	$0.00	$0	$4.25	$37,026	$4.25	$33,323	$4.25	$29,621
Sub-Total		$178,000		$160,000		$240,000		$663,526		$626,098		$590,821
Equipment & Furnishings [3] [3a]		$0		$0		$0		$0		$0		$0
Sub-Total		$0		$0		$0		$0		$0		$0
Building Permits & Fees [4]	$2	$4,450	$2	$4,000	$2	$6,000	$9	$31,500	$9	$29,475	$9	$27,450
Other Soft Cost [5]	$7	$15,575	$7	$14,000	$7	$21,000	$25	$87,500	$25	$81,875	$25	$76,250
Land Cost/Home Purchase Price [6], [6a]		$845,347		$749,040		$936,000		$542,496		$488,247		$433,997
Property Tax [7] [7a]	8 mo.	$6,594	8 mo.	$5,843	8 mo.	$7,301	12 mo.	$6,347	12 mo.	$5,712	12 mo.	$5,078
Construction Contingency	10%	$17,800	10%	$16,000	10%	$24,000	10%	$66,353	10%	$62,610	10%	$59,082
Sub-Total		$889,766		$788,883		$994,301		$734,196		$667,919		$601,857
Loan Fee	1.25%	$13,347	1.25%	$11,861	1.25%	$15,429	1.25%	$17,472	1.25%	$16,175	1.25%	$14,908
Escrow and Title	0.3%	$2,536	0.3%	$2,247	0.3%	$2,808	0.3%	$1,627	0.3%	$1,465	0.3%	$1,302
Legal/Acct fees [8]	0.2%	$2,136	0.2%	$1,898	0.2%	$2,469	0.2%	$2,795	0.2%	$2,588	0.2%	$2,385
Interest Reserve [9]	8 mo.	$51,180	8 mo.	$45,454	8 mo.	$58,642	12 mo.	$87,095	12 mo.	$80,323	12 mo.	$73,679
Overhead & General Requirements	5.0%	$53,388	5.0%	$47,444	5.0%	$61,715	5.0%	$69,886	5 0%	$64,701	5.0%	$59,634
Development Fee	5.0%	$53,388	5.0%	$47,444	5.0%	$61,715	5.0%	$69,886	5.0%	$64,701	5.0%	$59,634
Sub-Total		$175,976		$156,349		$202,777		$248,762		$229,953		$211,542
Grand Total of Acquisition and Construction:		$1,243,741		$1,105,231		$1,437,078		$1,646,484		$1,523,970		$1,404,220
Year One Perm Debt Service Reserve [11]	11.00%	$136,812	11.00%	$121,575	11.00%	$158,079	11.00%	$181,113	11.00%	$167,637	11.00%	$154,464
	Cost/Bed:	$345,138	Cost/Bed:	$408,935	Cost/Bed:	$319,031	Cost/Bed:	$365,519	Cost/Bed:	$380,993	Cost/Bed:	$519,561
	Cost/Client	$345,138	Cost/Client	$408,935	Cost/Client:	$531,719	Cost/Client:	$365,519	Cost/Client:	$380,993	Cost/Client:	$519,561

NOTES

1 Hallmark estimate based on residential estimating data from The Building Journal for June 2005 for San Francisco, Oakland and Santa Clara areas.
2 SB962 cost of construction on SB962-3 and SB962-4 increased due to decrease in economy of scale of high cost common areas relative to square footage
3 Hallmark estimate - cost associated with SB962 model. Includes costs for building pad and utilities hookup for 3000-3500 SQ FT residence.
4 Cost approximated using current permit fee schedules from Oakland, San Francisco and San Jose. Based on approximate square footage of living space and unconditioned space.
5 Hallmark estimate includes allowance of a) Due Diligence items such as inspections and environmental assessment, and b) Architectural/Engineering fees and reimbursables. See SRH detailed construction costs listings in appendix.
6 Based on current market data reported from DataQuick Information Systems, Old Republic Title Company and Century 21. DataQuick reporting includes Alameda, Contra Costa, Marin, San Francisco, San Mateo, Monterey, San Benito, Santa Clara and Santa Cruz counties.
7 Land Cost applies to SB962 homes. Home purchase price applies to SRH and FTH
8 Calculated by taking average property tax rates of Alameda (1.20), San Mateo (1.19) and Santa Clara (1.13) counties.
9 Property tax for SRH and FTH based on 8 months construction. Property tax for SB962 based on 12 months construction.
10 Includes allowance of fees for legal representation and project management/accounting software.
11 Calculation based on payments, (8 months on SRH and FTH, 12 months for SB962) on the purchase price loan amount added to monthly cost of construction, factoring in construction ramp-up.
12 Interest rate of 6.70% estimate based on CalHFA estimates as of 12/2005; average assumes 50% taxable and 50% tax exempt bonds. 11% of TDC serves as a proxy number.

Acquisition and Construction Rollup by Housing Type

	Specialized Residential - 4		Specialized Residential - 3		Family Teaching Home		SB962 Home - 5		TOTAL		Cupertino	
	Bldg. SF:	2,225 SF	Bldg. SF:	2,000 SF	Bldg. SF:	3,000 SF	Bldg. SF:	3,500 SF				
	Site Area:	0.15 A	Site Area:	0.15 A	Site Area:	0.15 A	Site Area:	0.2 A				
		6,534 SF		6,534 SF		6,534 SF		8,712 SF				
	# of Homes.	3	# of Homes:	21	# of Homes:	18	# of Homes:	25	# of Homes	67	# of Homes	4
	# of Beds:	4 EA	# of Beds:	3 EA	# of Beds:	5 EA	# of Beds:	5 EA	# of Beds:	290		
	# of Clients.	4 EA	# of Clients:	3 EA	# of Clients:	3 EA	# of Clients:	5 EA	# of Clients:	254		
	Cost/SF	Cost	Cost/SF	Cost	Cost/SF	Cost	Cost/SF	Cost	Total Cost	% of Total		
Construction	$80.00	$534,000	$80.00	$3,360,000	$80.00	$4,320,000	$179.00	$15,662,500	$23,876,500	25.4%		
Sitework	$0.00	$0	$0.00	$0	$0.00	$0	$4.25	$925,650	$925,650	1.0%		
Sub-Total		$534,000		$3,360,000		$4,320,000		$16,588,150	$24,802,150			
Equipment & Furnishings		$0		$0		$0		$0	$0	0.0%		
Sub-Total		$0		$0		$0		$0	$0	0.0%		
Building Permits & Fees	$2	$13,350	$2	$84,000	$2	$108,000	$9	$787,500	$992,850	1.1%		
Other Soft Cost	$7	$46,725	$7	$294,000	$7	$378,000	$25	$2,187,500	$2,906,225	3.1%		
Land Cost/Home Purchase Price		$2,536,041		$15,729,840		$16,848,000		$13,562,406	$48,676,287	51.8%		
Property Tax	8 mo.	$19,781	8 mo.	$122,693	8 mo.	$131,414	12 mo.	$158,680	$432,568	0.5%		
Construction Contingency	10%	$53,400	10%	$336,000	10%	$432,000	10%	$1,658,815	$2,480,215	2.6%		
Sub-Total		$2,669,297		$16,566,533		$17,897,414		$18,354,901	$55,488,145			
Loan Fee	1.25%	$40,041	1.25%	$249,082	1.25%	$277,718	1.25%	$436,788	$1,003,629	1.1%		
Escrow and Title	0.3%	$7,608	0.3%	$47,190	0.3%	$50,544	0.3%	$40,687	$146,029	0.2%		
Legal/Acct fees	0.2%	$6,407	0.2%	$39,853	0.2%	$44,435	0.2%	$69,886	$160,581	0.2%		
Interest Reserve	8 mo.	$153,541	8 mo.	$954,542	8 mo.	$1,055,557	12 mo.	$2,177,375	$4,341,015	4.6%		
Overhead and Gen. Requirements	5.0%	$160,165	5.0%	$996,327	5.0%	$1,110,871	5.0%	$1,747,153	$4,014,515	4.3%		
Development Fee	5.0%	$160,165	5.0%	$996,327	5.0%	$1,110,871	5.0%	$1,747,153	$4,014,515	4.3%		
Sub-Total		$527,927		$3,283,320		$3,649,995		$6,219,042	$13,680,283			
Total of A&C by model:		**$3,731,224**		**$23,209,852**		**$25,867,409**		**$41,162,093**	**$93,970,578**	**100%**	0	
****Grand Total of A & C for all models:**		**$93,970,578**										
****Year One Perm Debt Reserve**	11%	**$10,336,764**										
Cost Overrun Cushion	10%	**$9,397,058**										
*****Cupertino Duplexes**		**$5,124,598**										
Additional Year One Debt Reserve	11%	**$563,706**										
Permanent Financing Total		**$119,392,704**										

**Debt reserve to be funded at perm loan conversion, and shall not count against the Bank of America Line of Credit
*** 4 FTH previously remodeled in Cupertino financed by LCD and Heritage Bank. CalHFA permanent financing of $5,124,598

Acquisition and Construction Rollup by Housing Model - PHASE I ONLY

	Specialized Residential - 4		Specialized Residential - 3		Family Teaching Home		SB962 Home - 5		TOTAL	
	Bldg. SF:	2,225 SF	Bldg. SF:	2,000 SF	Bldg. SF:	3,000 SF	Bldg. SF:	3,500 SF		
	Site Area:	0.15 A	Site Area:	0.15 A	Site Area:	0.15 A	Site Area:	0.2 A		
		6,534 SF		6,534 SF		6,534 SF		8,712 SF		
	# of Homes:	2	# of Homes:	10	# of Homes:	10	# of Homes:	13	# of Homes:	35
	# of Beds:	4 EA	# of Beds:	3 EA	# of Beds:	5 EA	# of Beds:	5 EA	# of Beds:	153
	# of Clients:	4 EA	# of Clients:	3 EA	# of Clients:	3 EA	# of Clients:	5 EA	# of Clients:	133
	Cost/SF	Cost	Cost/SF	Cost	Cost/SF	Cost	Cost/SF	Cost	Total Cost	% of Total
Construction	$80.00	$356,000	$80.00	$1,600,000	$80.00	$4,320,000	$179.00	$15,662,500	$21,938,500	36.5%
Sitework	$0.00	$0	$0.00	$0	$0.00	$0	$4.25	$925,650	$925,650	1.5%
Sub-Total		$356,000		$1,600,000		$4,320,000		$16,588,150	$22,864,150	
Equipment & Furnishings		$0		$0		$0		$0	$0	0.0%
Sub-Total		$0		$0		$0		$0	$0	0.0%
Building Permits & Fees	$2	$8,900	$2	$40,000	$2	$60,000	$9	$409,500	$518,400	0.9%
Other Soft Cost	$7	$31,150	$7	$140,000	$7	$210,000	$25	$1,137,500	$1,518,650	2.5%
Land Cost/Home Purchase Price		$1,690,694		$7,490,400		$9,360,000		$7,052,451	$25,593,545	42.5%
Property Tax	8 mo.	$13,187	8 mo.	$58,425	8 mo.	$73,008	12 mo.	$82,514	$227,134	0.4%
Construction Contingency	10%	$35,600	10%	$160,000	10%	$432,000	10%	$1,658,815	$2,286,415	3.8%
Sub-Total		$1,779,531		$7,888,825		$10,135,008		$10,340,780	$30,144,144	
Loan Fee	1.25%	$26,694	1.25%	$118,610	1.25%	$154,288	1.25%	$227,130	$526,722	0.9%
Escrow and Title	0.3%	$5,072	0.3%	$22,471	0.3%	$28,080	0.3%	$21,157	$76,781	0.1%
Legal/Acct fees	0.2%	$4,271	0.2%	$18,978	0.2%	$24,686	0.2%	$36,341	$84,276	0.1%
Interest Reserve	8 mo.	$102,361	8 mo.	$454,544	8 mo.	$586,420	12 mo.	$1,132,235	$2,275,560	3.8%
Overhead and Gen. Requirements	5.0%	$106,777	5.0%	$474,441	5.0%	$617,150	5.0%	$908,519	$2,106,888	3.5%
Development Fee	5.0%	$106,777	5.0%	$474,441	5.0%	$617,150	5.0%	$908,519	$2,106,888	3.5%
Sub-Total		$351,951		$1,563,485		$2,027,775		$3,233,902	$7,177,113	
A&C by model:		$2,487,483		$11,052,311		$16,482,783		$30,162,832	$60,185,408	100%
Total of A & C for Phase I		$60,185,408								
*Year One Perm Debt Reserve for Phase I	11%	$6,620,395								
Cost Overrun Cushion for Phase I	10%	$6,018,541								
Cupertino Duplexes		$5,124,598								
**Year One Perm Debt Reserve	11%	$563,706								
Permanent Financing Total for Phase I		$78,512,647								

*Debt reserve to be funded at perm loan conversion, and shall not count against the Bank of America Line of Credit. 11% of A&C Costs is used as a proxy.
**No cost overrun cushion required for Cupertino Duplexes since they are completed projects.

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

SUMMARY

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

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

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

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

LOAN TERMS

Permanent

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

Total Preliminary Commitments

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

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

STRUCUTURE OF THE BAY AREA HOUSING PLAN

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

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

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

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

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

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

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

BAHP FUNDING SOURCES

Predevelopment Funding

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

Construction Funding

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

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

Start Up Lease Payments and Other Regional Center Funding

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

Permanent Financing

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

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

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

Security for the Permanent Loans / Exit Strategy

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

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

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

The following will be required:

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

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

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

LEGISLATIVE BACKGROUND

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

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

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

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

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

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

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

DESCRIPTION OF THE ENTITLEMENT

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

HOME AND COMMUNITY-BASED SERVICES WAIVER

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

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

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

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

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

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

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

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

LICENSING

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

HOUSING TYPES

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

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

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

Improvements

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

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

Project Location

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

OCCUPANCY RESTRICTIONS

CalHFA	20% of the units will be restricted at 50% or less of AMI.
Regional Centers	100% of the units will be restricted to persons with developmental disabilities.
	100% of the units will be restricted to persons with incomes of 80% of AMI (or less as required for the welfare tax exemption).

