CalHFA℠ BOARD OF DIRECTORS

Thursday, March 9, 2006

Holiday Inn Capitol Plaza
300 J Street
Sacramento, California
(916) 446-0100

9:30 a.m.

1. Roll Call.

2. Approval of the minutes of the January 12, 2006 Board of Directors meeting.

3. Chairman/Executive Director comments.

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

NUMBER	DEVELOPMENT	LOCALITY	UNITS
06-001-A/S	Indio Gardens Apartments	Indio/Riverside	151
Resolution 06-09 149			
04-017-C/N	Seven Directions	Oakland/ Alameda	36
Resolution 06-10 171			
05-015-C/N	Villa Vasconcellos	Walnut Creek/ Contra Costa	70
Resolution 06-11 191			

5. Update on Bay Area Housing Plan.

6. Progress report on development of CalHFA Five Year (2006-07 to 2010-11) Business Plan (Powerpoint presentations).

7. Reports..211

8. Discussion of other Board matters.

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

10. Per Government Code section 11126(e)(1), closed session to confer with, and receive advice from legal counsel regarding pending litigation in the following matters:

    1. California Housing Finance Agency v. Gateway Apartment Partners, L.P., a California limited partnership, et al., Marin County Superior Court, Case No. CV054814

    2. California Housing Finance Agency v. Hanover California Management and Accounting Center, Inc., Orange County Superior Court, Case No. 02CC10634; California Housing Finance Agency v. Robert L. McWhirk, et al., Orange County Superior Court, Case No. 05CC02943; In re: Robert L. McWhirk, United States Bankruptcy Court, Central District of California, Santa Ana, Case No. 8:05-bk-19596-RA; California Housing Finance Agency v. Robert L. McWhirk, United States Bankruptcy Court, Central District of California, Santa Ana, Adversary Case No. 8:06-AP-01060-RA

NOTES

HOTEL PARKING: Parking is available as follows: (1) Limited valet parking is available at the hotel for $15.00; and (2) city parking lot is next door at rates of $2.00 per hour for the first two hours, $1.25 per every ½ hour, thereafter, with a maximum of $15.00.

FUTURE MEETING DATE: Next CalHFA Board of Directors Meeting will be May 11, 2006, at the Hilton Burbank Airport & Convention Center, Burbank, California.

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

–oOo–

BOARD OF DIRECTORS

PUBLIC MEETING

–oOo– ORIGINAL

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

Thursday, January 12, 2006
9:29 a.m. to 12:21 p.m.

–oOo–

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

03/09/2006

Attest:

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

Daniel P. Feldhaus, C.S.R., Inc.
Certified Shorthand Reporters
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STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

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BOARD OF DIRECTORS

PUBLIC MEETING

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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

JOHN G. MORRIS
President
John G. Morris, Inc.

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.

SEAN WALSH
Director
Office of Planning and Research

LAURIE WEIR
for Phillip Angelides
State Treasurer

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APPEARANCES

Continued

CalHFA Staff Present:

THOMAS C. HUGHES
General Counsel

JOJO OJIMA

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For the Staff of the Agency:

NANCY ABREU
Volunteer

MARGARET ALVAREZ
Director
Asset Management

BEV FRETZ-BROWN
Interim Director
Multifamily Programs

GREG CARTER
Interim Director
Mortgage Insurance

BRUCE D. GILBERTSON
Director of Financing
Fiscal Services

EDWIN C. GIPSON II
Chief
Multifamily Lending Programs

JIM LISKA
Housing Finance Officer

DENNIS MEIDINGER
Comptroller

STAN SOWERS
Homeownership Programs

APPEARANCES
Continued

For the Staff of the Agency:
continued

KATHY WEREMIUK
Multifamily Loan Officer

LAURA WHITTALL-SCHERFEE
Chief of Multifamily Programs

--oOo--

Also Present

GARRETT BELL
Bank of America

JIM BURTON
Executive Director
Regional Center of the East Bay

CHUCK GARDNER
Hallmark Community Services

JULIA MULLEN
Deputy Director
Department of Developmental Services

GABRIEL SPEYER
Bank of America

ELIZABETH TRACEY
Bank of America

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Board of Directors Meeting held on January 12, 2006

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Board of Directors Meeting held on January 12, 2006

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BE IT REMEMBERED that on Thursday, January 12, 2006, commencing at the hour of 9:29 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'll call the meeting to order, and we will call the roll.

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Item 1: Roll Call

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?
Mr. Heidig for Ms. McPeak?
MR. HEIDIG: Here.
MS. OJIMA: Thank you.
Mr. Morris?
(No audible response)

MS. OJIMA: Mr. Shine?

MR. SHINE: Here.

MS. OJIMA: Mr. Walsh?

(No audible response)

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 -- no, we don't -- oh, we do.

MS. PARKER: Just barely.

MS. OJIMA: Barely.

CHAIRPERSON COURSON: We have six, which is our quorum.

MS. OJIMA: Yes.

CHAIRPERSON COURSON: And I trust all the other directors are feeling well and strong enough to stay through the end of the meeting.

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

CHAIRPERSON COURSON: Okay, let's move to the approval of the minutes. In our Board books that we have, are the minutes of the last meeting of November the 9th.

Is there a motion to approve the minutes?

MS. WEIR: Move approval.

CHAIRPERSON COURSON: Is there a second?

MR. CAREY: Second.

CHAIRPERSON COURSON: Any comments, discussion?

(No audible response)

CHAIRPERSON COURSON: Seeing none, let's 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: The minutes have been approved.

CHAIRPERSON COURSON: Okay, thank you.

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Item 3 Chairman/Executive Director comments

CHAIRPERSON COURSON: I just have a couple of brief comments. One is my normal gift to those who are attendees, we have parking certificates worth $6. If you want them, they're right there.

Let me just make one comment. Obviously, since our last meeting, and even more so, over the last 30 days, there has been a marked difference in the mortgage market, particularly on the single-family side. In our business, as I've traveled across the country over the last 30 days, the affordability issue continues to be exacerbated, as rates have crept up.

And it's interesting. My suspicion is -- and in times like this, as we've seen historically, is when a program -- single-family program, such as California Housing Finance Agency's, really will have more benefit for those first-time home buyers.

(Mr. Walsh entered the hearing room.)

CHAIRPERSON COURSON: And we see buyers who are struggling to be first-time home buyers; and this is where we can really, through our Single-Family program, provide that below-market interest rate financing, to get them into products that they can't otherwise afford.

And I think one of the challenges -- and Terri and I have talked about it; Ken and I talked about it a little bit -- is to make ourselves known and relevant to our seller servicers. California Housing Finance Agency has a large stable of seller servicers of which I must add a substantial number have forgotten about us over the crush of the last two or three years of refinancing and looking for the low-hanging fruit, as lenders will want to do in the private sector. When it comes time now to provide additional products to help those first-time home buyers, we're clearly a good answer.

So I think we have a challenge to go back to our lender-partner base, and remind them of the tools that they have -- additional tools that they have through our programs to provide lower-cost housing to the citizens of California.

Having said that, I will turn it over to our executive director, Theresa Parker.

MS. PARKER: Thank you, Mr. Chairman.

I have a laundry list of things to go through with you all this morning. So I'll try to be somewhat brief; but I think it's important to keep the Board apprised of the status of the Agency.

You will note today, when we go through the Board presentation, some new faces. I think I have told you that the Agency is going to be going through a change in some of our key personnel because of retirements; and those primarily have occurred as of the end of the year.

Dick LaVergne retired on the 31st of December. He is now enjoying retired life.

There will be a party for him, hosted by some of our bankers and underwriters on the 26th of January in Sacramento. You are all invited. I hope you can attend. And if you need any more information on that, we will be happy to get it to you.

The second person I want to mention is Nancy Abreu, who is here today as a volunteer. And we want to thank Nancy for being here.

And, Nancy, I want to take a minute because we have your little plaque to congratulate you and thank you for your service to the California Housing Finance Agency.

So I'm going to take a moment, if everybody will be patient with me, so we can have Nancy come up here and have the Board Chair give Nancy her plaque, and we can all clap, and thank Nancy for her --

(Laughter)

MR. SHINE: Give us a cue.

CHAIRPERSON COURSON: This is a little plaque for a big job.

(Applause)

MS. PARKER: Nancy is continuing to help us on the Bay Area Housing Plan, which is why she is here today.

Greg Carter will be serving as interim director of Multifamily -- excuse me, of Mortgage Insurance, until we complete our recruitment process.

I also want to introduce Bev Fretz-Brown, who is sitting at the table today. Bev has come out of retirement with Sacramento Housing Redevelopment Agency to serve as an interim director for us in Multifamily. And we appreciate her leadership. And she's going to serve in interim while we are out recruiting for that next great person to lead the team.

Homeownership, we're down to our senior manager staff. As you all know, Ken Williams retired last summer.