DEVELOPMENT TEAM

Developer: Hallmark Group/Hallmark Community Services

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

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

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

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

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

NON – PROFIT OWNERS (NPO)

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

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

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

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

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

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

Management Agent

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

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

Contractor

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

PROJECT SUMMARY **PROJECT NUMBER: TBD**

Final Commitment

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

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

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

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

CalHFA Fees and Reserve Requirements

Required Fees and Reserves	Amount	Required Reserves	Amount
CalHFA Permanent Loan Fee 1%	$ 200,000	Replacement Reserve	$960-cash at perm
Estimated Debt Service Reserve	$ 2,039,461		RR will be held by owner
One year Debt Service on $20,000,000 Loan		CalHFA Operating Expense Reserve	NA
50% taxable and 50% tax-exempt rates		Rent Up Reserve	NA
		Other Reserve	NA

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

Acquisition and Construction Summary

Projected Acquisition & Construction Totals By Housing Type

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

Acquisition and Construction

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

8/24/2005

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

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

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

Plan Totals Based on:

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

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

Specialized Residential, Habilitation 4 Clients per Facility				
			TAXABLE RATES	TAX-EXEMPT RATES
Residential Cost Component Projections			15 years @ 6.25%	15 years @ 5.45%
Perr Permanent Loan Amount				
Take-out amount			$ 1,246,424	$ 1,246,424
Loan Fees			$ 12,464	$ 12,464
Estimated Debt service Reserve			$ 129,528	$ 123,034
Subtotal				
Total Projected Permanent Loan Amount			**$1,388,416**	**$1,381,922**
Monthly Debt Service/Home			**$11,905**	**$11,255**
Monthly Debt Service/Client			**$2,976**	**$2,814**
Operations Costs				
Property Management Fee	5.0%		$ 595	$ 563
Utilities	8,640	per/year	$ 720	$ 720
Landscape Maintenance	1,200	per/year	$ 100	$ 100
Minor Maintenance	1,200	per/year	$ 100	$ 100
Property Taxes	9,891	per/year	$ 824	$ -
Property Insurance	7,000	per/year	$ 583	$ 583
Major Maintenance Reserve	960	per/year	$ 80	$ 80
Total Monthly Operating Expenses			**$ 3,003**	**$ 2,146**
Total Debt Service and Operating Costs				
Projected Annual Cost Per Facility			**$178,888**	**$160,811**
Projected Annual Cost Per Client			**$44,722**	**$40,203**
Projected Monthly Cost Per Facility			**$14,907**	**$13,401**
Projected Monthly Cost Per Client			**$3,727**	**$3,350**

Family Teaching Home
5 Beds/3 Clients per Facility

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

SB962 Home 5 Clients per Facility				
			TAXABLE RATES	**TAX-EXEMPT RATES**
Residential Cost Component Projections			15 years @ 6.25%	15 years @ 5.45%
Permanent Loan Amount				
Take-out amount			$ 1,661,008	$ 1,661,008
Loan Fees			$ 16,610	$ 16,610
Estimated Payment Reserve			$ 172,611	$ 163,957
Total Projected Permanent Loan Amount			**$1,850,229**	**$1,841,574**
Monthly Debt Service/Home			**$15,864**	**$14,998**
Monthly Debt Service/Client			**$3,173**	**$3,000**
Operations Costs				
Property Management Fee	5.0%		$ 793	$ 750
Utilities	10,800	per/year	$ 900	$ 900
Landscape Maintenance	1,200	per/year	$ 100	$ 100
Minor Maintenance	1,200	per/year	$ 100	$ 100
Property Taxes	14,110	per/year	$ 1,176	$ -
Property Insurance	7,000	per/year	$ 583	$ 583
Major Maintenance Reserve	960	per/year	$ 80	$ 80
Total Monthly Operating Expenses			$ 3,732	$ 2,513
Total of Debt Service and Operating Costs				
Projected Annual Cost Per Facility			**$235,160**	**$210,140**
Projected Annual Cost Per Client			**$47,032**	**$42,028**
Projected Monthly Cost Per Facility			**$19,597**	**$17,512**
Projected Monthly Cost Per Client			**$3,919**	**$3,502**

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SB962 Home 4 Clients per Facility				
			TAXABLE RATES	TAX-EXEMPT RATES
Residential Cost Component Projections			15 years @ 6.25%	15 years @ 5.45%
Permanent Loan Amount				
Take-out amount			$ 1,537,312	$ 1,537,312
Loan Fees			$ 15,373	$ 15,373
Estimated Payment Reserve			$ 159,757	$ 151,747
Total Projected Permanent Loan Amount			**$1,712,442**	**$1,704,432**
Monthly Debt Service/Home			**$14,683**	**$13,881**
Monthly Debt Service/Client			**$3,671**	**$3,470**
Operations Costs				
Property Management Fee	5.0%		$ 734	$ 694
Utilities	8,640	per/year	$ 720	$ 720
Landscape Maintenance	1,200	per/year	$ 100	$ 100
Minor Maintenance	1,200	per/year	$ 100	$ 100
Property Taxes	14,110	per/year	$ 1,176	$ -
Property Insurance	7,000	per/year	$ 583	$ 583
Major Maintenance Reserve	960	per/year	$ 80	$ 80
Total Monthly Operating Expenses			**$ 3,493**	**$ 2,277**
Total of Debt Service and Operating Costs				
Projected Annual Cost Per Facility			**$218,115**	**$193,906**
Projected Annual Cost Per Client			**$54,529**	**$48,477**
Projected Monthly Cost Per Facility			**$18,176**	**$16,159**
Projected Monthly Cost Per Client			**$4,544**	**$4,040**

8/24/2005

RESOLUTION 05-35

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

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

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

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

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

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

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

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

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

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

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

1. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to execute and deliver a series of final commitment letters, in a form acceptable to the Agency, and subject to recommended terms and conditions set forth in the Staff Report, up to an aggregate amount of $20,000,000.00 in relation to the BAHP described above.

2. The Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency is hereby authorized to execute and deliver one or more preliminary commitment letters, in a form acceptable to the Agency, subject to recommended terms and conditions set forth in the Staff Report, and additionally subject to the further approval of the Board of Directors, up to an additional aggregate amount of $80,000,000.00, in relation to the BAHP described above.

3. The Executive Director may modify the terms and conditions of the final loan commitments provided for above, provided that major modifications, as defined below, must be submitted to this Board for approval. "Major modifications" as used herein means modifications which either (i) increase the total aggregate amount of any final loan commitments made pursuant to the Resolution by more than 7%; or (ii) modifications which in the judgment of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency, adversely change the financial or public purpose aspects of the final commitment in a substantial way.

I hereby certify that this is a true and correct copy of Resolution 05-35 adopted at a duly constituted meeting of the Board of the Agency held on September 8, 2005, at Burbank, California.

ATTEST:______________________
Secretary

State of California

MEMORANDUM

To: Board of Directors **Date:** December 23, 2005

Bruce D. Gilbertson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: ANNUAL SINGLE FAMILY BOND REAUTHORIZATION RESOLUTION 06-03

Resolution 06-03 would authorize the sale and issuance of CalHFA single family bonds (with related interest rate swaps and other financial agreements) for another year. In addition, the resolution would authorize the Agency to borrow for homeownership purposes using both short-term and long-term credit facilities.

Annual reauthorization, a practice approved by the Board every year since 1987, enables the staff to schedule and size our bond transactions to meet demand for loan funds throughout the year without regard to the timing of individual Board meetings.

Resolution 06-03 would authorize single family bonds to be issued in various amounts by category, as follows:

(1) Equal to the amount of prior single family bonds being retired, including eligible bonds of other issuers;

(2) Equal to the amount of private activity bond volume cap made available for our single family program by the California Debt Limit Allocation Committee; and

(3) Up to $900 million of federally-taxable single family bonds (in addition to any taxable bonds issued under the first category).

Bonds would be authorized to be issued under any of the previously-approved forms of indenture as listed in the resolution. We again anticipate continuing to use the Home Mortgage Revenue Bond indenture, with its Aa2/AA- ratings, for our single family bond issuances in 2006. If we decide to again issue bonds for purposes of financing homeownership down payment assistance loans, we anticipate using the Housing Program Bond indenture.

The resolution would also authorize the full range of related financial agreements, including contracts for investment of bond proceeds, for warehousing of mortgages pending the availability of bond proceeds, for interest rate hedging (including the continued use of interest rate swaps), and for forward delivery of bonds through August 1, 2008. The resolution would also authorize contracts for consulting services or information services related to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, and similar matters, and contracts for financial printing and similar services.

The resolution would also reauthorize short-term credit facilities in an aggregate amount not to exceed $450 million (for the Homeownership Programs, Multifamily Programs, Loans to Public Entities and Bay Area Housing Plan). This authorization would allow us to continue to utilize our $300 million warehouse line from the State's Pooled Money Investment Board and up to $150 million from the Bank of America credit line.

The resolution would also authorize long-term credit facilities in an aggregate amount not to exceed $300 million (for the Homeownership Programs, Multifamily Programs, and Loans to Public Entities and Bay Area Housing Plan). We continue to pursue establishing a long-term credit facility that we believe would be a useful borrowing tool for carrying loans made for down payment assistance or made to local agencies under the HELP program or other program initiatives with localities.

In addition, the resolution would reauthorize cooperation with local agencies similar to that accomplished in calendar year 2004 with the Southern California Home Financing Authority and with the City of Los Angeles Department of Housing and in calendar year 2005 with the CRHMFA Homebuyers Fund.

In order to allow for necessary overlap of authority for bond issues scheduled during the time that reauthorization is being considered, Resolution 06-03 would not expire until 30 days after the first Board meeting in the year 2007 at which there is a quorum. Likewise, last year's single family resolution (05-01) will not expire until 30 days after this meeting.

In past years we have strived to lock in our cost of funds approximately every 60 days, whether by means of pricing fixed-rate bonds or, in recent years, via the interest rate swap market. In 2006, we will continue to do our best to periodically match our cost of funds to our lending rates, but this effort will be affected, as was the case in 2005, by our plans to fund a portion of our new loans with moneys received from "excess" prepayments of loans made in recent years.

Attachment

RESOLUTION NO. 06-03

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY AUTHORIZING THE AGENCY'S SINGLE FAMILY BOND INDENTURES, THE ISSUANCE OF SINGLE FAMILY BONDS, SHORT- AND LONG-TERM CREDIT FACILITIES FOR HOMEOWNERSHIP PURPOSES, AND RELATED FINANCIAL AGREEMENTS AND CONTRACTS OF SERVICES

WHEREAS, the California Housing Finance Agency (the "Agency") has determined that there exists a need in California for providing financial assistance, directly or indirectly, to persons and families of low or moderate income to enable them to purchase moderately priced single family residences ("Residences");

WHEREAS, the Agency has determined that it is in the public interest for the Agency to provide such financial assistance by means of ongoing programs (collectively, the "Program") to make loans to such persons and families, or to developers, for the acquisition, development, construction and/or permanent financing of Residences (the "Loans");

WHEREAS, pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the "Act"), the Agency has the authority to issue bonds to provide sufficient funds to finance the Program, including the purchase of Loans, the payment of capitalized interest on the bonds, the establishment of reserves to secure the bonds, and the payment of other costs of the Agency incident to, and necessary or convenient to, the issuance of the bonds;

WHEREAS, the Agency, pursuant to the Act, has from time to time issued various series of its Single Family Mortgage Purchase Bonds (the "SFMP Bonds"), its Home Ownership and Home Improvement Revenue Bonds (the "HOHI Bonds"), its Home Mortgage Revenue Bonds (the "HMP Bonds"), its Home Ownership Mortgage Bonds (the "HOM Bonds"), its Single Family Mortgage Bonds (the "SFMor Bonds"), and its Housing Program Bonds (the "HP Bonds"), and is authorized pursuant to the Act to issue additional SFMP Bonds, HOHI Bonds, HMP Bonds, HOM Bonds, SFMor Bonds, and HP Bonds (collectively with bonds authorized under this resolution to be issued under new indentures, the "Bonds") to provide funds to finance the Program;

WHEREAS, pursuant to the Act, the Agency has the authority to enter into short-term and long-term credit facilities for the same purposes for which the Agency may issue bonds;

WHEREAS, pursuant to Chapter 6 of Part 5 of Division 31 (Sections 52060 et seq.) of the Health and Safety Code of the State of California (the "Local Agency Assistance Act"), the Agency also has the authority to enter into agreements with cities, counties and joint powers authorities created by cities and counties (collectively, "Local Agencies"), which provide that the Agency shall sell bonds on behalf of such Local Agencies for the purpose of providing funds for home mortgages financing residences within the respective jurisdictions of such Local Agencies; and

WHEREAS, the Local Agency Assistance Act provides that although such bonds are to be bonds of the Local Agency ("Local Agency Bonds"), the proceeds of such Local Agency Bonds may be utilized in the Agency's Program, including borrowing such proceeds through the issuance of Bonds to the Local Agency;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors (the "Board") of the California Housing Finance Agency as follows:

Section 1. **Determination of Need and Amount.** The Agency is of the opinion and hereby determines that the issuance of one or more series of Bonds, in an aggregate amount not to exceed the sum of the following amounts, is necessary to provide sufficient funds for the Program:

(a) the aggregate amount of Bonds and/or other qualified mortgage bonds (including bonds of issuers other than the Agency) to be redeemed or maturing in connection with such issuance,

(b) the aggregate amount of private activity bond allocations under federal tax law heretofore or hereafter made available to the Agency (including any such allocations made available to a Local Agency in connection with the issuance of Local Agency Bonds) for such purpose, and

(c) if and to the extent interest on one or more of such series of Bonds is determined by the Executive Director to be intended not to be excludable from gross income for federal income tax purposes, $900,000,000.

Section 2. **Authorization and Timing.** The Bonds are hereby authorized to be issued in such aggregate amount at such time or times on or before the day 30 days after the date on which is held the first meeting of the Board in the year 2007 at which a quorum is present, as the Executive Director of the Agency (the "Executive Director") deems appropriate, upon consultation with the Treasurer of the State of California (the "Treasurer") as to the timing of each such issuance; provided, however, that if the bonds are sold at a time on or before the day 30 days after the date on which is held such meeting, pursuant to a forward purchase or drawdown agreement providing for the issuance of such Bonds on or before August 1, 2008 upon specified terms and conditions, such Bonds may be issued on such later date.

Section 3. **Approval of Forms of Indentures.** The Executive Director and the Secretary of the Board of Directors of the Agency (the "Secretary") are hereby authorized and directed, for and on behalf and in the name of the Agency in connection with the issuance of Bonds, to execute and acknowledge and to deliver to the Treasurer as trustee and/or, if appropriate, to a duly qualified bank or trust company selected by the Executive Director to act as trustee or co-trustee with the approval of the Treasurer (collectively, the "Trustees"), one or more new indentures (the "New Indentures"), in one or more forms similar to one or more of the following (collectively, the "Prior Indentures"):

(a) that certain indenture pertaining to the SFMP Bonds (the "SFMP Indenture"),

(b) that certain indenture pertaining to the HOHI Bonds (the "HOHI Indenture"),

(c) that certain indenture pertaining to the HOM Bonds (the "HOM Indenture"),

(d) those certain indentures pertaining to the HMP Bonds (the "HMP Indentures"),

(e) that form of general indenture approved by Resolution No. 92-41, adopted November 12, 1992 (the "SHOP Indenture"),

(f) that form of master trust indenture proposed by Fannie Mae ("Fannie Mae") in connection with their "MRB Express" program and approved by Resolution No. 93-30, adopted September 7, 1993 (the "Fannie Mae MRB Express Program Indenture"),

(g) that form of general indenture designed for the Fannie Mae Index Option Program and approved by Resolution No. 94-01, adopted January 13, 1994 (the "Fannie Mae Index Option Program Indenture"),

(h) those certain indentures pertaining to the SFMor Bonds (the "SFMor Indentures"),

(i) the form of draw down bond indenture approved by Resolution No. 01-04, as amended by Resolution No. 01-39, adopted November 8, 2001,

(j) the form of bond indenture approved by Resolution No. 02-01, as amended by Resolution 02-17, adopted June 6, 2002, and/or

(k) that certain indenture pertaining to the HP Bonds (the "HP Indenture").

Each such New Indenture may be executed, acknowledged and delivered with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof. Changes reflected in any New Indenture may include, without limitation, provision for a supplemental pledge of Agency moneys or assets (including but not limited to, a deposit from the Supplementary Bond Security Account created under Section 51368 of the Act) and provision for the Agency's general obligation to additionally secure the Bonds if appropriate in furtherance of the objectives of the Program.

Section 4. **Approval of Forms of Supplemental Indenture.** The Executive Director and the Secretary are hereby authorized and directed, for and on behalf and in the name of the Agency, to execute and acknowledge and to deliver with respect to each series of Bonds, if and to the extent appropriate, a supplemental indenture (a "Supplemental Indenture") under either one of the Prior Indentures or a New Indenture and in substantially the form of the respective supplemental indentures previously executed and delivered or approved, each with such changes therein as the officers executing the same approve upon consultation with the

Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof. Changes reflected in any Supplemental Indenture may include, without limitation, provision for a supplemental pledge of Agency moneys or assets (including but not limited to, a deposit from the Supplementary Bond Security Account created under Section 51368 of the Act) and provision for the Agency's general obligation to additionally secure the Bonds if appropriate in furtherance of the objectives of the Program.