Jerry Smart has been off on medical leave, and we are excited about having him come back the middle of January. But we have been without him for the last three or four months.

And Stan Sowers is here today.

And just to let you know, we are continuing to recruit for that position.

So we have a number of key positions that we are recruiting for, to find that really good one or two persons who will fit sort of the caliber of our current staff.

I will tell you the one issue outstanding about our recruitment is the salaries. And we have had discussions with the Governor's office and the director of the Department of Personnel Administration about salaries.

And the last thing I will say about this is: To the extent that we are successful with that, we will be bringing you a business plan in May that will continue to have creative, innovative kinds of programs. To the extent that we are not successful with that, we will be bringing you a business plan, which will be significantly changing the course of our business operations, back to what we were doing probably five to seven years ago, with much more plain vanilla.

The other things I want to point out are, we will be supporting our colleagues throughout the Administration on the Governor's announcement as part of the budget on a $70 billion infrastructure proposal, economic development. Although housing wasn't specifically named, we are going to continue to see if there's a role that we can play to support the initiative because, clearly, housing will be a part of any economic development the state needs.

We will be going through a midyear update today, and let you know where we are with the business plan that we presented and you adopted in May.

I think we have good news. We are on track in many of our programs. And we can sort of tell you about what things we are seeing in the market, and getting some comments from you about what we should be looking at as we come back to you next Board meeting with some discussions about the business plan.

We have launched, since we last saw you, the Habitat Program. We had a couple meetings with the constituent groups. Very, very good meetings. Very, very positive reactions. And that program is now out on the street; and we're going to be anxious to see the industry and the community's interest in it.

Last, but not least, I just want to tell you all that we're having meetings next week and the first part of next month with rating agencies. Moody's will be out to visit us next week, and will be going through our programs and having discussions with them, having them ask us all the tough questions.

And hopefully, what we are going to be doing is talking with them about some of the things that we mentioned in some of the Board education programs about whether or not we can have some changes in some of the reserve sharing ratios that may give us some flexibility on business plan development.

The rating agency meeting in February will be on the Mortgage Insurance Program; so we will be going through that program, all of our statements to continue to have a positive rating in that arena.

So with that, Mr. Chairman, that concludes my comments; and I'm available for any questions.

CHAIRPERSON COURSON: And for the record, let me show that we've been joined by Sean Walsh from the Office of Planning and Research.

Sean, thank you. Nice to see you again.

MR. WALSH: Thank you.

(Mr. Morris entered the hearing room.)

CHAIRPERSON COURSON: And as I do that, we are also joined by John Morris, our director. So let the record show that those folks have joined us, and we now have eight directors present.

Next, we'll move to our projects. Before we do, however, I'd like to ask Tom Hughes, our counsel, to make a couple of comments on some discussions that have been held in connection with projects.

MR. HUGHES: Thank you, Mr. Chairman.

As the Board knows, several months back, and actually a number of times over the course of the last year or two, I sent the Board memos regarding conflict-of-interest issues, which are important that we all take note of and make sure that we understand.

I had asked Board members to let me know in advance if they anticipate any conflict issues, so that we can spend the time vetting that.

In this particular project that is before the Board this morning, Palm Springs Senior Apartments, Mr. Czuker had indicated that he might have such a question. So I had gone through that with him at some length.

The reason I mention that here is kind of twofold.

First, some of the conflict issues, as I have told the Board, particularly those under Government Code section 1090, apply whether or not the Board member is here, whether or not they vote, whether or not they recuse themselves. And so even though Mr. Czuker isn't here, the same issue would apply.

He and I have gone through it. He has given me the facts involving the nonprofit corporation that's involved in Palm Springs Senior Apartments. And our conclusion is that we have not seen any evidence of a conflict under Government Code section 1090 that would trigger that section.

I do want to mention -- just to remind the

Board -- that the conflicts issues are intensely -- they're very fact-intensive. Small facts can change or alter a conclusion. And so it's really important that we get the maximum amount of facts and we have enough time to go through it, which is what has happened here.

It is very difficult sometimes to prove a negative, to the extent that we're trying to prove that there is not a financial interest. So with the caveat that our answer is only as good as the facts that we are able to discern on these, having said that, we don't think there's an issue here.

And one of the questions that I have fielded a number of times -- I don't want to run too long; but I just think it's important that we examine some of the nuances of this -- is that some of the conflict issues that have come up with Board members in the past have involved exceptions, particularly to Government Code section 1090, where we can say with assurance that this exception does apply.

When we're trying to show that there is no financial interest, where there is no exemption that applies, again, it's sort of proving a negative; and so we have those caveats that it's not always possible to do that with 100 percent certainty.

Having said all, we are fine today, based on the review and the facts that we got from Mr. Czuker.

I looked at this, and I had a second attorney look at it as well to make sure we reached the same conclusion. So based on those facts, we're pretty confident there is no issue today.

CHAIRPERSON COURSON: All right, thank you, Counsel.

With that then, I will turn it over to Bev.

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Item 4. Discussion, recommendation and possible action relative to final loan commitment Resolution 06-01 (Palm Springs Senior Apartments)

MS. FRETZ-BROWN: Thank you very much.

The first loan request on the agenda today is the Palm Springs Senior Apartments. It's a portfolio loan.

And I would like to turn the discussion over to Laura Whittall-Scherfee, our chief lending officer, and Jim Liska, who is the project officer for this loan. Thanks.

MS. WHITTALL-SCHERFEE: As Bev just stated, this is a final commitment request on Palm Springs Senior Apartments. It is a portfolio loan. It is already part of the Agency's portfolio. What they are requesting is an acquisition rehab and permanent loan.

The project will be acquired using a first mortgage of 2,735,000 for two years at 5.55 percent. That's our current variable rate. It will be whatever the variable construction lending rate is at the time of the closing.

In addition, because this has 100 percent Section 8 -- it's a senior project, it's 116 units -- we are financing a second mortgage in the amount of 4,400,000. That is a 20-year loan. Because it is a portfolio loan, we do not have to use all tax-exempt money. So we are able to use $2,740,000 of tax-exempt money; and then we can also use Earned Surplus in the amount of $1,660,000.

The interest rate on that currently is estimated to be 5.35 percent.

After the rehab, which will be funded through the use of existing reserves, Earned Surplus, and some tax-credit equity, we will fund a permanent loan. The permanent loan amount is $2,930,000. This is a 30-year loan at 5.45 percent. Again, this is the estimated interest rate.

This project is currently under consideration at CDLAC. And we've agreed that we will take a look at what the interest rate climate is at the time that we anticipate being awarded this CDLAC allocation.

And if these interest rates are still in keeping with what our Finance Department determines we need to charge, then they will stay the same.

If, however, the interest rate climate has changed -- and specifically, probably increased, if anybody's crystal ball is doing what we're hearing -- then we have explained to the developer that we may need to increase that interest rate. But that will be determined about the middle of March.

The developer on this project is Palm Springs Senior Affordable Limited Partnership, the nonprofit will be Los Palmas Foundation; and the managing general partner and the initial limited partner is Bentall Residential.

This is on a ground lease. This project is on a current existing ground lease. The current ground lease expires in September of 2024. The City of Palm Springs approved a 36-year extension to the ground lease; and that extension is currently -- the documentation for that extension is currently under negotiation. But we will have fee title for the deed of trust and the regulatory agreement.

And with that, Jim is going to take you through the project and show you the slides and explain the rents and the market conditions.

MR. LISKA: Good morning, Mr. Chairman. Good morning, Board Members.

The project is located in Palm Springs. As you can see by the first slide, the project is within two blocks. East is the Palm Springs Airport.

And when I was there in October, making an inspection of the project, I spent about a half a day at the site. And maybe on that particular day, there wasn't much air traffic or what have you; but the airline traffic, there couldn't be any noise or anything heard at the site.

Right adjacent to the property, on the east, is a vacant commercial lot. Approximately one mile west is a senior center, for which the seniors can travel.

Within three-quarters of a mile of the site, there's approximately three supermarkets; so they have access to shopping.

One mile northwest is the Palm Springs Medical Center.

Within the parameter of the site, there's public transportation for bus. So as far as the project location, it's centrally oriented to the amenities that you find in a typical community.

This is a closer-up aerial of the site. Again, you've got your vacant lot. On the other three sides are located condominiums, apartment projects, residential tracts, sales housing in the area. An average price for sales house is $478,000. Condominiums are running approximately $275,000.

This is the main entrance to our site.

Again, this is just showing you the vacant lot on the east side of the site.

North of our senior center is a police academy and training facility, so it's very oriented to the civic.

The middle of the site contains a pool, a barbecue area, a general recreation area for the senior citizens.

A typical exterior view.

The rehabilitation that's proposed for the project will run approximately $15,750 a unit. We'll be doing roofs. Because of the age of the project, built in 1981, we'll be doing exterior painting, interior painting, unit cabinetry, kitchen appliances, upgrading, renovation of the bathrooms.