The Executive Director is hereby expressly authorized and directed, for and on behalf and in the name of the Agency, to determine in furtherance of the objectives of the Program those matters required to be determined under the applicable Prior Indenture or any New Indenture, as appropriate, in connection with the issuance of each such series, including, without limitation, any reserve account requirement or requirements for such series.

Section 5. **Approval of Forms and Terms of Bonds.** The Bonds shall be in such denominations, have such registration provisions, be executed in such manner, be payable in such medium of payment at such place or places within or without California, be subject to such terms of redemption (including from such sinking fund installments as may be provided for) and contain such terms and conditions as each Supplemental Indenture as finally approved shall provide. The Bonds shall have the maturity or maturities and shall bear interest at the fixed, adjustable or variable rate or rates deemed appropriate by the Executive Director in furtherance of the objectives of the Program; provided that no Bond shall have a term in excess of fifty years or bear interest at a stated rate in excess of fifteen percent (15%) per annum (in the case of variable rate bonds, a maximum floating interest rate of twenty-five percent (25%) per annum). Any of the Bonds and the Supplemental Indenture(s) may contain such provisions as may be necessary to accommodate an option to put such Bonds prior to maturity for purchase by or on behalf of the Agency or a person other than the Agency, to accommodate the requirements of any provider of bond insurance or other credit or liquidity enhancement or to accommodate the requirements of purchasers of Dutch auction bonds or indexed floaters.

Section 6. **Authorization of Disclosure.** The Executive Director is hereby authorized to circulate one or more Preliminary Official Statements relating to the Bonds and, after the sale of the Bonds, to execute and circulate one or more Official Statements relating to the Bonds, and the circulation of such Preliminary Official Statements and such Official Statements to prospective and actual purchasers of the Bonds is hereby approved. The Executive Director is further authorized to hold information meetings concerning the Bonds and to distribute other information and material relating to the Bonds.

Section 7. **Authorization of Sale of Bonds.** The Bonds are hereby authorized to be sold at negotiated or competitive sale or sales. The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver one or more purchase contracts (including one or more forward purchase agreements) relating to the Bonds, by and among the Agency, the Treasurer and such underwriters or other purchasers (including, but not limited to, Fannie Mae) as the Executive Director may select (the "Purchasers"), in the form or forms approved by the Executive Director upon consultation with the Agency's legal counsel, such approval to be evidenced conclusively by the execution and delivery of said purchase contract by the Executive Director.

The Treasurer is hereby authorized and requested, without further action of the Board and unless instructed otherwise by the Board, to sell each series of Bonds at the time and place and pursuant to the terms and conditions set forth in each such purchase contract as finally executed. The Treasurer is hereby further authorized and requested to deposit the proceeds of any good faith deposit to be received by the Treasurer under the terms of a purchase contract in a special trust account for the benefit of the Agency, and the amount of said deposit shall be retained by the Agency, applied at the time of delivery of the applicable Bonds as part of the purchase price thereof, or returned to the Purchasers, as provided in such purchase contract.

Section 8. **Authorization of Execution of Bonds.** The Executive Director is hereby authorized and directed to execute, and the Secretary is hereby authorized to attest, for and on behalf and in the name of the Agency and under its seal, the Bonds, in an aggregate amount not to exceed the amount authorized hereby, in accordance with the Prior Indenture(s), the Supplemental Indenture(s) or the New Indenture(s) and in one or more of the forms set forth in the Prior Indenture(s), the Supplemental Indenture(s) or the New Indenture(s), as appropriate.

Section 9. **Authorization of Delivery of Bonds.** The Bonds, when so executed, shall be delivered to the Trustees to be authenticated by, or caused to be authenticated by, the Trustees. The Trustees are hereby requested and directed to authenticate, or cause to be authenticated, the Bonds by executing the certificate of authentication and registration appearing thereon, and to deliver the Bonds when duly executed and authenticated to the Purchasers in accordance with written instructions executed on behalf of the Agency by the Executive Director, which instructions said officer is hereby authorized and directed, for and on behalf and in the name of the Agency, to execute and deliver. Such instructions shall provide for the delivery of the Bonds to the Purchasers upon payment of the purchase price or prices thereof.

Section 10. **Authorization of Related Financial Agreements.** The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, any and all agreements and documents designed (i) to reduce or hedge the amount or duration of any payment, interest rate, spread or similar risk, (ii) to result in a lower cost of borrowing when used in combination with the issuance or carrying of bonds or investments, or (iii) to enhance the relationship between risk and return with respect to the Program or any portion thereof. To the extent authorized by Government Code Section 5922, such agreements or other documents may include (a) interest rate swap agreements, (b) forward payment conversion agreements, (c) futures or other contracts providing for payments based on levels of, or changes in, interest rates or other indices, (d) contracts to exchange cash flows for a series of payments, or (e) contracts, including, without limitation, interest rate floors or caps, options, puts or calls to hedge payment, interest rate, spread or similar exposure, and in each such case may be entered into in anticipation of the issuance of bonds at such times as may be determined by such officers. Such agreements and other documents are authorized to be entered into with parties selected by the Executive Director, after giving due consideration for the creditworthiness of the counterparties, where applicable, or any other criteria in furtherance of the objectives of the Program.

Section 11. **Authorization of Program Documents.** The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, all documents they deem necessary or appropriate in connection with the Program, including, but not limited to, one or more mortgage purchase and servicing agreements (including mortgage-backed security pooling agreements) and one or more loan servicing agreements with such lender or lenders or such servicer or servicers as the Executive Director may select in accordance with the purposes of the Program, and any such selection of a lender or lenders or a servicer or servicers is to be deemed approved by this Board as if it had been made by this Board. The mortgages to be purchased may be fixed rate, step rate, adjustable rate, graduated payment, deferred payment or any combination of the foregoing, may have terms of 40 years or less and may be insured by such mortgage insurers as are selected by the Executive Director in furtherance of the objectives of the Program.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more mortgage sale agreements with such purchasers as the Executive Director may select in accordance with the objectives of the Program. Any such sale of Loans may be on either a current or a forward purchase basis.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, contracts to conduct foreclosures of mortgages owned or serviced by the Agency with such attorneys or foreclosure companies as the Executive Director may select in accordance with the objectives of the Program.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, contracts for the sale of foreclosed properties with such purchasers as the Executive Director may select in accordance with the objectives of the Program. Any such sale of foreclosed properties may be on either an all cash basis or may include financing by the Agency. The Executive Director and the other officers of the Agency are also authorized to enter into any other agreements, including but not limited to real estate brokerage agreements and construction contracts necessary or convenient for the rehabilitation, listing and sale of such foreclosed properties.

Section 12. **Authorization of Short-term Credit Facilities.** The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more short-term credit facilities for the purposes of (i) financing the purchase of Loans on an interim basis, prior to the financing of such Loans with Bonds, whether issued or to be issued and (ii) financing expenditures of the Agency incident to, and necessary or convenient to, the issuance of Bonds, including, but not limited to, Agency expenditures to pay costs of issuance, capitalized interest, redemption price of prior bonds of the Agency, costs relating to credit or liquidity support, costs relating to investment products, or net payments and expenses relating to interest rate hedges and other financial products. Any such short-term credit facility may be from any appropriate source, including, but not limited to, the Pooled Money Investment Account pursuant to Government Code Section 16312; provided, however, that the aggregate outstanding principal amount of short-term credit facilities authorized under this resolution, Resolution No. 06-04 (the multifamily financing resolution adopted at the same meeting), Resolution No. 06-05 (the resolution authorizing financing of loans to local public entities adopted at the same meeting) or Resolution No. 06-06 (the Bay Area Housing Plan resolution adopted at the same meeting) may not at any time exceed

$450,000,000 (separate and apart from the amount of Bonds authorized by Section 1 of this resolution).

The Executive Director and the other officers of the Agency are hereby authorized to use available Agency moneys (other than and in addition to the proceeds of bonds) to make or purchase Loans to be financed by bonds (including bonds authorized by prior resolutions of this Board) in anticipation of draws on a credit facility, the issuance of Bonds or the availability of Bond proceeds for such purposes.

Section 13. **Authorization of Long-Term Credit Facilities**. The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more long-term credit facilities for the purposes of financing the making or purchase of non-traditional loan products or other assets, including, but not limited to, loans for downpayment assistance or loans to local public entities, in each case for the purpose of providing, directly or indirectly, financial assistance to persons and families of low or moderate income to enable them to purchase single family residences. As determined by the officer of the Agency executing any such credit facility, the Agency's payment obligations under such credit facility may be secured by a pledge of any such loans or assets and may be general obligations of the Agency; provided that loans and assets financed from proceeds of any such credit facility are not required to have scheduled or expected payments sufficient to produce amounts sufficient to satisfy the obligations of the Agency under such credit facility when due. Any such credit facility may be from any appropriate source, including, but not limited to, Fannie Mae. The aggregate outstanding principal amount of such credit facilities authorized under this resolution, Resolution No. 06-04 (the multifamily financing resolution adopted at the same meeting), Resolution No. 06-05 (the resolution authorizing financing of loans to local public entities adopted at the same meeting) or Resolution No. 06-06 (the Bay Area Housing Plan resolution adopted at the same meeting) may not at any time exceed $300,000,000 (separate and apart from the amount of Bonds authorized by Section 1 of this resolution), and no such credit facility shall have a term in excess of twenty (20) years or bear interest at a stated rate in excess of fifteen percent (15%) per annum (or in the case of any such credit facility pursuant to which interest accrues at a variable rate, a maximum floating interest rate of twenty-five percent (25%) per annum). Each such credit facility may be executed, acknowledged and delivered with terms not inconsistent with the requirements of this paragraph as the officer or officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 14. **Local Agency Cooperation**. (a) The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver one or more agreements with one or more Local Agencies providing that the Agency shall sell Local Agency Bonds for the purpose of providing funds for the Program for the purchase of Loans financing Residences within the jurisdiction of the applicable Local Agency. Each such agreement shall contain the provisions required by Section 52062 of the Local Agency Assistance Act and shall provide that the method by which the Agency shall utilize the proceeds of Local Agency Bonds in the Agency's Program shall be for the Agency to borrow such proceeds by the issuance of Bonds to the Local Agency. The Bonds shall be in the form and shall be issued under the terms and conditions authorized by this resolution, applied as appropriate under the circumstances. The Bonds shall serve as the primary source of payment of and as security for the Local Agency Bonds.

The Local Agency Bonds are hereby authorized to be sold at such time or times, on or before the day 30 days after the date on which is held the first meeting of the Board in the year 2007 at which a quorum is present, as the Executive Director deems appropriate, upon consultation with the Treasurer as to the timing of each such sale.

(b) The Executive Director is hereby authorized to circulate one or more Preliminary Official Statements relating to the Local Agency Bonds and, after the sale of the Local Agency Bonds, to execute and circulate one or more Official Statements relating to the Local Agency Bonds, and the circulation of such Preliminary Official Statements and such Official Statements to prospective and actual purchasers of the Local Agency Bonds is hereby approved. The Executive Director is further authorized to hold information meetings concerning the Local Agency Bonds and to distribute other information and material relating to the Local Agency Bonds.

(c) The Local Agency Bonds are hereby authorized to be sold at negotiated or competitive sale or sales. The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Agency and the Local Agency, to execute and deliver one or more purchase contracts (including one or more forward purchase agreements) relating to the Local Agency Bonds, by and among the Agency, the Treasurer, the Local Agency (if appropriate) and such underwriters or other purchasers (including, but not limited to, Fannie Mae) as the Executive Director may select (the "Local Agency Bond Purchasers"), in the form or forms approved by the Executive Director upon consultation with the Agency's legal counsel, such approval to be evidenced conclusively by the execution and delivery of said purchase contract by the Executive Director.

(d) The Treasurer is hereby authorized and requested, without further action of the Board and unless instructed otherwise by the Board, to sell each series of Local Agency Bonds at the time and place and pursuant to the terms and conditions set forth in each such purchase contract as finally executed. The Treasurer is hereby further authorized and requested to deposit the proceeds of any good faith deposit to be received by the Treasurer under the terms of a purchase contract in a special trust account for the benefit of the Agency and the Local Agency, and the amount of said deposit shall be applied at the time of delivery of the applicable Local Agency Bonds, as the case may be, as part of the purchase price thereof or returned to the Local Agency Bond Purchasers as provided in such purchase contract.

Section 15. **Ratification of Prior Actions.** All actions previously taken by the Agency relating to the implementation of the Program, the issuance of the Bonds, the issuance of any prior bonds, the execution and delivery of related financial agreements and related program agreements and the implementation of any credit facilities as described above, including, but not limited to, such actions as the distribution of the Agency's Lender Program Manual, Mortgage Purchase and Servicing Agreement, Servicing Agreement, Developer Agreement, Servicer's Guide, Program Bulletins and applications to originate and service loans, and the sale of any foreclosed property, are hereby ratified.

Section 16. **Authorization of Related Actions and Agreements.** The Treasurer, the Executive Director and the officers of the Agency, or the duly authorized deputies thereof, are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all agreements and documents which they deem necessary or advisable in order to consummate the issuance, sale, delivery, remarketing, conversion and administration of Bonds and otherwise to effectuate the purposes of this resolution, including declaring the official intent of the Agency for purposes of U.S. Treasury Regulations Section 1.150-2, and including executing and delivering any amendment or supplement to any agreement or document relating to Bonds in any manner that would be authorized under this resolution if such agreement or document related to Bonds is authorized by this resolution. Such agreements may include, but are not limited to, remarketing agreements, tender agreements or similar agreements regarding any put option for the Bonds, broker-dealer agreements, market agent agreements, auction agent agreements or other agreements necessary or desirable in connection with the issuance of Bonds in, or the conversion of Bonds to, an auction rate mode or an indexed rate mode, agreements for the investment of moneys relating to the Bonds, reimbursement agreements relating to any credit or liquidity enhancement or put option provided for the Bonds, continuing disclosure agreements and agreements for necessary services provided in the course of the issuance of the bonds, including but not limited to, agreements with bond underwriters and placement agents, bond trustees, bond counsel and financial advisors and contracts for consulting services or information services relating to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, and similar matters, and contracts for financial printing and similar services. The Agency's reimbursement obligation under any such reimbursement agreement may be a special, limited obligation or a general obligation and may, subject to the rights of the Bondholders, be secured by a pledge of the same revenues and assets that may be pledged to secure Bonds.

This resolution shall constitute full, separate, complete and additional authority for the execution and delivery of all agreements and instruments described in this resolution, without regard to any limitation in the Agency's regulations and without regard to any other resolution of the Board that does not expressly amend and limit this resolution.

Section 17. **Additional Delegation.** All actions by the Executive Director approved or authorized by this resolution may be taken by the Chief Deputy Director of the Agency, the Director of Financing of the Agency, the Comptroller of the Agency or any other person specifically authorized in writing by the Executive Director.

SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 06-03 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 12th day of January, 2006, of which meeting all said directors had due notice; and that at said meeting said Resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 12th day of January, 2006.

[SEAL]

Thomas C. Hughes
Secretary of the Board of Directors of the
California Housing Finance Agency

SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 06-03 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 12th day of January, 2006, of which meeting all said directors had due notice; and that at said meeting said Resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

I further certify that I have carefully compared the foregoing copy with the original minutes of said meeting on file and of record in my office; that said copy is a full, true, and correct copy of the original Resolution adopted at said meeting and entered in said minutes; and that said Resolution has not been amended, modified or rescinded in any manner since the date of its adoption, and the same is now in full force and effect.

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this ___ day of _______________, ____.

[SEAL]

____
Thomas C. Hughes
Secretary of the Board of Directors of the
California Housing Finance Agency

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State of California

MEMORANDUM

To: Board of Directors **Date:** December 23, 2005

Bruce D. Gilbertson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: ANNUAL MULTIFAMILY BOND REAUTHORIZATION RESOLUTION 06-04

Resolution 06-04 would authorize the sale and issuance of CalHFA multifamily bonds (with related interest rate swaps and other financial agreements) for another year. In addition, the resolution would authorize the Agency to borrow for multifamily purposes using both short-term and long-term credit facilities.

Annual reauthorization, a practice approved by the Board every year since 1987, enables the staff to schedule and size our bond transactions to meet the demand for loan funds throughout the year without regard to the timing of individual Board meetings.

Resolution 06-04 would authorize multifamily bonds to be issued in various amounts by category, as follows:

(1) Equal to the amount of prior multifamily bonds being retired, including eligible bonds of other issuers;

(2) Equal to the amount of private activity bond volume cap made available for our multifamily program by the California Debt Limit Allocation Committee (CDLAC);

(3) Up to $800 million for the combined amount of 501(c)(3) bonds, "governmental purpose" bonds, and federally-taxable multifamily bonds (in addition to any taxable bonds issued under the first category); and

(4) Up to $300 million for financing or refinancing the acquisition of existing multifamily loans;

While bonds would be authorized to be issued under any of the previously-approved forms of indenture as listed in the resolution, we again anticipate continuing to utilize the Multifamily Housing Revenue Bonds III indenture, which relies on the Agency's general obligation ratings of Aa3/AA- for its credit. Our general obligation acts as the primary credit enhancement for our multifamily program, thus reducing the cost of outside sources of credit, while preserving our program's independence.

The resolution would also authorize the full range of related financial agreements, including contracts for investment of bond proceeds, for warehousing of mortgages pending the availability of bond proceeds, for interest rate hedging (including the continued use of interest rate swaps), and for forward delivery of bonds through August 1, 2008. The resolution would also authorize contracts for consulting services or information services related to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, and similar matters, and contracts for financial printing and similar services.

The resolution would also reauthorize short-term credit facilities in an aggregate amount not to exceed $450 million (for the Homeownership Programs, Multifamily Programs, Loans to Local Public Entities and Bay Area Housing Plan). This authorization would allow us to continue to utilize our $300 million warehouse line from the State's Pooled Money Investment Board and up to $150 million from the Bank of America credit line. This bank line of credit is primarily used for multifamily loan warehousing.

The resolution would authorize long-term credit facilities in an aggregate amount not to exceed $300 million (for the Homeownership Programs, Multifamily Programs, Loans to Local Public Entities and Bay Area Housing Plan). We continue to pursue establishing a long-term credit facility that we believe would be a useful borrowing tool for carrying loans made for down payment assistance or made to local agencies under the HELP program or other program initiatives with localities.

In order to allow for necessary overlap of authority for bond issues scheduled during the time that reauthorization is being considered, Resolution 06-04 would not expire until 30 days after the first Board meeting in the year 2007 at which there is a quorum. Likewise, last year's multifamily resolution (05-02) will not expire until 30 days after this meeting.

During 2006 we anticipate a small issue of multifamily drawdown bonds and two issues of our Multifamily Housing Revenue Bonds III -- in June and November -- each in connection with private activity volume cap authorized for our use by CDLAC. We expect both of the MHRB-III transactions to include additional bonds to be authorized by this resolution, such as 501(c)(3) bonds, refunding bonds, and taxable bonds.

Attachment

RESOLUTION NO. 06-04

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY AUTHORIZING THE AGENCY'S MULTIFAMILY BOND INDENTURES, THE ISSUANCE OF MULTIFAMILY BONDS, SHORT- AND LONG-TERM CREDIT FACILITIES FOR MULTIFAMILY PURPOSES, AND RELATED FINANCIAL AGREEMENTS AND CONTRACTS OF SERVICES

WHEREAS, the California Housing Finance Agency (the "Agency") has determined that there exists a need in California for the financing of mortgage loans for the construction or development of multi-unit rental housing developments for the purpose of providing housing for persons and families of low or moderate income (the "Developments");

WHEREAS, the Agency has determined that it is in the public interest for the Agency to provide such financial assistance by means of an ongoing program (the "Program") to make or acquire, or to make loans to lenders to make or acquire, mortgage loans, for the purpose of financing such Developments (the "Loans");

WHEREAS, pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the "Act"), the Agency has the authority to issue bonds to provide sufficient funds to finance the Program, including the making of Loans, the payment of capitalized interest on the bonds, the establishment of reserves to secure the bonds, and the payment of other costs of the Agency incident to, and necessary or convenient to, the issuance of the bonds; and

WHEREAS, pursuant to the Act, the Agency has the authority to enter into short-term and long-term credit facilities for the purposes of financing the Program, including the making of Loans and the payment of other costs of the Agency incident to, and necessary or convenient to, the issuance of the bonds, and for the purposes of financing the making or purchase of non-traditional loan products or other assets, including, but not limited to, loans to local public entities, in each case for the purpose of providing, directly or indirectly, rental housing for persons and families of low or moderate income;

NOW, THEREFORE, BE IT RESOLVED, by the California Housing Finance Agency as follows:

Section 1. **Determination of Need and Amount.** The Agency is of the opinion and hereby determines that the offer, sale and issuance of one or more series of multifamily housing revenue bonds (the "Bonds"), in an aggregate amount not to exceed the sum of the following amounts is necessary to provide sufficient funds for the Program:

(a) the aggregate amount of prior multifamily bonds of the Agency (or of other issuers to the extent permitted by law) to be redeemed or maturing in connection with such issuance;

(b) the aggregate amount of private activity bond allocations under federal tax law heretofore or hereafter made available to the Agency for such purpose;

(c) if and to the extent the Bonds are "qualified 501(c)(3) bonds" under federal tax law, are not "private activity bonds" under federal tax law, or are determined by the Executive Director of the Agency (the "Executive Director") to be intended not to be tax-exempt for federal income tax purposes, $800,000,000; and

(d) if and to the extent the Bonds are issued for the purpose of financing or refinancing the acquisition of existing Loans that finance existing Developments, or for the purpose of refinancing such Developments, $300,000,000.

Section 2. **Authorization and Timing.** The Bonds are hereby authorized to be issued at such time or times on or before the day 30 days after the date on which is held the first meeting in the year 2007 of the Board of Directors of the Agency at which a quorum is present, as the Executive Director deems appropriate, upon consultation with the Treasurer of the State of California (the "Treasurer") as to the timing of each such issuance; provided, however, that if the Bonds are sold at a time on or before the day 30 days after the date on which is held such meeting, pursuant to a forward purchase or drawdown agreement providing for the issuance of such Bonds on a later date on or before August 1, 2008, upon specified terms and conditions, such Bonds may be issued on such later date; and provided, further, that Bonds being issued to refund Bonds of the type described in Section 1(d) of this resolution or to refinance Developments financed by Bonds of the type described in such Section 1(d) may be issued at any time prior to the original maturity date of the original Loans financed by such Bonds.

Section 3. **Approval of Indentures, Supplemental Indentures and Certain Other Financing Documents.** (a) The Executive Director and the Secretary of the Board of Directors of the Agency (the "Secretary") are hereby authorized and directed, for and on behalf and in the name of the Agency in connection with the issuance of Bonds, to execute and acknowledge and to deliver to a duly qualified bank or trust company selected by the Executive Director to act, with the approval of the Treasurer, as trustee (the "Trustee"), one or more new indentures (the "New Indentures"), in one or more forms similar to one or more of the following (collectively, the "Prior Indentures"):

(1) the Multi-Family Revenue Bonds (Federally Insured Loans) Indenture, dated as of April 17, 1979;

(2) the Multi-Unit Rental Housing Revenue Bonds Indenture, dated as of July 12, 1979;

(3) the Rental Housing Revenue Bonds (FHA Insured Loans) Indenture, dated as of June 1, 1982;

(4) the Multi-Unit Rental Housing Revenue Bonds II Indenture, dated as of September 1, 1982;

(5) the Multifamily Rehabilitation Revenue Bonds, 1983 Issue A Indenture, dated as of December 1, 1983;

(6) the Multifamily Housing Revenue Bond (Insured Letter of Credit 1984-I) Indenture, dated as of March 1, 1984;

(7) the Housing Revenue Bond Indenture, dated as of July 1, 1984;

(8) the Multifamily Rehabilitation Revenue Bond, 1985 Issue A, Indenture, dated as of March 1, 1985;

(9) the form of indenture approved by the Board of Directors of the Agency at its May 11, 1989 meeting for the Financial Guaranty Insurance Company program;

(10) the Housing Revenue Bond II Indenture, dated as of July 1, 1992;

(11) the Multifamily Housing Revenue Refunding Bond Indentures, dated as of July 1, 1993 (including as originally delivered and as amended and restated);

(12) the Multifamily Housing Revenue Bond (Tara Village Apartments), 1994 Series A, Indenture, dated as of November 1, 1994;

(13) the Multifamily Housing Revenue Bond (FHA Insured Mortgage Loans) Indenture, dated February 1, 1995;

(14) the Multifamily Housing Revenue Bond II Indenture, dated as of October 1, 1995;

(15) the Multifamily Housing Revenue Bond III Indenture, dated as of March 1, 1997;

(16) the form of commercial paper note indenture presented to the May 11, 2000 meeting of the Agency;

(17) the Multifamily Loan Purchase Bond Indenture, dated as of July 1, 2000;

(18) the form of draw down bond indenture approved by Resolution No. 01-05, as amended by Resolution No. 01-39, adopted November 8, 2001;

(19) the form of bond indenture approved by Resolution No. 02-02, as amended by Resolution 02-17, adopted June 6, 2002; or

(20) the Housing Program Bond Indenture, dated as of November 1, 2004.

Each such New Indenture may be executed, acknowledged and delivered with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

(b) For each series of Bonds, the Executive Director and the Secretary are hereby authorized and directed, for and on behalf and in the name of the Agency, if appropriate, to execute and acknowledge and to deliver with respect to each series of Bonds, a supplemental indenture (a "Supplemental Indenture") under either one of the Prior Indentures or a New Indenture and in substantially the form of any supplemental indenture or series indenture executed or approved in connection with any of the Prior Indentures, in each case, with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

The Executive Director is hereby expressly authorized and directed, for and on behalf and in the name of the Agency, to determine in furtherance of the objectives of the Program those matters required to be determined under the applicable Prior Indenture or the New Indentures, as appropriate, in connection with the issuance of each such series.

(c) For each series of Bonds, the Executive Director is hereby authorized and directed to execute, and the Secretary is hereby authorized to attest, for and in the name and on behalf of the Agency and under its seal, if and to the extent appropriate, a reimbursement agreement, a letter of credit agreement or any other arrangement with respect to credit or liquidity support in substantially the forms of the reimbursement agreements, letter of credit agreements or other such arrangements contemplated under the Prior Indentures or New Indentures or used in connection with the bonds issued under one or more of the Prior Indentures.

(d) Any New Indenture, Supplemental Indenture, reimbursement agreement, letter of credit agreement or other such arrangement as finally executed may include such modifications as the Executive Director may deem necessary or desirable in furtherance of the objectives of the Program, including, but not limited to, one or more of the following provisions:

(1) for the Agency's insured or uninsured, limited or general, obligation to pay any debt secured thereby,

(2) for a pledge of an amount of the Supplementary Bond Security Account to the extent necessary to obtain an appropriate credit rating or appropriate credit enhancement,

(3) for a pledge of additional revenues which may be released periodically to the Agency from the lien of one or more indentures heretofore entered into by the Agency, including but not limited to one or more of the following:

(A) the Prior Indentures,

(B) the Home Mortgage Revenue Bond Indenture, dated as of September 1, 1982, as amended, and

(C) the indentures under which are issued the Single Family Mortgage Bonds,

(4) for a deposit of such other available assets of the Agency in an appropriate amount in furtherance of the Program,

(5) for risk sharing provisions dividing between the Agency and any credit provider and/or FHA, in such manner as the Executive Director may deem necessary or desirable in furtherance of the objectives of the Program, the credit and financing risks relating to the Bonds and the Developments financed by the Bonds,

(6) for a liquidity facility,

(7) for contingent or deferred interest, or

(8) for the use or application of payments or receipts under any arrangement entered into under Section 9 of this resolution.

Section 4. **Approval of Forms and Terms of Bonds.** The Bonds shall be in such denominations, have such registration provisions, be executed in such manner, be payable in such medium of payment at such place or places within or without California, be subject to such terms of redemption (including from such sinking fund installments as may be provided for) and contain such terms and conditions as each Indenture as finally approved shall provide. The Bonds shall have the maturity or maturities and shall bear interest at the fixed, adjustable or variable rate or rates deemed appropriate by the Executive Director in furtherance of the objectives of the Program; provided that no Bond shall have a term in excess of fifty years or bear interest at a stated rate in excess of fifteen percent (15%) per annum (in the case of variable rate bonds, a maximum floating interest rate of twenty-five percent (25%) per annum). Commercial paper shall be treated for these purposes as variable rate bonds. Any of the Bonds and the Supplemental Indenture(s) may contain such provisions as may be necessary to accommodate an option to put such Bonds prior to maturity for purchase by or on behalf of the Agency or a person other than the Agency, to accommodate the requirements of any provider of bond insurance or other credit or liquidity enhancement or to accommodate the requirements of purchasers of Dutch auction bonds or indexed floaters.

Section 5. **Authorization of Disclosure.** The Executive Director is hereby authorized to circulate one or more preliminary official statements relating to the Bonds and, after the sale of the Bonds, to execute and circulate one or more official statements relating to the Bonds, and the circulation of such preliminary official statement and such official statement to prospective and actual purchasers of the Bonds is hereby approved. The Executive Director is further authorized to hold information meetings concerning the Bonds and to distribute other information and material relating to the Bonds.

Section 6. **Authorization of Sale of Bonds.** The Bonds are hereby authorized to be sold at negotiated or competitive sale or sales. The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver one or more agreements, by and among the Agency, the Treasurer and such purchasers or underwriters as the Executive Director may select (the "Purchasers"), relating to the sale of the Bonds, in such form as the Executive Director may approve upon consultation with the Agency's legal counsel, such approval to be evidenced conclusively by the execution and delivery of said agreements by the Executive Director.

The Treasurer is hereby authorized and requested, without further action of this Board and unless instructed otherwise by this Board, to sell the Bonds pursuant to the terms and conditions set forth in each such agreement as finally executed on behalf of the Agency. The Treasurer is hereby further authorized and requested to deposit the proceeds of any good faith deposit to be received by the Treasurer under the terms of such agreement in a special trust account for the benefit of the Agency, and the amount of such deposit shall be retained by the

Agency, applied at the time of delivery of the applicable Bonds as part of the purchase price thereof, or returned to the Purchasers, as provided in such agreement.

Section 7. **Authorization of Execution of Bonds.** The Executive Director is hereby authorized and directed to execute, and the Secretary of this Board is hereby authorized and directed to attest, for and on behalf and in the name of the Agency and under its seal, the Bonds, in an aggregate amount not to exceed the amount authorized hereby, in accordance with each New Indenture or Supplemental Indenture in one or more of the forms set forth in such New Indenture or Supplemental Indenture.