As far as the rents, it's 100 percent at 50, 60 percent, which is approximately 60 to 80 percent of market rent, which is in blue, which is $715.

And as you can see, the existing Section 8 contract is above market, $844. And on our cash flow, for the first two years of our renovation, as well as the first six years of our amortization, we have not trended the Section 8 rents because the Section 8 rents exceed market. So to be conservative in our underwriting, we have built that into our equation for cash flow. And we are estimating that within the next eight years we should be -- the Section 8 rents should be at or equal or exceeding market rent, at which time then we gave it a slight trend.

And with that, I'll open it up for questions.

CHAIRPERSON COURSON: Questions on the project?

(No audible response)

CHAIRPERSON COURSON: I have a question on the parking. Am I right, 58 spaces?

MR. LISKA: Fifty-eight spaces for 168 senior citizen units. It's a special zoning that was given by the City of Palm Springs; and, yes, the parking ratio is less than what's normally required for a family-type project. And they feel that all seniors don't need to have access to cars or have cars with them.

And again, public transportation, bus transportation is within close proximity to the site. So this is sort of a bonus that the city is giving them, with the higher density.

Yes, sir?

CHAIRPERSON COURSON: Mr. Shine?

MR. SHINE: Just a clarification.

You said that the property is on land which is leased.

MR. LISKA: That is correct.

MR. SHINE: To whoever owns it, whoever is developing it.

And then you said that the note will have fee title. I'm confused. How can you -- what is fee title -- how does the fee title relate to the fact that you have a ground lease?

MS. WHITTALL-SCHERFEE: They subordinate. The city subordinates.

MR. SHINE: The city subordinates their ground lease to the loan?

MS. WHITTALL-SCHERFEE: Yes.

MR. SHINE: That's a good answer.

MR. HUGHES: I can add, Mr. Shine, generally, we've seen a lot of leasehold financings in the last few years, and what we have tried to do and what we have articulated to the borrowers is that when we finance a leasehold, the Agency's desire is to get the functional equivalent of the mortgage deed of trust.

And so it involves both a deed of trust on the leasehold and some arrangement with the fee owner to subordinate or otherwise put us in the same position essentially we'd be in if one person owned the land.

MR. SHINE: That's good.

CHAIRPERSON COURSON: Mr. Morris?

MR. MORRIS: So this will be a new provision of the extension of the ground lease? So this will take effect once you finalize a negotiation of the extension of the ground lease?

MS. WHITTALL-SCHERFEE: Yes.

MR. MORRIS: Because the current ground lease doesn't have that.

MR. LISKA: That is correct. Right.

MR. MORRIS: Because if we approve this, we're approving this subject to that provision in the extension of the ground lease?

MR. LISKA: That is correct, sir.

MR. MORRIS: Okay.

CHAIRPERSON COURSON: Other questions?

Mr. Carey?

MR. CAREY: I'm sure it's in the presentation; but there seems to be a sizable difference in the per-unit rehab cost in the narrative and in the sources and uses.

MR. LISKA: That is correct. I've got to look that up.

The one in the cash flow or the pro forma reflects two-million-something; and that includes -- and I should have broken that out; and you are correct, sir -- that includes liability insurance and the bond premium.

And normally, I break it out.

However, when I looked at the scope of work, from the contractor's estimate versus our physical needs assessment, it came out to the 1,840,502. And that's the figure I picked up in my narrative.

MS. WHITTALL-SCHERFEE: So the one million eight forty is the hard cost, the actual costs of rehab --

MR. LISKA: Sticks and stones.

MS. WHITTALL-SCHERFEE: -- without the insurance?

MR. LISKA: Yes.

MR. CAREY: Thanks.

CHAIRPERSON COURSON: Other questions?

Mr. Hughes?

MR. HUGHES: Just as an afterthought to what I said, it occurred to me, just so that the Board isn't misled on this, there have been some situations in the past, I believe, where we have not actually required the fee owner to subordinate. And those are usually in unusual situations and very long-term leases. And I think usually a public entity is the owner of the land. But the key to us is that we believe we're in the functional equivalent, one way or another, of where we would be if that situation didn't arise.

So there may be some different situation, and those are usually explained in the Board packages when they come to the Board.

CHAIRPERSON COURSON: Okay. Other questions on the project?

(No audible response)

CHAIRPERSON COURSON: Is there a motion to approve?

MR. SHINE: I'll move.

CHAIRPERSON COURSON: Moved approval, Mr. Shine. And a second?

MR. MORRIS: Second.

CHAIRPERSON COURSON: Mr. Morris.

Any discussion?

(No audible response)

CHAIRPERSON COURSON: Are there any comments from the public?

(No audible response)

CHAIRPERSON COURSON: Seeing none, then let's 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. Morris?

MR. MORRIS: Here.

MS. OJIMA: Mr. Shine?

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson?

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Thank you.

Resolution 06-01 has been approved.

CHAIRPERSON COURSON: Okay, the resolution is approved.

MS. OJIMA: Thank you.

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Item 5. Resolution 06-02 (Bay Area Housing Plan)

CHAIRPERSON COURSON: And let's move to the Bay Area Housing Project.

MS. FRETZ-BROWN: Mr. Chairman, the Bay Area Housing Center has been discussed previously at a Board meeting; but we're here today with a new request. And the request will be presented by Edwin Gipson, chief of Multifamily Lending, also in charge of the Culver City office for CalHFA.

And Ed will introduce the other members of the team.

I'm sorry, you're not hearing this?

MR. SHINE: No.

MS. FRETZ-BROWN: I need to speak up. Even with the microphone, I need to speak up.

The presentation of the Bay Area Housing plan will be presented by Edwin Gipson, who is chief of Multifamily Lending and also the supervisor of the Culver City office. And Edwin will introduce the other members of the team as appropriate.

MR. GIPSON: Good morning.

This is a final commitment request for the Bay Area Housing Plan in the amount of 25 million, for a final commitment, and an increase in the preliminary approval of $20 million.

The Bay Area Housing Plan is part of the closure plan for the Agnews Developmental Center and involves acquiring, rehabilitating, or new construction of approximately 71 homes in the San Francisco Bay Area to house approximately 264 individuals with developmental disabilities currently residing in Agnews.

At the Board's September meeting in 2005, we received final commitment approval for $20 million, and a preliminary approval for $80 million, totaling the financing to be $100 million for the entire project.

This current request we have before you will increase the Agency's final commitment from $20 million to $45 million, and the total expected project cost now is approximately $120 million for the 71 homes.

Security for the loans will be first trust deeds on the property. And in addition, we are receiving cash collateral equal to 5 percent of the loan amount, but in an amount no less than $5 million. Repayment of the loans will be through annual appropriations through the Department of Developmental Services to the Regional Centers, and the Regional Centers will be responsible for funding the houses and services costs.

The developer on this project is Hallmark Community Services, a nonprofit. And they will be the initial owner. And then a permanent closing, the ownership will be transferred to one of the Regional Center's nonprofit organizations that have been formed to hold these projects. And at that time the projects will go into permanent, we will acquire the loans from Bank of America.

The $45 million commitment is expected to currently finance between 20 and 30 homes; currently what we're after. This project is broken into phases based on timelines with families and individuals and other goals that have to be met.

But as needed, we will come back to the Board for additional final commitment under the $120 million approval. So as we move forward, we will come back for additional approvals and provide updates on status and how things are going.

Kathy Weremiuk, the project officer and the lead for this project -- there are many individuals involved, including our legal, Bank of America, our partner, the Department of Developmental Services as well is here today, the Regional Centers. But Kathy will go in and provide additional information about the status and where we are.

Kathy?

MS. WEREMIUK: Thank you.

With us today from Bank of America is Garrett Bell, Gabriel Speyer, and Elizabeth Tracey, who have been working on the Bank of America commitment which we have in hand this morning. Chuck Gardner from Hallmark Community Services. Jim Burton from the Regional Center of the East Bay, he is the executive director, and representing the three regional centers. And Julia Mullen who is the deputy director of the Department of Developmental Services. And they're here to answer questions, if needed, after my presentation.

We have made substantial progress on the Bay Area Housing Plan since we came to Board for approval in September. And I just want to go through the items that have been accomplished. Three pieces of legislation were approved and signed by the Governor. The Joint Legislative Budget Committee approved the expenditure plan for the Bay Area Housing on approximately November 10th of last year.

That approval allowed the Department of Health and Human Services to approve the plan approximately the same day. That was a required legislative approval. That approval from Health and Human Services allowed DDS to give the Regional Centers the authority to enter into contracts 45 days after Health and Human Services approval. So they had the authority to enter into contracts on the 21st of December of 2005.

DDS has also extended the time period for the completion of the Bay Area Housing Plan from August of 2007 through December 31st, giving an additional four months for completion of the project, to allow for the time lost in the legislative approvals.

Since that time, since September, Hallmark, the Regional Centers, DDS, Bank of America, and the Agency, with our attorneys, have been meeting, I would think, non-stop to negotiate deal points and to structure the deal.

We are at a point right now where every legal document that's involved in the transaction is in about the third draft. They're being circulated between the parties; the major deal points have been negotiated. There may be a few things, but they're not major. All of the Agency's concerns to date have been met in the documents. And we expect that those documents will be in executable form approximately the first day of February. We received this morning a credit approval from Bank of America for a credit facility that anticipates the full amount of the costs of the Bay Area plan, with a maximum of 60 million out at any one time. The amount of money they lend, though, however is dependent on the size of the Agency commitment that is available. It's a revolving facility, so it's -- they lend 60 million, we take out 60, they lend the next 60. And so we have those pieces together.

The deal structure has changed somewhat since we came to you in September, mainly through the addition of more funds. The Regional Centers have agreed to put in $3 million, which will be used for predevelopment costs from their own funds. That money will be administered by one of the three NPOs, the Bay Area Housing Corporation. And that money is for earnest deposits and for due diligence prior to acquisition. And it will be replenished from the credit facility with B of A, as they take out loans.

The Regional Centers have also agreed to fund the Agency's fees, which are currently assumed to be 1.2 million, out of funds that will not be financed.

B of A, for their credit facility, has required that the $11.1 million that the Legislature provided for predevelopment, be cash collateral to back up their credit facility for the transaction.

B of A and CalHFA have jointly agreed to engage an inspector. We have met with the inspector. We are working on the contract at this point, to allow for joint due diligence and inspections of the properties to make that move quickly.

The completion risk in the deal is B of A's, and that's a risk they hold until the properties have been completed, accepted by the Regional Centers. The leases have been trued up. The funds are flowing, the service provider is in place; and the Agency through its inspector, has accepted the work on the properties as acceptable.

At that point -- at that point of acceptance and prior to closing -- the Agency has agreed that we will take out the B of A loans within 180 days, irrespective of whether we sell bonds. So we have made an agreement to -- we don't leave the bond risk with B of A -- the bond-financing risk with B of A after completion of the properties.

There will be some time between completion of the properties and the closings because we want to aggregate the number of buildings into sizeable bond financing, sizable enough that Bruce can sell the bonds on Wall Street. We're anticipating that those may be in the range of 30 to 40 million. That's to be determined as Bruce goes through those negotiations.

The deal with Bank of America will be structured as a loan purchase agreement. This basically allows the Agency -- the Agency will purchase their deeds of trust, and we will be able to maintain the lien priority that the bank has, as a way of simplifying the transaction.

At transfer of the properties, the properties will be in the escrow where we make our permanent loans on the properties, we will buy the notes. The leases will be trued up. The reserves will be funded -- the debt service reserve at that point will be funded by Bank of America, and all additional costs will be funded into the note, as we take the note down.

They will also transfer to us from the 11.1 million that they're holding, 5 percent of the bond amount. And when the properties are completed, that amount will be no less than $5 million, even if we loan less than 100 million and the full property is not completed.

The Agency -- there are a few minor differences from the presentation and the items that we gave to you in September. And the minor differences are that the Agency has decided that we do not want to escrow taxes and insurance but, instead, will have that be the responsibility of the nonprofits. And the Regional Centers will be funding that. But we will have the ability through our regulatory agreement to take back the escrow, in the event that insurance and taxes are not properly paid. And it's an administrative item for the Agency, where we don't want to take that on for 71 single-family homes.

We've also increased the replacement reserve. This will be held by the nonprofits. We were anticipating, I think, $900 when we came to you in September, and have negotiated that there will be a replacement reserve per property of $2,400 per year, to allow for major -- major items that would come up. Minor items, maintenance items will be taken care of through the lease, the leases.

I'm going to -- if I can go -- I want the slide on Cupertino.

MR. GIPSON: That is Cupertino.

MS. WEREMIUK: That is Cupertino. Okay.

The Cupertino homes were completed when I came to the Board in September, but they've since been leased to the service providers, and they're currently occupied with former Agnews residents.

We've received, since then, as-built audits and also costs. And we wanted to do this to be able to give you a sense of what the exposure of the Agency is, with the loans.

The projects were all budgeted -- the original budgets were higher than the final acquisition and construction budgets. The developer did a nice job and brought them in under cost.

The interest was paid by the Regional Centers. And it's not showing here. Without that, the loan-to-value, once we add the reserves that the Agency is going to require, are about 113 to 119 percent of value.

If there had been an interest-carry, that would be 118 percent to 125 percent of value. So that if we're funding all costs, we anticipate will be somewhere in those parameters of 118 percent to 125 percent of value.

This is a risk that we discussed last time. To mitigate that risk, the Agency went back and negotiated with the Regional Centers and DDS, and got them to agree to give us the additional 5 million in cash collateral.

Additionally, we have the debt service reserve, which is somewhere between 11 and 12 percent of the loan amount, and will be 11 to 12 million -- in this case, 11 to 12 million dollars that we will be holding through completion.

And Ed mentioned, we're funding the first phase of the project. And the main thing in this chart is to show you that the Regional Centers have been meeting with people at Agnews. They have worked and negotiated with the parents identified for the residents that are involved, which residents will be in which houses, who they will be roommates with, what their service needs are, and have a comprehensive view as to exactly what homes need to be built in the first phase; and have worked through agreements with service staff. And they've identified service providers that are appropriate for those residents and for those homes.

There will be eight of the properties will be in

Alameda, 18 in Santa Clara, and nine in San Mateo, of which 12 will be specialized residential facilities for people with behavioral problems. Those will most likely be rehabs. Thirteen will be medical models. Those will most likely be new construction. The developer has done a lot of rethinking with the Regional Centers on needs and decided that there will be a longer build-out on those. And ten of the homes will be family teaching models.

The reason that we're coming to you today without any of the homes having been built and asking for an increase in the facility, is that to meet the schedule of completion by December of '07, they need to complete 35 homes by the end of this year. And to be able to do that, they need to go out, at this point, acquire properties, and have approximately 25 to 30 properties under contract by the end of March.

They have been tracking properties, they had identified 20. Ten of them have been sold. They've got ten available that they can purchase at this point in time, from our discussions with them. And we have been convinced of the urgency of allowing them to go forward.

The 20-million commitment that we currently have, would take them through the middle of February, and would not take them to the March Board meeting, in terms of acquisitions.

Phase II of the development will start. And not all -- the types of homes have been -- let me go back. Just stay on that slide -- the slide before that.

The developer is anticipating starting to purchase some of those homes in May of this year, but the phase would be completed by December 31st. And that second phase will include the Cupertino -- four Cupertino properties. There will be 36 homes, four of which are the Cupertino properties.

We haven't yet -- we haven't put them in the first request because we haven't -- as their current -- B of A is not the current lender, we haven't determined yet if B of A will buy the notes and then we will buy them from B of A, or if we'll just do that directly with the bank that's the lender, since it's a different bank on those properties. And we've put off that decision until we worked out the main documentation.

Will this take me to the next one?

I want to go back to costs.

The costs of the package that I gave you are a little bit out of date. The 93 million that's shown here did not include the Cupertino properties. If we included the Cupertino properties on numbers that I had, which I prepared back in December, it would be about 99 million.

The costs are currently a little bit higher now, as we -- as the developer has added in some of the environmental clearances that the Agency has required, and reflected some of the insurance costs that the bank is requiring and the inspection costs that both ourselves and the bank are requiring.

So the overall number is somewhere about 113 million.

The remainder, up to the 120 million, is the comfort reserve for Bank of America, where they want a higher commitment from us, which translates into about $6 million for each $60 million commitment and credit facility.

We anticipate that the project currently, with the numbers, when completed, will be somewhere in the range of 113 million. But the bank would like the $120 million commitment from us.

With that, I'd like to entertain any questions that you might have.

CHAIRPERSON COURSON: Let me just ask a couple of informational questions.

First of all, the $11 million of cash and collateral, I've just missed it. Where is that coming from?

MS. WEREMIUK: It was appropriated by the

Legislature. And it is being given -- and DDS currently holds it. DDS has developed contract language, such that they'll give it to the Regional Centers to use for this project.

CHAIRPERSON COURSON: Okay, and I think you said that the increase of our original $100 million total package to 120 is due to the goal of completing by December of '07?

MS. WEREMIUK: Actually, the difference is in the 100 to 120, was that in the original numbers we gave you, the Agency's debt service reserve was not included in those numbers; and that's a $12 million variation. And then the additional amount is the comfort reserve to the Bank of America.

The actual dollar projections for the projects are pretty close to where we were when we -- they've moved, and they've obviously been massaged, and they've been massaged a little more to date by Bank of America in their commitment. But they're very close to where we were when we came in, in September.