Section 8. **Authorization of Delivery of Bonds.** The Bonds when so executed, shall be delivered to the Trustee to be authenticated by or caused to be authenticated by the Trustee. The Trustee is hereby requested and directed to authenticate, or cause to be authenticated, the Bonds by the execution of the certificate of authentication and registration appearing thereon, and to deliver or cause to be delivered the Bonds when duly executed and authenticated to the Purchasers in accordance with written instructions executed on behalf of the Agency by the Executive Director, which instructions said officer is hereby authorized and directed, for and on behalf and in the name of the Agency, to execute and deliver to the Trustee. Such instructions shall provide for the delivery of the Bonds to the Purchasers, upon payment of the purchase price thereof.

Section 9. **Authorization of Related Financial Agreements.** The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, any and all agreements and documents designed (i) to reduce or hedge the amount or duration of any payment, interest rate, spread or similar risk, (ii) to result in a lower cost of borrowing when used in combination with the issuance or carrying of bonds or investments, or (iii) to enhance the relationship between risk and return with respect to the Program or any portion thereof. To the extent authorized by Government Code Section 5922, such agreements or other documents may include (a) interest rate swap agreements, (b) forward payment conversion agreements, (c) futures or other contracts providing for payments based on levels of, or changes in, interest rates or other indices, (d) contracts to exchange cash flows for a series of payments, or (e) contracts, including, without limitation, interest rate floors or caps, options, puts or calls to hedge payment, interest rate, spread or similar exposure, and in each such case may be entered into in anticipation of the issuance of bonds at such times as may be determined by such officers. Such agreements and other documents are authorized to be entered into with parties selected by the Executive Director, after giving due consideration for the creditworthiness of the counterparties, where applicable, or any other criteria in furtherance of the objectives of the Program.

Section 10. **Authorization of Program Documents.** The Executive Director and the other officers of the Agency are hereby authorized and directed to execute all documents they deem necessary or appropriate in connection with the Program, including, but not limited to, regulatory agreements, loan agreements, origination and servicing agreements (or other loan-to-lender documents), servicing agreements, developer agreements, financing agreements, investment agreements, agreements to enter into escrow and forward purchase agreements, escrow and forward purchase agreements, refunding agreements and continuing disclosure agreements, in each case with such other parties as the Executive Director may select in furtherance of the objectives of the Program.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more mortgage sale agreements with such purchasers as the Executive Director may select in accordance with the objectives of the Program. Any such sale of Loans may be on either a current or a forward purchase basis.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, contracts to conduct foreclosures of mortgages owned or serviced by the Agency with such attorneys or foreclosure companies as the Executive Director may select in accordance with the objectives of the Program.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, contracts for the sale of foreclosed properties with such purchasers as the Executive Director may select in accordance with the objectives of the Program. Any such sale of foreclosed properties may be on either an all cash basis or may include financing by the Agency. The Executive Director and the other officers of the Agency are also authorized to enter into any other agreements, including but not limited to real estate brokerage agreements and construction contracts necessary or convenient for the rehabilitation, listing and sale of such foreclosed properties.

Section 11. **Authorization of Short-Term Credit Facilities.** In addition, the Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more short-term credit facilities for the purposes of (i) financing the purchase of Loans on an interim basis, prior to the financing of such Loans with Bonds, whether issued or to be issued and (ii) financing expenditures of the Agency incident to, and necessary or convenient to, the issuance of Bonds, including, but not limited to, Agency expenditures to pay costs of issuance, capitalized interest, redemption price of prior bonds of the Agency, costs relating to credit or liquidity support, costs relating to investment products, or net payments and expenses relating to interest rate hedges and other financial products. Any such short-term credit facility may be from any appropriate source, including, but not limited to, the Pooled Money Investment Account pursuant to Government Code Section 16312; provided, however, that the aggregate outstanding principal amount of short-term credit facilities authorized under this resolution, Resolution No. 06-03 (the single family financing resolution adopted at the same meeting), Resolution No. 06-05 (the resolution authorizing financing of loans to local public entities adopted at the same meeting) or Resolution No. 06-06 (the Bay Area Housing Plan resolution adopted at the same meeting) may not at any time exceed \$450,000,000 (separate and apart from the amount of Bonds authorized by Section 1 of this resolution).

The Executive Director and the other officers of the Agency are hereby authorized to use available Agency moneys (other than and in addition to the proceeds of bonds) to make or purchase loans to be financed by bonds (including bonds authorized by prior resolutions of this Board) in anticipation of draws on a credit facility, the issuance of Bonds or the availability of Bond proceeds for such purposes.

Section 12. **Authorization of Long-Term Credit Facilities.** The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more long-term credit facilities for the purposes of financing the making or purchase of non-traditional loan products or other assets, including, but not limited to, loans to local public entities, in each case for the purpose of providing, directly or indirectly, rental housing for persons and families of low or moderate income. As determined by the officer of the Agency executing any such credit facility, the Agency's payment obligations under such credit facility may be secured by a pledge of any such loans or assets and may be general obligations of the Agency; provided that loans and assets financed from proceeds of any such credit facility are not required to have scheduled or expected payments sufficient to produce amounts sufficient to satisfy the obligations of the Agency under such credit facility when due. Any such credit facility may be from any appropriate source, including, but not limited to, Fannie Mae. The aggregate outstanding principal amount of such credit facilities authorized under this resolution, Resolution No. 06-03 (the single family financing resolution adopted at the same meeting), Resolution No. 06-05 (the resolution authorizing financing of loans to local public entities adopted at the same meeting) or Resolution No. 06-06 (the Bay Area Housing Plan resolution adopted at the same meeting) may not at any time exceed $300,000,000 (separate and apart from the amount of Bonds authorized by Section 1 of this resolution), and no such credit facility shall have a term in excess of twenty (20) years or bear interest at a stated rate in excess of fifteen percent (15%) per annum (or in the case of any such credit facility pursuant to which interest accrues at a variable rate, a maximum floating interest rate of twenty-five percent (25%) per annum). Each such credit facility may be executed, acknowledged and delivered with terms not inconsistent with the requirements of this paragraph as the officer or officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 13. **Ratification of Prior Actions.** All actions previously taken by the officers of the Agency in connection with the implementation of the Program, the issuance of the Bonds, the issuance of any prior bonds (the "Prior Bonds"), the execution and delivery of related financial agreements and related program agreements and the implementation of any credit facilities as described above are hereby approved and ratified.

Section 14. **Authorization of Related Actions and Agreements.** The Treasurer, the Executive Director and the officers of the Agency, or the duly authorized deputies thereof, are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all agreements and documents which they deem necessary or advisable in order to consummate the issuance, sale, delivery, remarketing, conversion and administration of Bonds and Prior Bonds and otherwise to effectuate the purposes of this resolution, including declaring the official intent of the Agency for purposes of U.S. Treasury Regulations Section 1.150-2, and including executing and delivering any amendment or supplement to any agreement or document relating to Bonds or Prior Bonds in any manner that would be authorized under this resolution if such agreement or document related to Bonds authorized by this resolution. Such agreements may include, but are not limited to, remarketing agreements, tender agreements or similar agreements regarding any put option for Bonds or Prior Bonds, broker-dealer agreements, market agent agreements, auction agent agreements or other agreements necessary or desirable in connection with the issuance of Bonds in, or the conversion of Bonds or Prior Bonds to, an auction rate mode or an indexed rate mode, agreements for the investment of moneys relating to the Bonds or Prior Bonds, reimbursement agreements relating to any credit or liquidity enhancement or put option provided for the Bonds or the Prior Bonds, continuing disclosure agreements and agreements for necessary services provided in the course of the issuance of the bonds, including but not limited to, agreements with bond underwriters and placement agents, bond trustees, bond counsel and financial advisors and contracts for consulting services or information services relating to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, and similar matters, and contracts for financial printing and similar services. The Agency's reimbursement obligation under any such reimbursement agreement may be a special, limited obligation or a general obligation and may, subject to the rights of the Bondholders, be secured by a pledge of the same revenues and assets that may be pledged to secure Bonds.

This resolution shall constitute full, separate, complete and additional authority for the execution and delivery of all agreements and instruments described in this resolution, without regard to any limitation in the Agency's regulations and without regard to any other resolution of the Board that does not expressly amend and limit this resolution.

Section 15. **Additional Delegation.** All actions by the Executive Director approved or authorized by this resolution may be taken by the Chief Deputy Director of the Agency, the Director of Financing of the Agency, the Comptroller of the Agency or any other person specifically authorized in writing by the Executive Director.

SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 06-04 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 12th day of January, 2006, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 12th day of January, 2006.

[SEAL]

Thomas C. Hughes
Secretary of the Board of Directors of the
California Housing Finance Agency

SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of the Resolution No. 06-04 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 12th day of January, 2006, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

I further certify that I have carefully compared the foregoing copy with the original minutes of said meeting on file and of record in my office; that said copy is a full, true, and correct copy of the original resolution adopted at said meeting and entered in said minutes; and that said resolution has not been amended, modified, or rescinded in any manner since the date of its adoption, and the same is now in full force and effect.

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this ____ day of __________________, _____.

[SEAL]

Thomas C. Hughes
Secretary of the Board of Directors of the
California Housing Finance Agency

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State of California

MEMORANDUM

To: Board of Directors **Date:** December 23, 2005

Bruce D. Gilbertson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: BOND AUTHORIZATION FOR THE PURPOSE OF FINANCING LOANS TO LOCAL PUBLIC ENTITIES RESOLUTION 06-05

Resolution 06-05 would authorize the sale and issuance of CalHFA bonds (with related interest rate swaps and other financial agreements) for the purpose of financing loans to local public entities to assist local public entities in providing or making affordable housing available to low – or moderate-income persons or families. In addition, the resolution would authorize the Agency to borrow for these purposes using both short-term and long-term credit facilities.

Resolution 06-05 would authorize bonds to be issued in an aggregate amount not to exceed $50,000,000. The recently created Housing Program Bond indenture would be an appropriate financing vehicle for this purpose.

The resolution would also authorize the full range of related financial agreements, including contracts for investment of bond proceeds, for warehousing of mortgages pending the availability of bond proceeds, for interest rate hedging, and for forward delivery of bonds through August 1, 2008. The resolution would also authorize contracts for consulting services or information services related to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, and similar matters, and contracts for financial printing and similar services.

The resolution would also authorize short-term credit facilities in an aggregate amount not to exceed $450 million and long-term credit facilities in an aggregate amount not to exceed $300 million to be used collectively for purposes of the Homeownership Programs, Multifamily Programs, Loans to Local Public Entities and the Bay Area Housing Plan. Use of these credit facilities for loans to local public entities would be limited to an aggregate amount not to exceed $50,000,000.

In order to allow for necessary overlap of authority for bond issues scheduled during the time that reauthorization is being considered, Resolution 06-05 would not expire until 30 days after the first Board meeting in the year 2007 at which there is a quorum.

Attachment

RESOLUTION NO. 06-05

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY AUTHORIZING THE ISSUANCE OF THE AGENCY'S BONDS, SHORT- AND LONG-TERM CREDIT FACILITIES, AND RELATED FINANCIAL AGREEMENTS AND CONTRACTS OF SERVICES FOR THE PURPOSE OF FINANCING LOANS TO LOCAL PUBLIC ENTITIES TO ASSIST LOCAL PUBLIC ENTITIES IN PROVIDING OR MAKING AFFORDABLE HOUSING AVAILABLE TO LOW- OR MODERATE-INCOME PERSONS OR FAMILIES

WHEREAS, California Health and Safety Code Section 51065.5 provides that the California Housing Finance Agency (the "Agency") may make unsecured loans or loans secured by assets other than real property to local public entities, and that the loans may be funded by the proceeds of bonds or other Agency funds to assist local public entities in providing or making affordable housing to low- or moderate-income persons or families ("Affordable Housing");

WHEREAS, the California Housing Finance Agency (the "Agency") has determined that there exists a need in California for the financing of loans ("Loans") to be made to local public entities ("Local Agencies") to assist Local Agencies in providing or making Affordable Housing available to low- or moderate-income persons or families and that there exists a need for such Loans to be made to finance costs incurred by Local Agencies prior to the design and/or approval of the specific housing developments or residential structures of which such Affordable Housing is to be comprised and prior to the final determination of the percentage of the development that will be Affordable Housing;

WHEREAS, the Agency has determined that it is in the public interest for the Agency to provide such financial assistance by means of an ongoing program (the "Program") to make or acquire such Loans;

WHEREAS, pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the "Act"), the Agency has the authority to issue bonds to provide sufficient funds to finance the Program, including the making of Loans, the payment of capitalized interest on the bonds, the establishment of reserves to secure the bonds, and the payment of other costs of the Agency incident to, and necessary or convenient to, the issuance of the bonds; and

WHEREAS, pursuant to the Act, the Agency has the authority to enter into short-term and long-term credit facilities for the purposes of financing the Program, including the making of Loans and the payment of other costs of the Agency incident to, and necessary or convenient to, the issuance of the bonds;

NOW, THEREFORE, BE IT RESOLVED, by the California Housing Finance Agency as follows:

Section 1. **Determination of Need and Amount.** The Agency is of the opinion and hereby determines that the offer, sale and issuance of one or more series of bonds (the "Bonds"), in an aggregate amount not to exceed $50,000,000 is necessary to provide sufficient funds for the Program.

Section 2. **Authorization and Timing.** The Bonds are hereby authorized to be issued at such time or times on or before the day 30 days after the date on which is held the first meeting in the year 2007 of the Board of Directors of the Agency at which a quorum is present, as the Executive Director deems appropriate, upon consultation with the Treasurer of the State of California (the "Treasurer") as to the timing of each such issuance; provided, however, that if the Bonds are sold at a time on or before the day 30 days after the date on which is held such meeting, pursuant to a forward purchase or drawdown agreement providing for the issuance of such Bonds on a later date on or before August 1, 2008, upon specified terms and conditions, such Bonds may be issued on such later date.

Section 3. **Approval of Indentures, Supplemental Indentures and Certain Other Financing Documents.** (a) The Executive Director and the Secretary of the Board of Directors of the Agency (the "Secretary") are hereby authorized and directed, for and on behalf and in the name of the Agency in connection with the issuance of Bonds, to execute and acknowledge and to deliver to a duly qualified bank or trust company selected by the Executive Director to act, with the approval of the Treasurer, as trustee (the "Trustee"), one or more new indentures (the "New Indentures"), in one or more forms similar to one or more of the following (collectively, the "Prior Indentures"):

(1) the Multifamily Housing Revenue Bond III Indenture, dated as of March 1, 1997;

(2) the form of commercial paper note indenture presented to the May 11, 2000 meeting of the Agency; or

(3) the Housing Program Bond Indenture, dated November 1, 2004.

Each such New Indenture may be executed, acknowledged and delivered with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

(b) For each series of Bonds, the Executive Director and the Secretary are hereby authorized and directed, for and on behalf and in the name of the Agency, if appropriate, to execute and acknowledge and to deliver with respect to each series of Bonds, a supplemental indenture (a "Supplemental Indenture") under either one of the Prior Indentures or a New Indenture and in substantially the form of any supplemental indenture or series indenture executed or approved in connection with any of the Prior Indentures, in each case, with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

The Executive Director is hereby expressly authorized and directed, for and on behalf and in the name of the Agency, to determine in furtherance of the objectives of the Program those matters required to be determined under the applicable Prior Indenture or the New Indenture, as appropriate, in connection with the issuance of each such series.