CHAIRPERSON COURSON: Questions from the Board?

Mr. Shine?

MR. SHINE: Yes, I have a couple of things that I'd like to ask you.

Basically, in three areas: The first one of which is, could you tell me what the criteria was that was used in establishing the value by the appraisers of the property?

Did you get that?

MS. WEREMIUK: Yes. The criteria were sales comps. The as-built sales comps. And they also used an income criteria for those properties. Those properties were duplexes, so that there wasn't -- there is income, and so they use both sales and income.

MR. SHINE: Were you comparing these buildings to other buildings, with the same amenities added into them, or are you going into the normal real estate market and saying, "Here's houses that we paid an average of $660,000 for, and we're going to be into them for 1.6 million," how did you get to a value that says they're worth the million, rather than the value of the real estate, absent all the improvements?

I mean, the question is, if the improvements are worth anything? If we have to foreclose, do we take the houses back? Do those improvements have any value in the marketplace?

MR. GIPSON: Minimal. To answer your question, the first value that is established is the market value for the home, and then they're making the adjustments to it for which, dollar to dollar, it's not going to come out. It's not necessarily going to make it any worse; but it's not going to make it any better. And that's where we start to go upside-down, or if you will, end up over 100 percent loan-to-value, rather quickly.

But I'll let you -- I'm sorry. But what we do also have is an agreement with the Regional Centers, that if something were to happen, in the agreement with the Regional Centers behind the nonprofit organization, that it says you will restore these projects, these homes back to market condition. So that's one more thing we put in there. So we ended up back where we needed to be, to have a saleable asset.

MR. SHINE: And a very good thing to do, I must add.

However, that bypasses my point. If we're going into the market and using the numbers and the cash flow here, paying the prices in the cash flow, which adds up to 47 or 48 million dollars or 46 million dollars, and averages -- if there's still 71 homes, it averages $660,000 to buy the real estate, preimprovement, and the other half again as much as that to improve it, and the balance for financing and so on. So that's how you get from 660 to 1.6 million.

And my question to you is this: In the event that the Agency is forced to foreclose because there is no guaranteed source of funds, because the Legislature has made it clear they won't do that, given that, if we have to take it back, is that a $660,000 house plus inflation, or is that all of a sudden doubled in price, even though all the other comps will be something different? Do you know what I'm trying to say here?

MS. WEREMIUK: Yes. In the Cupertino homes, the appraisal -- the cost on the homes -- the cost to build was a million -- I'll use one of them -- $1,229,000. It appraised for 1.2 million. That was the market.

MR. SHINE: What was the developer paying in cash money out of his pocket to acquire that property?

MS. WEREMIUK: I have the developer here, and --

MR. SHINE: In your cost breakdown, the line item that is entitled "Acquisition," adds up to 46 or 48 million dollars, and when you divide that by 71, you get 660,000.

Now, if the developer is paying a lot more than that for the land, and he's calculating it in a different line item, I'd like to know. But it looks to me like we're paying to acquire the property in the first place, that amount. Then we're spending from 80 to 180 dollars per square foot to fix them up, to comply with the requirements. And then with the financing, it goes from six or seven hundred thousand to 1.6 million.

And my question again is, when the appraiser did the appraisal, did he appraise this on the real property alone, or did he add value -- how did he get so much more of the market today? It's more than double the market today for his appraisal.

MR. GIPSON: Well, let me back up because the appraisals will come as he's dealing. And Cupertino is a good example.

But we have a mix of real estate issues going on there. So some things were land, when you look at these projections -- some of this is going to have to be land and some of these are homes.

I know they've basically priced out about ten homes, and some of those values are ranging basically the cost -- you know, market cost is around $800,000 for some of these homes and for some of these duplexes. It varies up and down for a little bit of size.

And then the additional cost that is getting us a little bit higher is what work needs to be done to homes.

So when you divide and say, "This half is land, and this half --" it gets kind of skewed in there.

But the value of the home is the market value at acquisition. It's what's happening after that value that is the additional cost to rehab it, to put in specialized equipment, thus taking the loan-to-value over the top of the original value that it was acquired at.

Now, we are also -- we have the acquisition appraisal. We are also having the as-completed value of the project also being completed. So we will know exactly what that cost is of that date. Because, honestly, that project becomes, when it's like that, a more specialized product than just the original home.

MR. SHINE: And that goes back to my original question that I'm trying to ascertain.

Tell me where I'm wrong here, please. What I hear you saying is that you're acquiring the properties for 48 million and change dollars, 71 properties, when it's all said and done?

MR. GIPSON: The average cost comes out to be about 1.6 million, yes.

MR. SHINE: No, if you divide --

MS. PARKER: Isn't the difference of this, some of the properties are --

MS. WEREMIUK: Land.

MS. PARKER: -- land, yes.

And some of them are -- have a house on it, on which you're going to be doing rehab. So you've got the bare land, you've got construction.

MS. WEREMIUK: Right.

MS. PARKER: The other, you have rehab.

MS. WEREMIUK: Correct.

MS. PARKER: So you can't necessarily -- if you do it on average, you really are mixing apples and oranges because you --

MR. SHINE: Let me ask this question: In connection with the land costs and home purchase price, are any of the numbers contained on that line item for land only?

MS. WEREMIUK: Yes. And I have some new numbers today, but not enough time to give them to you.

MR. SHINE: You don't have to give me a lot, just generally speaking.

MS. WEREMIUK: Yes, the medical model, the land purchase is in the five hundreds. On all of the other models, on the specialized residential, on the family teaching, where the acquisition costs range between seven-fifty and about nine-fifty, on those models, that's home and land. And the construction on those would be less.

MR. SHINE: That's why, in some cases, the improvement costs are $80 a foot?

MS. WEREMIUK: Yes.

MR. SHINE: And in other cases, it's $180 foot?

MS. WEREMIUK: Correct.

MR. SHINE: And the $100 a foot is for new construction?

MS. WEREMIUK: New construction.

Now, some of the improvements do have value. I mean, in the units that have been done, if the roofs have five years left on them, a new roof is put on, a new kitchen is put in. Some of the rehab that is being done will actually increase the value of the property. The specialized part of the rehab, widening the door, the bathrooms, that won't increase the value, but some of it will.

MR. SHINE: The whole basis of my question was, when the appraiser did his appraisal and you reviewed it, was his appraisal based upon his evaluation of the value of the house, based upon what we spent, and what the value of all the medical and other special improvements are on the house?

MS. WEREMIUK: No.

MR. SHINE: Or was it based upon, if you give it back to Agency, like you provided for, and they take out all the stuff that they put in that you don't want -- so they foreclose if we do; which I hope we won't ever have to -- that we will have a piece of property to sell on the market, what will the then value be? Will it still be 1.2 million per house?

MS. WEREMIUK: The appraised value for these models -- and this was a family teaching model, for the appraised value, was the value you could -- they estimated you could sell it at the date of that appraisal, which was August of last year, was the 1.2 million.

MR. SHINE: So your second issue then --

MR. HEIDIG: Can I just ask on that?

You're buying it at an appraised value of 1.2, or thereabouts, and then you're going to rehab it?

MS. WEREMIUK: No, they bought it in the seven to eight hundred -- my guess would be -- and it's about --

MR. GIPSON: We're crossing apples and grapes a little bit. But the actual acquisition costs are running around eight hundred to nine hundred thousand dollars for the existing property. So if you're buying, like, the duplex and one of those, and then the additional costs on top of that -- so the first price you have is the major development, which is the market price. And if you have rehab, it's going to be on top of that.

MR. HEIDIG: Right. Plus, I appreciate that it doesn't exactly translate from apples to apples to apples. But isn't it true that the rehab is an additional cost; and that when you go to sell -- or when you go on the fair market value, that the rehab is going to work against you? People aren't going to sit here and say: I really want to buy a single-family or a duplex that has developmentally-disabled rehabilitation components to it.

MR. GIPSON: Correct, correct.

MR. HEIDIG: I just want to make that point, that it seems like you're going to have a devalued asset, to some extent, if you were to go to sell down the line?

MR. WALSH: Or conversely.

MS. WEREMIUK: Depending on the model. In the family teaching models, with those, because they were duplexes, they sold for more. They sold for about 950, they put 250 in. Part of the reason that appraisal matched the value of the rehab, was that the market was appreciating between purchase and appraisal.

MR. HEIDIG: Right, right.

MS. WEREMIUK: And they got the benefit of that market appreciation.

But in that instance, for that particular model -- it's not a licensed model -- the only piece of the rehab that would have to be changed would be the fixtures in the bathroom. The rest of what was in that particular model would be -- the rehab that was put into it would not in any way take away from the value of the property; it would only enhance it.

Now, when we get into medical --

MR. GIPSON: The widening of doors --

MS. WEREMIUK: The widening of doors, the increase in the size of the bathroom, that's a plus. It's actually a plus. The fact that they put a patio out that they landscaped, that they put a new roof on, that they changed the windows, that they put marble on the countertops and put in new cabinets is a plus. And everything was tastefully done; and it didn't take away.

But I think as we get into the medical models, the answer would be yes, the rehab will make the property less valuable, which is why we have the $5 million as a single reserve that could be used. If we had a loss, it could be used on just a number of the properties. So if all the family teaching model homes would sell for what our loan on the property is at the time that we had to foreclose, that 5 million, as well as our debt service reserve, could be used to help us recoup losses on the other models.

MR. GIPSON: So it's a mix.

CHAIRPERSON COURSON: Go ahead, Jack.

MR. SHINE: So what you're really saying -- what we really should have had here, and it maybe would have been easier for me to understand, personally, is that if you had rehab -- what you're saying is that you're buying these houses -- or building the house, as the case may be, for $100 a foot, and you're rehabbing them at about a quarter of a million apiece?

MS. WEREMIUK: Right.

MR. SHINE: Okay, so a quarter of a million dollars with a 1.2 million value is tied up in enhancements of some kind or another; is that correct?

MR. GIPSON: Yes.

MS. WEREMIUK: That's correct.

MR. SHINE: And in order to buy 30 houses this year -- $20 million is just about what it is going to cost you buy the 20 houses all together, isn't it, this year?

MR. GIPSON: That's very close, yes, it is.

MR. SHINE: Acquisitions down here.

MS. WEREMIUK: But you can't use the 20 million to buy the houses because Bank of America will require that we have a commitment that covers not only the acquisition, but the full cost of the house. The rehab, the soft costs, the Agency's debt service reserve, and their 10 percent comfort reserve. They have to have a commitment of that amount in hand from the Agency to allow the purchase to go forward under their credit facility.

MR. SHINE: So their construction loan then has a set-aside in it for the improvements?

MS. WEREMIUK: Yes.

MR. GIPSON: Yes.

MS. WEREMIUK: It has a set aside for the improvements, for the interest-carry, for all of the reserves.

MR. SHINE: Understood.

Okay, well, then the only other thing I'd like to question you on, briefly, I hope, is let's talk about the certainty of total funds to service this debt when we buy these loans, so that the agency that is supposed to give it to the Agency who is supposed to give it to us has the money each year.

MR. GIPSON: Yes. Well, we can start with, you know, it is an appropriation, so there is that version of the risk. But if we can step past that, because it's the Department of Developmental Services, and that may be the one entity whose budget you will almost never see touched in a negative way because of the clientele they service. If we can go past that.

MR. SHINE: But they made a specific request, a demand that they be off the hook legally to fund this thing. They said, "You cannot count on us legally to do anything except each year decide if we're going to appropriate again that money." Is that a correct statement?

MR. GIPSON: Well, services for the developmentally disabled is basically an entitlement-type program for which they are legally bound to provide services to that clientele. So it's not of the same nature where you get to go, "Oh, we're not going to do any more." That money rolls to the Regional Centers, so the payment rolls forward.

MS. PARKER: Mr. Shine, let me add, because I think I said this when we had this discussion before, having -- wearing my old hat as Department of Finance, when the budget is built, there are certain programs that the Department of Finance accepts that they, irrespective of discretion, they will have to fund, because they are entitlement responsibilities.

The Prop. 98 for education is one of the first things that comes right off the top. It will be funded, no matter what. And the Department of Developmental Services is right up there in the top three, top five.

If somebody walks in the door of the developmental center and they needed services, the State is required to provide those services.

They are annually appropriated. But in the world of finance -- State finance, this particular area is about as safe as anything else, and will be, again, pretty much equivalent to schools making decisions on making long-term contracts because they know that Prop. '98, or in this case, Developmental Services funds, would flow through to these clients to be covered.

MS. WEREMIUK: The demand that they --

MR. SHINE: As a builder who has been up in the economic cycle and down in the real estate economic cycle, I can tell you that if it isn't a contract, it doesn't count.

And the presentation we had here last time made it very clear that the State required that they have no liability to fund; and that in the event of a failure, our only remedy was foreclosure.

Now, if this is a Prop. 98 thing, is there something we can look at to hang our hat on, or are we stuck with that clause?

MS. WEREMIUK: We're stuck with that clause. That clause comes from the Department of Finance as a requirement for their approval of the Bay Area Housing Plan. This went through the Department of Finance. The reason that clause is there, is the issue of State debt.

If there were a multi-year State debt, it would require a vote -- my understanding is, voter approval.

And because you don't want -- they don't want and would not approve something that had to go to the ballot box to get voter approval, those clauses are in there to make sure that it doesn't qualify as State debt. That's a different issue than whether or not there is a recognized entitlement. And there is both statute and case law that recognizes that these funds are an entitlement and the State has to pay for them.

MR. GIPSON: Lease assurances.

MS. WEREMIUK: We also have a lease assurance agreement from the Regional Centers that they will back up the lease. However, it is subject to the same clause.

MR. GIPSON: Yes.

MS. WEREMIUK: We have an agreement with the Regional Centers that this will be the first obligation. They meet every year. Their budgets for the three Regional Centers exceed 500 million a year.

We've put into the agreements with the Regional Centers -- and DDS has agreed to put this in as an appropriation request every year for the 15 years. We have backed it up in every way that we can; but we're stuck with the issue of State debt and voter approval. And because of that, we have the clause that they have no obligation if it's not funded, if it's not approved.

MR. SHINE: I understand. So we're stuck with that caveat.

But you're saying that as a matter of policy, unless something dramatically changes, that you feel somewhat more comfortable doing this without that assurance?

MR. GIPSON: Yes.

MS. WEREMIUK: Yes.

MR. HUGHES: If I can just elaborate on that, just briefly.

I think what Kathy said is exactly correct. But just to come at it from a slightly different angle, there are two distinct categories of obligations here.

The first is that our own bond issuances, our own debts, our own loans are not the obligations of the State of California. That's the issue that Kathy's talking about and that's why the Attorney General and the Department of Finance require that we acknowledge that these obligations that we issue are not obligations of the State.

The second obligation, which is what Terri was talking about, is the general obligation of the State to take care of developmentally disabled people. And that is the source that will, in most analyses, ultimately require the State to appropriate funds to take care of these.

Having said that, the debt at issue here, the specific debt is not the debt of the State of California. And those are the two distinct obligations that we're talking about.

So on the one hand, yes, we have acknowledged that this debt is not the debt of the State of California, but separate and apart from that is the obligation of the State to take care of these people, which is the source of all the funds to repay the debt service, if that makes any sense.

MS. WEREMIUK: And in addition to that, this proposal saves the State funds because it is less expensive to house people in this expensive way than to house them in Agnews.

MR. SHINE: I just wanted to make it clear what's going on.

CHAIRPERSON COURSON: Okay, other questions?

Mr. Morris?

MR. MORRIS: I don't want to beat this; but where is the source of the funds from the State? Are these General Fund revenues?

MS. WEREMIUK: They're two. They're General Fund -- the appropriation -- there's an appropriation by the State that's a General Fund revenue that comes to the Department of Developmental Services and goes to the

Regional Centers. And they will actually cut the check to the Agency. They're able to do that because we're a governmental agency.

But they, on a monthly basis, because the residents qualify for a Medicaid waiver, their accounting departments will submit back to DDS, that will submit back to the Department of Health Services -- am I right, Terri?

MS. PARKER: Health and Human Services.

MS. WEREMIUK: Health and Human Services, a request to Medicaid, which will pay for approximately 50 percent -- they'll reimburse DDS for approximately 50 percent of the cost of caring for each individual, in each house.

Most of these individuals who are going to be here, with maybe one or two exceptions from what I've heard, qualify for the State's Medicaid waiver.

The Medicaid waiver is established; it's renewed every five years. It's for exactly this purpose. And it's something that -- it's one of the reasons that DDS is interested in funding the residents -- funding these properties, because they're reimbursed for 50 percent of costs.

MS. PARKER: Kathy, I think what's fair to say is, again, I think you're all getting a feel for some of the incredible constraints that we have had to work around in order to try to assist the Department of Developmental Services to do this project.

The ability for them to come to us and have us essentially provide this financing allows the units to qualify for federal finance participation.

If it were not the case, then the State would have to pay 100 percent General Fund, and has done that in the past, for people in certain developmental center hospital units.

So by this very elaborate, complex, the State can essentially -- the Department of Developmental Services can go to Medicaid, which is run by the Department of Health and Human Services, and claim 50 percent reimbursement for each one of these clients, which will allow the State, in totality, to benefit from, you know, 50 percent of these costs being shared by the federal government. And so the stream of revenue at the end is really fifty-fifty.

CHAIRPERSON COURSON: Other questions?

Mr. Walsh?

MR. WALSH: We think this is a good public policy. It follows through with the commitment I think we made in the September meeting.