(c) For each series of Bonds, the Executive Director is hereby authorized and directed to execute, and the Secretary is hereby authorized to attest, for and in the name and on behalf of the Agency and under its seal, if and to the extent appropriate, a reimbursement agreement, a letter of credit agreement or any other arrangement with respect to credit or liquidity support in substantially the forms of the reimbursement agreements, letter of credit agreements or other such arrangements contemplated under the Prior Indentures or New Indentures or used in connection with the bonds issued under one or more of the Prior Indentures.

(d) Any New Indenture, Supplemental Indenture, reimbursement agreement, letter of credit agreement or other such arrangement as finally executed may include such modifications as the Executive Director may deem necessary or desirable in furtherance of the objectives of the Program, including, but not limited to, one or more of the following provisions:

(1) for the Agency's insured or uninsured, limited or general, obligation to pay any debt secured thereby,

(2) for a pledge of an amount of the Supplementary Bond Security Account to the extent necessary to obtain an appropriate credit rating or appropriate credit enhancement,

(3) for a pledge of additional revenues which may be released periodically to the Agency from the lien of one or more indentures heretofore entered into by the Agency, including but not limited to one or more of the following:

(A) the Prior Indentures,

(B) the Home Mortgage Revenue Bond Indenture, dated as of September 1, 1982, as amended, and

(C) the indentures under which are issued the Single Family Mortgage Bonds,

(4) for a deposit of such other available assets of the Agency in an appropriate amount in furtherance of the Program,

(5) for a liquidity facility,

(6) for contingent or deferred interest, or

(7) for the use or application of payments or receipts under any arrangement entered into under Section 9 of this resolution.

Section 4. **Approval of Forms and Terms of Bonds.** The Bonds shall be in such denominations, have such registration provisions, be executed in such manner, be payable in such medium of payment at such place or places within or without California, be subject to such terms of redemption (including from such sinking fund installments as may be provided for) and contain such terms and conditions as each Indenture as finally approved shall provide. The Bonds shall have the maturity or maturities and shall bear interest at the fixed, adjustable or variable rate or rates deemed appropriate by the Executive Director in furtherance of the objectives of the Program; provided that no Bond shall have a term in excess of fifty years or bear interest at a stated rate in excess of fifteen percent (15%) per annum (in the case of variable rate bonds, a maximum floating interest rate of twenty-five percent (25%) per annum). Commercial paper shall be treated for these purposes as variable rate bonds. Any of the Bonds and the Supplemental Indenture(s) may contain such provisions as may be necessary to accommodate an option to put such Bonds prior to maturity for purchase by or on behalf of the Agency or a person other than the Agency, to accommodate the requirements of any provider of bond insurance or other credit or liquidity enhancement or to accommodate the requirements of purchasers of Dutch auction bonds or indexed floaters.

Section 5. **Authorization of Disclosure.** The Executive Director is hereby authorized to circulate one or more preliminary official statements relating to the Bonds and, after the sale of the Bonds, to execute and circulate one or more official statements relating to the Bonds, and the circulation of such preliminary official statement and such official statement to prospective and actual purchasers of the Bonds is hereby approved. The Executive Director is further authorized to hold information meetings concerning the Bonds and to distribute other information and material relating to the Bonds.

Section 6. **Authorization of Sale of Bonds.** The Bonds are hereby authorized to be sold at negotiated or competitive sale or sales. The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver one or more agreements, by and among the Agency, the Treasurer and such purchasers or underwriters as the Executive Director may select (the "Purchasers"), relating to the sale of the Bonds, in such form as the Executive Director may approve upon consultation with the Agency's legal counsel, such approval to be evidenced conclusively by the execution and delivery of said agreements by the Executive Director.

The Treasurer is hereby authorized and requested, without further action of this Board and unless instructed otherwise by this Board, to sell the Bonds pursuant to the terms and conditions set forth in each such agreement as finally executed on behalf of the Agency. The Treasurer is hereby further authorized and requested to deposit the proceeds of any good faith deposit to be received by the Treasurer under the terms of such agreement in a special trust account for the benefit of the Agency, and the amount of such deposit shall be retained by the Agency, applied at the time of delivery of the applicable Bonds as part of the purchase price thereof, or returned to the Purchasers, as provided in such agreement.

Section 7. **Authorization of Execution of Bonds.** The Executive Director is hereby authorized and directed to execute, and the Secretary of this Board is hereby authorized and directed to attest, for and on behalf and in the name of the Agency and under its seal, the Bonds, in an aggregate amount not to exceed the amount authorized hereby, in accordance with each New Indenture or Supplemental Indenture in one or more of the forms set forth in such New Indenture or Supplemental Indenture.

Section 8. **Authorization of Delivery of Bonds.** The Bonds when so executed, shall be delivered to the Trustee to be authenticated by or caused to be authenticated by the Trustee. The Trustee is hereby requested and directed to authenticate, or cause to be authenticated, the Bonds by the execution of the certificate of authentication and registration appearing thereon, and to deliver or cause to be delivered the Bonds when duly executed and authenticated to the Purchasers in accordance with written instructions executed on behalf of the Agency by the Executive Director, which instructions said officer is hereby authorized and directed, for and on behalf and in the name of the Agency, to execute and deliver to the Trustee. Such instructions shall provide for the delivery of the Bonds to the Purchasers, upon payment of the purchase price thereof.

Section 9. **Authorization of Related Financial Agreements.** The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, any and all agreements and documents designed (i) to reduce or hedge the amount or duration of any payment, interest rate, spread or similar risk, (ii) to result in a lower cost of borrowing when used in combination with the issuance or carrying of bonds or investments, or (iii) to enhance the relationship between risk and return with respect to the Program or any portion thereof. To the extent authorized by Government Code Section 5922, such agreements or other documents may include (a) interest rate swap agreements, (b) forward payment conversion agreements, (c) futures or other contracts providing for payments based on levels of, or changes in, interest rates or other indices, (d) contracts to exchange cash flows for a series of payments, or (e) contracts, including, without limitation, interest rate floors or caps, options, puts or calls to hedge payment, interest rate, spread or similar exposure, and in each such case may be entered into in anticipation of the issuance of bonds at such times as may be determined by such officers. Such agreements and other documents are authorized to be entered into with parties selected by the Executive Director, after giving due consideration for the creditworthiness of the counterparties, where applicable, or any other criteria in furtherance of the objectives of the Program.

Section 10. **Authorization of Program Documents.** The Executive Director and the other officers of the Agency are hereby authorized and directed to execute all documents they deem necessary or appropriate in connection with the Program, including, but not limited to, regulatory agreements, loan agreements, loan-to-lender documents, servicing agreements, developer agreements, financing agreements, investment agreements, agreements to enter into escrow and forward purchase agreements, escrow and forward purchase agreements, refunding agreements and continuing disclosure agreements, in each case with such other parties as the Executive Director may select in furtherance of the objectives of the Program.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more mortgage sale agreements with such purchasers as the Executive Director may select in accordance with the objectives of the Program. Any such sale of Loans may be on either a current or a forward purchase basis.

Section 11. **Authorization of Short-Term Credit Facilities.** In addition, the Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more short-term credit facilities for the purposes of (i) financing the purchase of Loans on an interim basis, prior to the financing of such Loans with Bonds, whether issued or to be issued and (ii) financing expenditures of the Agency incident to, and necessary or convenient to, the issuance of Bonds, including, but not limited to, Agency expenditures to pay costs of issuance, capitalized interest, redemption price of prior bonds of the Agency, costs relating to credit or liquidity support, costs relating to investment products, or net payments and expenses relating to interest rate hedges and other financial products. Any such short-term credit facility may be from any appropriate source, including, but not limited to, the Pooled Money Investment Account pursuant to Government Code Section 16312; provided, however, that the aggregate outstanding principal amount of short-term credit facilities authorized under this resolution, Resolution No. 06-03 (the single family financing resolution adopted at the same meeting), Resolution No. 06-04 (the multifamily financing resolution adopted at the same meeting) or Resolution No. 06-06 (the Bay Area Housing Plan resolution adopted at the same meeting)may not at any time exceed $450,000,000 (separate and apart from the amount of Bonds authorized by Section 1 of this resolution).

The Executive Director and the other officers of the Agency are hereby authorized to use available Agency moneys (other than and in addition to the proceeds of bonds) to make or purchase Loans to be financed by bonds (including bonds authorized by prior resolutions of this Board) in anticipation of draws on a credit facility, the issuance of Bonds or the availability of Bond proceeds for such purposes.

Section 12. **Authorization of Long-Term Credit Facilities.** The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more long-term credit facilities for the purposes of financing the making or purchase of Loans. As determined by the officer of the Agency executing any such credit facility, the Agency's payment obligations under such credit facility may be secured by a pledge of any such loans or assets and may be general obligations of the Agency; provided that loans and assets financed from proceeds of any such credit facility are not required to have scheduled or expected payments sufficient to produce amounts sufficient to satisfy the obligations of the Agency under such credit facility when due. Any such credit facility may be from any appropriate source, including, but not limited to, Fannie Mae. The aggregate outstanding principal amount of such credit facilities authorized under this resolution, Resolution No. 06-03 (the single family financing resolution adopted at the same meeting), Resolution No. 06-04 (the multifamily financing resolution adopted at the same meeting) or Resolution No. 06-06 (the Bay Area Housing Plan resolution adopted at the same meeting) may not at any time exceed $300,000,000 (separate and apart from the amount of Bonds authorized by Section 1 of this resolution), and no such credit facility shall have a term in excess of twenty (20) years or bear interest at a stated rate in excess of fifteen percent (15%) per annum (or in the case of any such credit facility pursuant to which interest accrues at a variable rate, a maximum floating interest rate of twenty-five percent (25%) per annum). Each such credit facility may be executed, acknowledged and delivered with terms not inconsistent with the requirements of this paragraph as the officer or officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 13. **Ratification of Prior Actions.** All actions previously taken by the officers of the Agency in connection with the implementation of the Program, the issuance of the Bonds, the issuance of any prior bonds (the "Prior Bonds"), the execution and delivery of related financial agreements and related program agreements and the implementation of any credit facilities as described above are hereby approved and ratified.

Section 14. **Authorization of Related Actions and Agreements.** The Treasurer, the Executive Director and the officers of the Agency, or the duly authorized deputies thereof, are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all agreements and documents which they deem necessary or advisable in order to consummate the issuance, sale, delivery, remarketing, conversion and administration of Bonds and Prior Bonds and otherwise to effectuate the purposes of this resolution, including declaring the official intent of the Agency for purposes of U.S. Treasury Regulations Section 1.150-2, and including executing and delivering any amendment or supplement to any agreement or document relating to Bonds or Prior Bonds in any manner that would be authorized under this resolution if such agreement or document related to Bonds authorized by this resolution. Such agreements may include, but are not limited to, remarketing agreements, tender agreements or similar agreements regarding any put option for Bonds or Prior Bonds, broker-dealer agreements, market agent agreements, auction agent agreements or other agreements necessary or desirable in connection with the issuance of Bonds in, or the conversion of Bonds or Prior Bonds to, an auction rate mode or an indexed rate mode, agreements for the investment of moneys relating to the Bonds or Prior Bonds, reimbursement agreements relating to any credit or liquidity enhancement or put option provided for the Bonds or the Prior Bonds, continuing disclosure agreements and agreements for necessary services provided in the course of the issuance of the bonds, including but not limited to, agreements with bond underwriters and placement agents, bond trustees, bond counsel and financial advisors and contracts for consulting services or information services relating to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, and similar matters, and contracts for financial printing and similar services. The Agency's reimbursement obligation under any such reimbursement agreement may be a special, limited obligation or a general obligation and may, subject to the rights of the Bondholders, be secured by a pledge of the same revenues and assets that may be pledged to secure Bonds.

This resolution shall constitute full, separate, complete and additional authority for the execution and delivery of all agreements and instruments described in this resolution, without regard to any limitation in the Agency's regulations and without regard to any other resolution of the Board that does not expressly amend and limit this resolution.

Section 15. **Additional Delegation.** All actions by the Executive Director approved or authorized by this resolution may be taken by the Chief Deputy Director of the

Agency, the Director of Financing of the Agency, the Comptroller of the Agency or any other person specifically authorized in writing by the Executive Director.

Section 16. **Resolution to Constitute Authorization For Purposes of Validation Statutes.** This resolution shall constitute authorization of the Bonds for purposes of California Government Code Section 17700 and California Code of Civil Procedure Title 10, Chapter 9 (Section 860 et seq.). As a result, under California Code of Civil Procedure Section 863, any action by any interested person to challenge the validity of any Bonds issued hereunder must be brought within 60 days of the adoption hereof.

SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 06-05 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 12th day of January, 2006, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 12th day of January, 2006.

[SEAL]

Thomas C. Hughes
Secretary of the Board of Directors of the
California Housing Finance Agency

SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of the Resolution No. 06-05 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 12th day of January, 2006, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

I further certify that I have carefully compared the foregoing copy with the original minutes of said meeting on file and of record in my office; that said copy is a full, true, and correct copy of the original resolution adopted at said meeting and entered in said minutes; and that said resolution has not been amended, modified, or rescinded in any manner since the date of its adoption, and the same is now in full force and effect.

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this ____ day of __________________, ______.

[SEAL]

____
Thomas C. Hughes
Secretary of the Board of Directors of the
California Housing Finance Agency

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State of California

MEMORANDUM

To: Board of Directors **Date:** December 23, 2005

Bruce D. Gilbertson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: BOND AUTHORIZATION FOR THE PURPOSE OF FINANCING LOANS IN CONNECTION WITH THE BAY AREA HOUSING PLAN RESOLUTION 06-06

Resolution 06-06 would authorize the sale and issuance of CalHFA bonds for the purpose of financing loans in connection with the Bay Area Housing Plan. In addition, the resolution would authorize the Agency to borrow for these purposes using both short-term and long-term credit facilities.

Resolution 06-06 would authorize bonds to be issued in an aggregate amount not to exceed $120,000,000. We anticipate utilizing the Housing Program Bond indenture, an Agency general obligation indenture, for financing loans for this purpose.

The resolution would also authorize the full range of related financial agreements, including contracts for investment of bond proceeds, for warehousing of mortgages pending the availability of bond proceeds, for interest rate hedging, and for forward delivery of bonds through August 1, 2008. The resolution would also authorize contracts for consulting services or information services related to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, and similar matters, and contracts for financial printing and similar services.

The resolution would also authorize short-term credit facilities in an aggregate amount not to exceed $450 million and long-term credit facilities in an aggregate amount not to exceed $300 million to be used collectively for purposes of the Homeownership Programs, Multifamily Programs, Loans to Local Public Entities and the Bay Area Housing Plan. Use of these credit facilities for loans in connection with the Bay Area Housing Plan would be limited to an aggregate amount not to exceed $50,000,000.

Financing of the Bay Area Housing Plan will consist of issuing bonds to provide sufficient bond proceeds to make loans on approximately 71 single family homes for use by developmentally disabled adults currently housed at the Agnews Developmental Center. It is anticipated that acquisition and modification of the Bay Area Housing Plan properties will be completed by December 31, 2007. Unlike resolutions authorizing bond issuance for ongoing programs, e.g., Homeownership Programs and Multifamily Programs, Resolution 06-06 would not require annual reauthorization. Resolution 06-06 authorizes the issuance of bonds solely for purposes of the Bay Area Housing Plan and would not expire until 30 days after the first Board meeting in the year 2008 at which there is a quorum.