The Administration is committed to having people in the Bay Area, in a community setting. We think this serves a valuable public policy issue. It also demonstrates a unique role that this entity can play in doing these complex types of arrangements; and it saves the State money by putting the federal government partly in a role of responsibility.

So we in the Administration would encourage this Board to take a favorable action. Thank you.

CHAIRPERSON COURSON: Having followed that, however, let me take a little different approach for a moment. Not on the specifics of the project.

I do have, I must say, if you looked at my -- I have a number of marginal notes -- no, they are notes in the margin. I don't have marginal notes. I have some numbered notes, and they all say "Cart before the horse."

The question I have -- I guess the concern I have is in September we approved 20 million. We're sitting here in January and, frankly, don't have a deal yet. In other words, at best, we're February 1st. My experience is February 1st, we may have some hearts around on Valentine's Day. But we're not even there for the first 20. And we're being asked, I think, to move quicker than I would have thought we would have moved to approve an additional 25.

I mean, my impression was that we approve sort of an overarching commitment to this concept; and that would come back and in effect pay fund phases, if you would, or pieces of that permanent.

And at the same time that we're being asked -- and the idea, at least my thought was that, therefore, we'd see how are we doing on the first 20 million, and then be asked for another 25.

And to be very candid, I'd say I don't know how we're doing the first 20 million because no one does. We've certainly flurried a lot of papers. But in terms of where we're moving -- and my question is, looking -- and then looking at sort of the timeline, I look out, and it looks like the next acquisition piece, if you would, in terms of the next number of houses is July or August, in looking at the chart, Kathy, that was in your presentation, and we're sitting here in January.

And my further concern is that if we continue that pattern, I personally don't want to be committed for 120 million, when we've got six houses built and four acquired. And I see us moving along that path. And I see in March, all of a sudden, we'll have another request for 20. So I have some concerns about the timeline -- not about the project, but about the timeline -- and how we're looking at performance versus future commitments.

Because frankly, if, in fact, some of the numbers, some of the concerns that Mr. Shine raises and so on in terms of the numbers and figures aren't working out, then that is why I think the Board took the approach that we want to come back and look at this in phases.

MR. GIPSON: And I think that's a fair statement.

And the way it is currently structured is, it's been brought to you, and it will be brought to you in phases for that exact purpose. We're looking at a condensed timeline.

I think if we all had approvals today, they would be out buying properties today. But what we got caught up in is drafting the legal documents.

We all came to terms; but getting the legal documents and all the legal requirements to be met was a gigantic issue.

But the actual approvals on the line, though we're here today for another $25 million, which will bring us to 45, which is to make sure that they stay on track -- there is no real expectation to be back in March -- May, yes; but March, no -- to make sure they get off and running, and get those first 20 or so homes under their belt in February. But we still have approvals internally over each single deal. So we limit the Agency's exposure on a one-deal-per-deal basis

So you may have a commitment, but we have an approval process before you can just draw and we commit on those additional funds.

CHAIRPERSON COURSON: How many units were encapsulated in the first 20 million? Do you recall?

MR. GIPSON: It would have been -- well, with all these reserves --

MS. WEREMIUK: With the reserves, the first 20 million would cover ten to -- ten to 12 homes.

CHAIRPERSON COURSON: And have any of those houses been acquired yet?

MS. WEREMIUK: No, they haven't, because they were waiting for two things. One is the Bank of America credit facility -- and it's really taken longer, mainly because of the Christmas holidays.

CHAIRPERSON COURSON: I guess my question is that having said that, if, in fact, the 25 million were on our agenda for March, and the paperwork and the lawyering was done and the first set of houses had been acquired and you could see acquisition costs and so on, and then coming for the next 25, it would just seem to me to be a more reasonable time frame for this portion.

MS. WEREMIUK: The difficulty -- I'm going to ask Jim Burton to come up in a moment -- but the difficulty really is that they need to acquire 35 homes fairly quickly to meet their schedule for the first 35 homes to be turned over in December. And that acquisition is between now and March or April.

MS. PARKER: Is that from the standpoint of what -- DDS's capacity?

MS. WEREMIUK: Yes.

MS. PARKER: DDS needs that capacity to basically have clients placed in those homes?

MS. WEREMIUK: Yes. And there's a lot going on to have those clients placed in the home, which is why I'd like Jim to talk about it, because I think Jim and Julia might be able to address the question from the client point of view in a different way than I can address it from the real estate point of view.

CHAIRPERSON COURSON: Ms. Nevis?

MS. NEVIS: Well, I was just concerned with the timeline you're facing if you don't have approval today to actually do some of those acquisitions, the properties may not be available or you may not find them.

MR. GIPSON: Yes.

MS. WEREMIUK: I have a list today of ten properties that they are interested in going out and putting deposits on now. That list was 20 at the beginning of the month. Properties are going off the market. And they've had somebody standing by, identifying properties for them. So to be able to meet that and continue to put properties on, they do need to move really quickly. And that -- it's and a slower market, but it's not a dead market.

MS. PARKER: Is there any availability for them to do this without this increase, with the assumption that they would then close in March, when they came back to us, the Board, and the Board essentially was willing to give a greater increase?

MS. WEREMIUK: I've been told that it would put them off schedule if we did that, which is why we came back.

Ed and I internally debated this, and our whole team did. And the team includes Tom and Bruce and Nancy and Margaret -- and I may have missed one or two people. But we've had -- we really did debate whether we were going to come back to the Board without having any completed homes. And when we looked at the scheduling that they had and the exigencies they faced, we decided as a team to put this forward, that we thought there was a compelling reason to do that.

But, again, in terms of the compelling, I'm not as eloquent as Julia.

CHAIRPERSON COURSON: Are there other questions from the Board?

Ms. Weir?

MS. WEIR: I think that there's another item generated later on today in the generated, where the Board is being asked to approve the issuance of the full 120 million. And so while we're making a decision on phases in terms of final commitments, I think we're also, later on today, being asked to say "yes" to the full amount.

Is that correct?

MS. PARKER: That is correct. But let me just say one thing about that. Think about that almost like the authorization that we have from the Legislature about how many bonds we can allocate. We're not going to do that until we actually have projects to sell the debt for. So while it is a conceptual amount, we're not going to sell the debt until we have actual projects behind that.

MS. WEIR: So the relationship between our approval, the Board approval of final commitments and the sale of bonds is -- how do those two things --

CHAIRPERSON COURSON: Well, to my understanding -- and counsel can correct me -- but that resolution is a resolution to authorize the issuance up to 120 million. But there would not be an issuance over and above the final commitments approved by the Board.

MS. WEIR: So at this point, if the Board approved the current staff request, the total amount of bonds issued would be 45 million?

CHAIRPERSON COURSON: Right, correct.

MR. SHINE: Excuse me, Mr. Chairman?

CHAIRPERSON COURSON: Mr. Shine?

MR. SHINE: Where is the money going? You have an interim lender, Bank of America, say they're going to make an acquisition of rehabilitation loan, which they have not made yet -- they're papering it or whatever -- and we will approve $20 million already. When that money moves out of the Agency, into whose hands does it go, and how is it secured? Or is that waiting, subject to the condition upon Bank of America's completing their loan; and then when they get the 20 million, if the houses aren't completed, are we advancing them money for part of their construction loan?

MR. GIPSON: No, no.

MS. WEREMIUK: No.

MR. GIPSON: Go ahead.

MS. WEREMIUK: What happens is that money will go to Bank of America to repay -- to buy their notes at the point that we do permanent financing.

The homes will have been completed, they'll have been accepted, the leases will be flowing, all the paperwork will be in place.

MR. SHINE: So are you saying what we're talking about today isn't going to actually change -- money isn't going to change hands until such time as the properties are completed --

MS. WEREMIUK: Until some time --

MR. SHINE: -- until completion and acceptance?

MS. WEREMIUK: Yes, that's correct.

Our money is not going out until October -- probably until October, to one phase -- probably October of this year, and February or March of 2007 for the money that we're talking about.

MR. SHINE: So this loan commitment that you are asking about merely allows the developer to go to the bank and say, "I don't want 20 million. I want 45 million"?

MS. WEREMIUK: That's correct.

MR. SHINE: And based upon our take-out commitment to the bank of 45 million, they'll make a $45 million loan of 35 houses?

MS. WEREMIUK: Correct. Less than 35 houses. Twenty to 30.

MR. SHINE: How many?

MR. GIPSON: Between 20 and 30.

MS. WEREMIUK: Somewhere between 20 and 30.

MR. SHINE: Is it a set number?

MS. WEREMIUK: It's not a set number because it depends on which properties they find first. If they're finding the more expensive properties, then it will be 20; and if it's the cheaper properties that are on the market, it will be 30.

MR. SHINE: So they're going to be focusing the first year on the properties that are improved because they won't have to build them from scratch and do them between now and the end of the year; is that correct?