Attachment

RESOLUTION NO. 06-06

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY AUTHORIZING THE ISSUANCE OF THE AGENCY'S BONDS, SHORT- AND LONG-TERM CREDIT FACILITIES, AND RELATED FINANCIAL AGREEMENTS AND CONTRACTS OF SERVICES FOR THE PURPOSE OF FINANCING LOANS IN CONNECTION WITH THE BAY AREA HOUSING PLAN

WHEREAS, the Agnews Developmental Center is a residential medical facility in Santa Clara County, California, and houses a large population of severely developmentally disabled persons in need of care ranging from intermediate to skilled to acute care;

WHEREAS, the California Department of Developmental Services ("DDS") has adopted a plan to close the Agnews Developmental Center by December 31, 2007, pursuant to which approximately half of its residents are to be relocated to other existing residential facilities, and the remainder are to be relocated to residential facilities to be acquired, constructed and/or rehabilitated (the "New Facilities");

WHEREAS, under such plan (as more particularly described herein and in the staff report relating to the herein-mentioned Resolution No. 05-35, the "Bay Area Housing Plan"), the New Facilities are to consist of (1) approximately 24 to 30 single-family homes, each accommodating three to five residents with stable but chronic medical challenges or personal care needs, with specialized safety and medical features and 24-hour skilled nursing care (the "SB 962 Facilities"); (2) approximately 20 duplexes, each consisting of one living unit accommodating one or more severely developmentally disabled residents and one living unit accommodating a teaching couple who will live on the premises (the "Family Teaching Facilities"); and (3) approximately 21 to 28 single-family homes, each accommodating three to four residents with serious behavioral challenges requiring specialized safety features (the "Specialized Residential Facilities");

WHEREAS, under the Bay Area Housing Plan, each New Facility is to be permanently financed by a loan (each, a "Loan") made or purchased by the California Housing Finance Agency (the "Agency");

WHEREAS, on September 8, 2005, this Board of Directors (the "Board") of the Agency adopted Resolution No. 05-35, authorizing preliminary and final loan commitments in connection with the Bay Area Housing Plan;

WHEREAS, the Agency has determined that there exists a need in California for the New Facilities and that there exists a need for the Loans to be made or purchased to provide permanent financing for the costs incurred to develop the New Facilities;

WHEREAS, the Agency has determined that it is in the public interest for the Agency to provide such financial assistance by means of an ongoing program (the "Program") to make or acquire such Loans;

WHEREAS, pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the "Act"), the Agency has the authority to issue bonds to provide sufficient funds to finance the Program, including the making of Loans, the payment of capitalized interest on the bonds, the establishment of reserves to secure the bonds, and the payment of other costs of the Agency incident to, and necessary or convenient to, the issuance of the bonds; and

WHEREAS, pursuant to the Act, the Agency has the authority to enter into short-term and long-term credit facilities for the purposes of financing the Program, including the making of Loans and the payment of other costs of the Agency incident to, and necessary or convenient to, the issuance of the bonds;

NOW, THEREFORE, BE IT RESOLVED, by the California Housing Finance Agency as follows:

Section 1. **Determination of Need and Amount.** The Agency is of the opinion and hereby determines that the offer, sale and issuance of one or more series of bonds (the "Bonds"), in an aggregate amount not to exceed $120,000,000 is necessary to provide sufficient funds for the Program.

Section 2. **Authorization and Timing.** The Bonds are hereby authorized to be issued at such time or times on or before the day 30 days after the date on which is held the first meeting in the year 2008 of the Board of Directors of the Agency at which a quorum is present, as the Executive Director deems appropriate, upon consultation with the Treasurer of the State of California (the "Treasurer") as to the timing of each such issuance; provided, however, that if the Bonds are sold at a time on or before the day 30 days after the date on which is held such meeting, pursuant to a forward purchase or drawdown agreement providing for the issuance of such Bonds on a later date on or before August 1, 2009, upon specified terms and conditions, such Bonds may be issued on such later date.

Section 3. **Approval of Indentures, Supplemental Indentures and Certain Other Financing Documents.** (a) The Executive Director and the Secretary of the Board of Directors of the Agency (the "Secretary") are hereby authorized and directed, for and on behalf and in the name of the Agency in connection with the issuance of Bonds, to execute and acknowledge and to deliver to a duly qualified bank or trust company selected by the Executive Director to act, with the approval of the Treasurer, as trustee (the "Trustee"), one or more new indentures (the "New Indentures"), in one or more forms similar to one or more of the following (collectively, the "Prior Indentures"):

(1) the Multifamily Housing Revenue Bond III Indenture, dated as of March 1, 1997;

(2) the form of commercial paper note indenture presented to the May 11, 2000 meeting of the Agency; or

(3) the Housing Program Bond Indenture, dated November 1, 2004.

Each such New Indenture may be executed, acknowledged and delivered with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

(b) For each series of Bonds, the Executive Director and the Secretary are hereby authorized and directed, for and on behalf and in the name of the Agency, if appropriate, to execute and acknowledge and to deliver with respect to each series of Bonds, a supplemental indenture (a "Supplemental Indenture") under either one of the Prior Indentures or a New Indenture and in substantially the form of any supplemental indenture or series indenture executed or approved in connection with any of the Prior Indentures, in each case, with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

The Executive Director is hereby expressly authorized and directed, for and on behalf and in the name of the Agency, to determine in furtherance of the objectives of the Program those matters required to be determined under the applicable Prior Indenture or the New Indenture, as appropriate, in connection with the issuance of each such series.

(c) For each series of Bonds, the Executive Director is hereby authorized and directed to execute, and the Secretary is hereby authorized to attest, for and in the name and on behalf of the Agency and under its seal, if and to the extent appropriate, a reimbursement agreement, a letter of credit agreement or any other arrangement with respect to credit or liquidity support in substantially the forms of the reimbursement agreements, letter of credit agreements or other such arrangements contemplated under the Prior Indentures or New Indentures or used in connection with the bonds issued under one or more of the Prior Indentures.

(d) Any New Indenture, Supplemental Indenture, reimbursement agreement, letter of credit agreement or other such arrangement as finally executed may include such modifications as the Executive Director may deem necessary or desirable in furtherance of the objectives of the Program, including, but not limited to, one or more of the following provisions:

(1) for the Agency's insured or uninsured, limited or general, obligation to pay any debt secured thereby,

(2) for a pledge of an amount of the Supplementary Bond Security Account to the extent necessary to obtain an appropriate credit rating or appropriate credit enhancement,

(3) for a pledge of additional revenues which may be released periodically to the Agency from the lien of one or more indentures heretofore entered into by the Agency, including but not limited to one or more of the following:

(A) the Prior Indentures,

(B) the Home Mortgage Revenue Bond Indenture, dated as of September 1, 1982, as amended, and

(C) the indentures under which are issued the Single Family Mortgage Bonds,

(4) for a deposit of such other available assets of the Agency in an appropriate amount in furtherance of the Program,

(5) for a liquidity facility,

(6) for contingent or deferred interest, or

(7) for the use or application of payments or receipts under any arrangement entered into under Section 9 of this resolution.

Section 4. **Approval of Forms and Terms of Bonds.** The Bonds shall be in such denominations, have such registration provisions, be executed in such manner, be payable in such medium of payment at such place or places within or without California, be subject to such terms of redemption (including from such sinking fund installments as may be provided for) and contain such terms and conditions as each Indenture as finally approved shall provide. The Bonds shall have the maturity or maturities and shall bear interest at the fixed, adjustable or variable rate or rates deemed appropriate by the Executive Director in furtherance of the objectives of the Program; provided that no Bond shall have a term in excess of fifty years or bear interest at a stated rate in excess of fifteen percent (15%) per annum (in the case of variable rate bonds, a maximum floating interest rate of twenty-five percent (25%) per annum). Commercial paper shall be treated for these purposes as variable rate bonds. Any of the Bonds and the Supplemental Indenture(s) may contain such provisions as may be necessary to accommodate an option to put such Bonds prior to maturity for purchase by or on behalf of the Agency or a person other than the Agency, to accommodate the requirements of any provider of bond insurance or other credit or liquidity enhancement or to accommodate the requirements of purchasers of Dutch auction bonds or indexed floaters.

Section 5. **Authorization of Disclosure.** The Executive Director is hereby authorized to circulate one or more preliminary official statements relating to the Bonds and, after the sale of the Bonds, to execute and circulate one or more official statements relating to the Bonds, and the circulation of such preliminary official statement and such official statement to prospective and actual purchasers of the Bonds is hereby approved. The Executive Director is further authorized to hold information meetings concerning the Bonds and to distribute other information and material relating to the Bonds.

Section 6. **Authorization of Sale of Bonds.** The Bonds are hereby authorized to be sold at negotiated or competitive sale or sales. The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver one or more agreements, by and among the Agency, the Treasurer and such purchasers or underwriters as the Executive Director may select (the "Purchasers"), relating to the sale of the Bonds, in such form as the Executive Director may approve upon consultation with the Agency's legal counsel, such approval to be evidenced conclusively by the execution and delivery of said agreements by the Executive Director.

The Treasurer is hereby authorized and requested, without further action of this Board and unless instructed otherwise by this Board, to sell the Bonds pursuant to the terms and conditions set forth in each such agreement as finally executed on behalf of the Agency. The Treasurer is hereby further authorized and requested to deposit the proceeds of any good faith deposit to be received by the Treasurer under the terms of such agreement in a special trust account for the benefit of the Agency, and the amount of such deposit shall be retained by the Agency, applied at the time of delivery of the applicable Bonds as part of the purchase price thereof, or returned to the Purchasers, as provided in such agreement.

Section 7. **Authorization of Execution of Bonds.** The Executive Director is hereby authorized and directed to execute, and the Secretary of this Board is hereby authorized and directed to attest, for and on behalf and in the name of the Agency and under its seal, the Bonds, in an aggregate amount not to exceed the amount authorized hereby, in accordance with each New Indenture or Supplemental Indenture in one or more of the forms set forth in such New Indenture or Supplemental Indenture.

Section 8. **Authorization of Delivery of Bonds.** The Bonds when so executed, shall be delivered to the Trustee to be authenticated by or caused to be authenticated by the Trustee. The Trustee is hereby requested and directed to authenticate, or cause to be authenticated, the Bonds by the execution of the certificate of authentication and registration appearing thereon, and to deliver or cause to be delivered the Bonds when duly executed and authenticated to the Purchasers in accordance with written instructions executed on behalf of the Agency by the Executive Director, which instructions said officer is hereby authorized and directed, for and on behalf and in the name of the Agency, to execute and deliver to the Trustee. Such instructions shall provide for the delivery of the Bonds to the Purchasers, upon payment of the purchase price thereof.

Section 9. **Authorization of Related Financial Agreements.** The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, any and all agreements and documents designed (i) to reduce or hedge the amount or duration of any payment, interest rate, spread or similar risk, (ii) to result in a lower cost of borrowing when used in combination with the issuance or carrying of bonds or investments, or (iii) to enhance the relationship between risk and return with respect to the Program or any portion thereof. To the extent authorized by Government Code Section 5922, such agreements or other documents may include (a) interest rate swap agreements, (b) forward payment conversion agreements, (c) futures or other contracts providing for payments based on levels of, or changes in, interest rates or other indices, (d) contracts to exchange cash flows for a series of payments, or (e) contracts, including, without limitation, interest rate floors or caps, options, puts or calls to hedge payment, interest rate, spread or similar exposure, and in each such case may be entered into in anticipation of the issuance of bonds at such times as may be determined by such officers. Such agreements and other documents are authorized to be entered into with parties selected by the Executive Director, after giving due consideration for the creditworthiness of the counterparties, where applicable, or any other criteria in furtherance of the objectives of the Program.

Section 10. **Authorization of Program Documents.** The Executive Director and the other officers of the Agency are hereby authorized and directed to execute all documents they deem necessary or appropriate in connection with the Program, including, but not limited to, deeds of trust, regulatory agreements, loan agreements, loan purchase agreements, lease agreements an any documents related to leasehold interests, subordination agreements, assignment agreements, security and other agreements assuring the repayment of the Loans, servicing agreements, developer agreements, financing agreements, investment agreements, agreements to enter into escrow and forward purchase agreements, escrow and forward purchase agreements, refunding agreements, continuing disclosure agreements and any other agreements relating to the Program, in each case with such other parties as the Executive Director may select in furtherance of the objectives of the Program.

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more mortgage sale agreements with such purchasers as the Executive Director may select in accordance with the objectives of the Program. Any such sale of Loans may be on either a current or a forward purchase basis.

Section 11. **Authorization of Short-Term Credit Facilities.** In addition, the Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more short-term credit facilities for the purposes of (i) financing the purchase of Loans on an interim basis, prior to the financing of such Loans with Bonds, whether issued or to be issued and (ii) financing expenditures of the Agency incident to, and necessary or convenient to, the issuance of Bonds, including, but not limited to, Agency expenditures to pay costs of issuance, capitalized interest, redemption price of prior bonds of the Agency, costs relating to credit or liquidity support, costs relating to investment products, or net payments and expenses relating to interest rate hedges and other financial products. Any such short-term credit facility may be from any appropriate source, including, but not limited to, the Pooled Money Investment Account pursuant to Government Code Section 16312; provided, however, that the aggregate outstanding principal amount of short-term credit facilities authorized under this resolution, Resolution No. 06-03 (the single family financing resolution adopted at the same meeting), Resolution No. 06-04 (the multifamily financing resolution adopted at the same meeting) or Resolution No. 06-05 (the resolution authorizing financing of loans to local public entities adopted at the same meeting) may not at any time exceed $450,000,000 (separate and apart from the amount of Bonds authorized by Section 1 of this resolution).

The Executive Director and the other officers of the Agency are hereby authorized to use available Agency moneys (other than and in addition to the proceeds of bonds) to make or purchase Loans to be financed by bonds (including bonds authorized by prior resolutions of this Board) in anticipation of draws on a credit facility, the issuance of Bonds or the availability of Bond proceeds for such purposes.

Section 12. **Authorization of Long-Term Credit Facilities.** The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more long-term credit facilities for the purposes of financing the making or purchase of Loans. As determined by the officer of the Agency executing any such credit facility, the Agency's payment obligations under such credit facility may be secured by a pledge of any such loans or assets and may be general obligations of the Agency; provided that loans and assets financed from proceeds of any such credit facility are not required to have scheduled or expected payments sufficient to produce amounts sufficient to satisfy the obligations of the Agency under such credit facility when due. Any such credit facility may be from any appropriate source, including, but not limited to, Fannie Mae. The aggregate outstanding principal amount of such credit facilities authorized under this resolution, Resolution No. 06-03 (the single family financing resolution adopted at the same meeting), Resolution No. 06-04 (the multifamily financing resolution adopted at the same meeting) or Resolution No. 06-05 (the resolution authorizing financing of loans to local public entities adopted at the same meeting) may not at any time exceed $300,000,000 (separate and apart from the amount of Bonds authorized by Section 1 of this resolution), and no such credit facility shall have a term in excess of twenty (20) years or bear interest at a stated rate in excess of fifteen percent (15%) per annum (or in the case of any such credit facility pursuant to which interest accrues at a variable rate, a maximum floating interest rate of twenty-five percent (25%) per annum). Each such credit facility may be executed, acknowledged and delivered with terms not inconsistent with the requirements of this paragraph as the officer or officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 13. **Ratification of Prior Actions.** All actions previously taken by the officers of the Agency in connection with the implementation of the Program, the issuance of the Bonds, the issuance of any prior bonds (the "Prior Bonds"), the execution and delivery of related financial agreements and related program agreements and the implementation of any credit facilities as described above are hereby approved and ratified.

Section 14. **Authorization of Related Actions and Agreements.** The Treasurer, the Executive Director and the officers of the Agency, or the duly authorized deputies thereof, are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all agreements and documents which they deem necessary or advisable in order to consummate the issuance, sale, delivery, remarketing, conversion and administration of Bonds and Prior Bonds and otherwise to effectuate the purposes of this resolution, including declaring the official intent of the Agency for purposes of U.S. Treasury Regulations Section 1.150-2, and including executing and delivering any amendment or supplement to any agreement or document relating to Bonds or Prior Bonds in any manner that would be authorized under this resolution if such agreement or document related to Bonds authorized by this resolution. Such agreements may include, but are not limited to, remarketing agreements, tender agreements or similar agreements regarding any put option for Bonds or Prior Bonds, broker-dealer agreements, market agent agreements, auction agent agreements or other agreements necessary or desirable in connection with the issuance of Bonds in, or the conversion of Bonds or Prior Bonds to, an auction rate mode or an indexed rate mode, agreements for the investment of moneys relating to the Bonds or Prior Bonds, reimbursement agreements relating to any credit or liquidity enhancement or put option provided for the Bonds or the Prior Bonds, continuing disclosure agreements and agreements for necessary services provided in the course of the issuance of the bonds, including but not limited to, agreements with bond underwriters and placement agents, bond trustees, bond counsel and financial advisors and contracts for consulting services or information services relating to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, and similar matters, and contracts for financial printing and similar services. The Agency's reimbursement obligation under any such reimbursement agreement may be a special, limited obligation or a general obligation and may, subject to the rights of the Bondholders, be secured by a pledge of the same revenues and assets that may be pledged to secure Bonds.

This resolution shall constitute full, separate, complete and additional authority for the execution and delivery of all agreements and instruments described in this resolution, without regard to any limitation in the Agency's regulations and without regard to any other resolution of the Board that does not expressly amend and limit this resolution.

Section 15. **Additional Delegation.** All actions by the Executive Director approved or authorized by this resolution may be taken by the Chief Deputy Director of the Agency, the Director of Financing of the Agency, the Comptroller of the Agency or any other person specifically authorized in writing by the Executive Director.

Section 16. **Resolution to Constitute Authorization For Purposes of Validation Statutes.** This resolution shall constitute authorization of the Bonds for purposes of California Government Code Section 17700 and California Code of Civil Procedure Title 10, Chapter 9 (Section 860 et seq.). As a result, under California Code of Civil Procedure Section 863, any action by any interested person to challenge the validity of any Bonds issued hereunder must be brought within 60 days of the adoption hereof.

SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 06-06 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 12th day of January, 2006, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 12th day of January, 2006.

[SEAL]

Thomas C. Hughes
Secretary of the Board of Directors of the
California Housing Finance Agency

SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of the Resolution No. 06-06 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 12th day of January, 2006, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

I further certify that I have carefully compared the foregoing copy with the original minutes of said meeting on file and of record in my office; that said copy is a full, true, and correct copy of the original resolution adopted at said meeting and entered in said minutes; and that said resolution has not been amended, modified, or rescinded in any manner since the date of its adoption, and the same is now in full force and effect.

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this ____ day of __________________, ______.

[SEAL]

____
Thomas C. Hughes
Secretary of the Board of Directors of the
California Housing Finance Agency

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State of California

MEMORANDUM

To: Board of Directors **Date:** December 23, 2005

Bruce D. Gilbertson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: AUTHORIZATION TO MAKE APPLICATION TO THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE RESOLUTION 06-07

The California Debt Limit Allocation Committee ("CDLAC") is the State entity which, under California law, allocates the federal volume cap for "private activity bonds" to be issued each year by State and local bond issuers. Private activity bonds are federally tax-exempt bonds which are issued to benefit non-governmental borrowers such as first-time homebuyers or owners of affordable rental housing developments.

Resolution 06-07 would authorize application to CDLAC for a maximum of $600 million of single family allocation and $400 million of multifamily allocation. Such authorization would be in effect during the period of time in which Resolutions 06-03 and 06-04, which authorize the issuance of single family and multifamily bonds, are themselves in effect.

At the December 21, 2005 CDLAC meeting the committee approved action to grant to CalHFA the amount of any remaining unused 2005 volume cap for use in our homeownership program. As of this writing, this amount remaining was $731 million, but it could grow if issuers report any additional failure to use in their entirety allocations granted in 2005. In December of 2004 we were similarly allocated $308 million of unused 2004 volume cap.

The amounts proposed in Resolution 06-07 are greater than we would expect to apply for. However, the presumption is that the Board would want CalHFA to be authorized to apply and eligible to do so under CDLAC rules if applications for CalHFA loans greatly increase and allocation is available.

The attached table shows the amount of volume cap allocated to housing purposes over the past five years and what portion of these amounts were allocated to CalHFA.

Attachments

RESOLUTION NO. 06-07

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY APPROVING APPLICATIONS TO THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE FOR PRIVATE ACTIVITY BOND ALLOCATIONS FOR THE AGENCY'S HOMEOWNERSHIP AND MULTIFAMILY PROGRAMS

WHEREAS, the California Housing Finance Agency (the "Agency") has determined that there exists a need in California for providing financial assistance to persons and families of low or moderate income to enable them to purchase moderately priced single family residences (the "Residences");

WHEREAS, the Agency has determined that it is in the public interest for the Agency to provide such financial assistance by means of ongoing programs (collectively, the "Homeownership Program") to make lower-than-market rate loans for the permanent financing of Residences;

WHEREAS, pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the "Act"), the Agency has the authority to issue bonds to provide sufficient funds to finance the Homeownership Program;

WHEREAS, the Agency has by its Resolution No. 06-03 authorized the issuance of bonds for the Homeownership Program and desires to authorize application to the California Debt Limit Allocation Committee for private activity bond allocations to be used in connection with the issuance of a portion of such bonds in order for interest on such bonds to be excludable from gross income for federal income tax purposes;

WHEREAS, the Agency has also determined that there exists a need in California for the financing of mortgage loans for the construction or development of multifamily rental housing developments (the "Developments") for the purpose of providing housing for persons and families of low or moderate income;

WHEREAS, the Agency has determined that it is in the public interest for the Agency to provide such financial assistance by means of an ongoing program (the "Multifamily Program") to make or acquire, or to make loans to lenders to make or acquire, mortgage loans, for the purpose of financing such Developments;

WHEREAS, pursuant to the Act, the Agency has the authority to issue bonds to provide sufficient funds to finance the Multifamily Program; and

WHEREAS, the Agency has by its Resolution No. 06-04 authorized the issuance of bonds for the Multifamily Program and desires to authorize application to the California Debt Limit Allocation Committee for private activity bond allocations to be used in connection with the issuance of a portion of such bonds in order for interest on such bonds to be excludable from gross income for federal income tax purposes;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors (the "Board") of the California Housing Finance Agency as follows:

Section 1. **Authorization to Apply to CDLAC for the Homeownership Program.** The officers of the Agency are hereby authorized to apply from time to time to the California Debt Limit Allocation Committee ("CDLAC") for private activity bond allocations in an aggregate amount of up to $600,000,000 per year to be used in connection with bonds issued under Resolution No. 06-03 or resolutions heretofore or hereafter adopted by the Agency for the Homeownership Program. In the alternative, subject to the approval of CDLAC and under such terms and conditions as may be established by CDLAC, any such allocation received is authorized by this Board to be used in connection with a mortgage credit certificate program or in connection with a teacher home purchase program.

Section 2. **Authorization to Apply to CDLAC for the Multifamily Program.** The officers of the Agency are hereby authorized to apply from time to time to CDLAC for private activity bond allocations in an aggregate amount of up to $400,000,000 per year, to be used in connection with bonds issued under Resolution No. 06-04 or resolutions heretofore or hereafter adopted by the Agency for the Multifamily Program.

Section 3. **Authorization of Related Actions and Agreements.** The officers of the Agency, or the duly authorized deputies thereof, are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all agreements and documents which they may deem necessary or advisable in order to effectuate the purposes of this resolution, and are hereby expressly authorized to accept on behalf of the Agency any private activity bond allocations offered by CDLAC over and above those which may be granted pursuant to any application authorized hereinabove or in any prior resolution of the Board.

SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 06-07 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 12th day of January, 2006, of which meeting all said directors had due notice; and that at said meeting said Resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 12th day of January, 2006.

[SEAL]

Thomas C. Hughes
Secretary of the Board of Directors of the
California Housing Finance Agency

CDLAC ALLOCATIONS 2001 - 2005

Year	Volume Cap for all Programs	MULTIFAMILY ALLOCATIONS All Multifamily	To CalHFA	% of MF Total	SINGLE FAMILY ALLOCATIONS All Single Family	To CalHFA	% of SF Total
2001	$2,122,538,462	$1,099,132,743 [2]	$123,550,000 [2]	11.2%	$670,707,371 [1]	$369,775,798 [3]	55.1%
2002	$2,587,584,750	$1,294,941,472	$119,445,000	9.2%	$843,197,582 [1]	$500,655,188 [4]	59.4%
2003	$2,633,702,475	$1,436,702,475	$236,565,000	16.5%	$724,000,000 [1]	$416,332,732 [5]	57.5%
2004	$2,838,756,240	$1,552,900,000	$214,187,800 [6]	13.8%	$782,650,000 [1]	$695,804,851 [7]	88.9%
2005	$2,871,503,920	$1,669,700,000	$147,870,000	8.9%	$646,000,000 [1]	$955,000,000 [8]	147.8%

(1) Includes MRBs and Extra Credit Teacher Home Purchase Program.
(2) Includes $1,700,000 multifamily carry forward allocation.
(3) Includes $73,775,798 single family carry forward allocation.
(4) Includes $139,255,188 single family carry forward allocation.
(5) Includes $86,460,327 single family carry forward allocation.
(6) Includes $21,610,000 multifamily carry forward allocation.
(7) Includes $307,804,851 single family carry forward allocation.
(8) Includes an estimate of $731,000,000 of single family carryforward allocation expected to be received at the end of the year. This amount includes other unused program amounts. CDLAC has authorized all unused program pools to be transferred to the Single Family Program pool.

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State of California

MEMORANDUM

To: **Board of Directors** **Date:** December 29, 2005

Tom Hughes, General Counsel
From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: Audit Committee

At the November 9, 2005 Board of Directors meeting, staff reported that Chairman Courson had discussed with staff the possible creation of an audit committee of the Board of Directors. Since that meeting, staff has had a further discussion with Chairman Courson regarding the proposal. This memo reflects the terms of that proposal.

By way of background, public companies are required to form an audit committee under the Sarbannes-Oxley Act ("Act"). Those committees perform supervision and oversight of financial management and reporting. While CalHFA is not subject to the Act, certain aspects of the Act are consistent with the best practices applicable to government entities. While CalHFA staff and Chairman Courson believe that the overall requirements of the Act go substantially beyond what might reasonably be expected of a volunteer board, it would be desirable and appropriate to establish an audit committee for the purpose of creating direct interaction between the Agency's outside auditors and board members.

Staff recommends the creation of an audit committee consisting of three voting members of the Board of Directors. The committee would both have certain limited powers delegated to it by board resolution, and would also have an advisory function. The delegated power would be to develop policies and procedures for the selection and retention of auditors. In all other respects, the committee would be advisory. The committee would be required to hold its meetings in open public sessions, but those meetings do not necessarily have to be held at the same time that the entire Board of Directors meets. Meetings of the audit committee would be subject to the same notice and agenda procedures as are regular meetings of the Board. Agency staff would serve as staff to the committee.

The functions of the committee would include playing an active role in the selection of outside audit firms by developing procedures for the retention of auditors, and to insure auditor independence. In addition, the Committee would meet with staff and outside auditors to review audit issues or audit findings. The Committee would report back to the full board of directors any issues, comments or concerns relating to the audit. Finally, the audit committee should make any recommendations to the Board concerning actions as needed.

Currently, auditors are hired directly by the Executive Director of the agency pursuant to the Agency's standard contracting procedures. The Agency typically engages auditors through three year contracts. The contract is put out for bid at the end of each term. At the moment, Deloitte holds the contract for outside audit work for the California Housing Finance Fund and California Housing Loan Insurance Fund through the 2006 audits. Although CalHFA staff believes that the existing contracting procedure has worked successfully in the past, the addition of an audit committee with oversight over the selection process could be a useful addition to current procedures. In particular, the committee could develop an express policy to select auditors and to insure auditor independence.

The agency's enabling statutes grant the Executive Director the authority to run the day to day affairs of the Agency. The staff believes that the actual hiring authority should remain with the Executive Director. The staff is also concerned that if the audit committee were unable to meet, or were unable to obtain a majority of members at its meetings, the selection of an auditor might be unreasonably delayed. Consequently, staff's recommendation is that the audit committee's role should be to provide general oversight of the hiring of the auditors, and auditor independence, and to create policies and procedures regarding those issues.

It is contemplated that the audit committee would meet approximately three times per fiscal year. The audit committee would initially need to have such meetings as needed to develop policies. Thereafter, the committee would meet annually prior to the audit to discuss the upcoming audit with the audit firm, in order to identify the scope of the audit and review any potential issues. Finally, the committee would meet after the audit work to discuss the proposed audit findings, the scope of any management letters, and other outstanding issues. The committee would thereafter report to the full board at the next regular board meeting. It may also be appropriate to have staff present other financial issues or matters to the audit committee.

RESOLUTION 06-08

RESOLUTION APPROVING CREATION OF AUDIT COMMITTEE

WHEREAS, the California Housing Finance Agency (the "Agency") is required by law to have audited financial statements of both the California Housing Finance Fund, and the California Housing Loan Insurance Fund, and

WHEREAS, the staff of the Agency has recognized that both corporate and public boards are playing an increasingly direct role in the oversight of auditors and audited financial statements; and

WHEREAS, the staff of the Agency has recommended that the Board create an audit committee for the purpose of providing the Board with direct involvement with auditors in connection with the preparation and review of such financial statements, as well as the retention of auditors by the Agency; and

WHEREAS, the Board of Directors of the Agency recognizes that having a direct role in the audit process will constitute a sound financial practice that will assist both the auditors and staff in the preparation and review of the audits, and benefit the Board and the Agency generally;

WHEREAS, the Board has determined that the best method of providing such a role would be through the creation of an audit committee consisting of three voting members of the Board of Directors, to which the Board would delegate the authority to develop policies and procedures relating to the retention of auditors by the Agency, and which would otherwise act in an advisory capacity to the Board concerning audits and related financial matters;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors as follows:

1. There is hereby created an audit committee of the Board of Directors, consisting of three voting members of the Board, to be selected by the Chairman of the Board annually or as otherwise required to fill vacancies.

2. The audit committee shall generally be advisory to the full Board of Directors, provided, however, that the Board delegates to the audit committee the authority to create any internal procedures regarding the selection and retention of

auditors that the committee may deem appropriate.

3. The role of the audit committee shall be to meet with Agency staff and outside auditors as necessary or desirable, to (i) develop any procedures necessary or helpful in connection with the selection and retention of auditors; (ii) facilitate audits of the Agency; (iii) review the scope of audits and any issues relating to such audits; and (iv) to review proposed audit findings and other related financial issues. The committee shall report to the full Board, at a regular meeting of the Board of Director at least once a year , on the audit process and the results of such audits; and may take such other actions as the Board may direct at such Board meetings .

4. All meetings of the audit committee shall be open public meetings.

I hereby certify that this is a true and correct copy of Resolution 06-08 adopted at a duly constituted meeting of the Board of Directors of the Agency held on January 12, 2006, at Millbrae, California.

ATTEST: ________________________
Secretary