MS. WEREMIUK: No, some of the properties will be built from scratch. One of the things they are looking at -- and I didn't raise it -- is they are looking at a manufactured model. They have been exploring that so that they can do it more quickly. But there will be some either stick-built or manufactured homes in that mix.

MR. SHINE: Understood. Thank you.

MR. BURTON: Good morning. Jim Burton, executive director of Regional Center of the East Bay. Thank you for considering this proposal today.

I wanted to speak a little bit about why it's important before March that we receive your commitment and hope to receive your commitment.

We have been planning for this closure, my goodness, probably three to four years. Very meticulously planning to make sure that all of the consumers that we serve at Agnews Development Center are served well.

The starting point for that is housing. Everything we do is built around housing. It has taken us longer to get approvals of all of the entities, the Department of Finance, the Attorney General, the Senate, the Assembly, and the Governor. We have accomplished all of those things, as well as the Department of Developmental Services. In some cases, twice.

(Laughter)

MR. BURTON: We have worked diligently to put all of the documents together to make sure that this very complex arrangement is done properly and done well. We have done that.

We have been very anxious to get going with development. We did identify 20 properties -- we have identified 20 properties already. We did lose ten of those because we weren't able to move forward with the commitment. But our nonprofit organizations, housing organizations, have actively been searching, and have found properties, and are prepared and have been prepared, actually, for over a month now to put those forward for purchase.

So what I'd like to tell you is that we had been ready, we just have not been able to get the legal documents done over the holidays.

Now, that we have reached substantial agreement on every issue, and are finalizing, really, minor document changes at this point, and are ready to move. If we don't have sufficient cash flow by the time of your March meeting, that postpones the housing portion.

Again, the housing is our starting point. We have made arrangements for service provision. We have made arrangements for families. All of those things then tend to back up. And already we are faced with a pretty tight time frame, in terms of this closure process.

So it would really be beneficial for us to not be in a bind before March on cash flow. If we could move forward, it would keep us from having to postpone.

And in some cases, when you postpone, you lose opportunities that we've worked, again, in some cases years to put together.

CHAIRPERSON COURSON: Other questions from the Board? Comments?

(No audible response)

CHAIRPERSON COURSON: Is there a motion?

MS. NEVIS: I'd move to approve it.

MS. WEIR: Second.

CHAIRPERSON COURSON: In this motion, is the motion to approve the additional 25 and to increase the preliminary approval to 120?

MR. SHINE: So the 25 and 120 are all part?

MS. NEVIS: Yes.

MS. WEIR: Yes.

CHAIRPERSON COURSON: Okay. So the motion is to approve the request for the 25 as a final commitment and increase the preliminary commitment from 100 to 120.

Is there a second?

MS. WEIR: Second.

CHAIRPERSON COURSON: Second.

Any discussion, further discussion from the Board?

(No audible response)

CHAIRPERSON COURSON: Any comments from the public?

(No audible response)

CHAIRPERSON COURSON: Let's call the roll.

MS. OJIMA: Thank you.

Ms. Weir?

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey?

MR. CAREY: Yes.

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Yes.

MS. OJIMA: Mr. Heidig?

MR. HEIDIG: Yes.

MS. OJIMA: Mr. Morris?

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine?

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson?

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 06-02 has been approved.

CHAIRPERSON COURSON: Okay.

MS. PARKER: Before you all leave, we want to have a little bit of a ceremony to celebrate the incredible hard work of three of the CalHFA staff. Many more staff. But we really wanted to essentially recognize three outstanding members of the CalHFA team who have worked and really put this incredibly complex deal together not only for the benefit of really what we do, but for a very key population in the state of California.

So we have some certificates of recognition. And so I wanted to ask Kathy and Edwin and Nancy Abreu to come forward and receive on behalf of the Agency these.

(Applause)

MS. PARKER: We got the Board Chair to sign these, so they're worth extra special on eBay.

(Laughter)

MS. PARKER: Kathy --

And Edwin --

And Nancy --

MS. PARKER: Thank you very much.

(Applause)

CHAIRPERSON COURSON: I will give our Board a choice: We can take a break if you want for about five minutes and come back and work on resolution and the business plan, or we can plow right through and everybody can break when they need to break.

What is your pleasure?

MR. CAREY: Plow through.

CHAIRPERSON COURSON: All right. We're going to move right through.

Okay, let's proceed to the resolutions.

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Item 9. Resolution 06-06 (Bay Area Housing Plan)

CHAIRPERSON COURSON: I think the first one, which this was an insert, if you would, or came after the basic Board document is the one where, Laura, you talked about the Bay Area Housing resolution. And I know we've had some discussion on that.

This is a resolution that authorizes the issuance up to the 120 million; but, again, subject to the amounts of final commitments approved by the Board.

I am on an insert that was sent after the Board book. It's called "The Bay Area Housing Plan."

MR. GILBERTSON: I believe that is Resolution 06-02.

CHAIRPERSON COURSON: Yes, 06-02. That's the one the Board just approved.

MR. GILBERTSON: But that was a part of the Board binder --

CHAIRPERSON COURSON: Correct.

It's 06-02, which is the overall issuance -- authority to issue up to $120 million in connection with the Bay Area. 06-02.

MR. GILBERTSON: That's --

MR. HUGHES: That's the one the Board just approved. This is the lending --

CHAIRPERSON COURSON: No.

MR. HUGHES: It is.

CHAIRPERSON COURSON: The Board approved 05-35.

MR. HUGHES: No, that was the last one, just for reference.

CHAIRPERSON COURSON: Okay.

MR. HUGHES: What had happened was that the staff, in putting this together, had included last September's resolution, just as a point of reference for the Board, but had inadvertently left out the current resolution, which is what the Board just approved, which is 06-02, the second resolution of 2006. And that is --

CHAIRPERSON COURSON: Okay, sorry.

MR. HUGHES: And that is the Bay Area bond financing comes up later in the agenda.

CHAIRPERSON COURSON: Okay, got it.

All right, therefore -- so we're going to take them in this order, Bruce?

MR. GILBERTSON: We can do that.

I was thinking as I was sitting in the audience that we could take the Bay Area Housing plan resolution first.

CHAIRPERSON COURSON: Why don't we do that? Great idea.

MR. GILBERTSON: We'll get it completely buttoned up here, in short order.

I just need to flip ahead then.

MR. SHINE: This is the new 06-02?

MR. GILBERTSON: No, 06-06.

MS. WEIR: What would be your agenda Item 9 in your Board packet.

MR. SHINE: Wasn't 06-02 the one you sent out?

CHAIRPERSON COURSON: No, that's the one we just approved.

MR. MORRIS: 06-06, we're on that.

MS. NEVIS: Now, we need to find it.

MR. MORRIS: 179.

MS. NEVIS: At the top.

MR. SHINE: Okay, got it.

CHAIRPERSON COURSON: Okay, Mr. Gilbertson?

MR. GILBERTSON: Good morning, Mr. Chairman, Members of the Board.

As you saw on the initial slide, I do have five resolutions that I'm presenting this morning to the Board. As is the Agency's custom in January of every year, we come before the Board looking for continuing authority to issue bonds for financing programs.

I'm going to slip ahead then to Resolution 06-06, which is authorization to finance loans in connection with the Bay Area Housing Plan. This resolution would authorize the Agency to issue bonds for the purposes of this program, up to a limit of $120 million.

As was discussed a moment ago, of course, we would not issue bonds until we had permanent loans ready to be taken out. It is anticipated that the first financing, the first issuance of bonds would not occur until the fall of this year, and to issue bonds in the aggregate amount of up to $120 million, that may be three or four different financings that would be issued over the course of up to two years.

MR. SHINE: For the purpose of acquiring loans from Bank of America for houses?

MR. GILBERTSON: Permanent loans, permanent loans at completion of acquisition and rehabilitation.

MR. SHINE: Thank you.

MR. GILBERTSON: Our plans at this point are to issue fixed-rate bonds with 15-year terms. The resolution 06-06 also authorizes us the ability to use short- or long-term credit facilities for purposes of warehousing loans, if needed, before the issuance of permanent debt. It also authorizes related financial agreements for this purpose, so that we could reinvest bond proceeds. In this case, we are planning to use fixed-rate bonds, so we wouldn't need to enter into interest rate hedges of those activities, but we might use other advisors as a part of issuing the debt.

One unique thing with this resolution is that I am asking for not a one-year authority period, but a two-year authority period. And that is unique because this is a single-purpose activity, unlike the Single-Family Bond resolutions and Multifamily Bond resolutions, which are continuous or ongoing, this is a defined 71-project development that has at this point a maximum limit of $120 million.

So this resolution would allow the Agency to issue those bonds until 30 days after the first Board meeting in calendar year 2008, at which time there is a quorum of the Board. And I would expect by that time we would have issued all of the bonds for this purpose.

With that, I'll open it up, and see if there's any questions.

CHAIRPERSON COURSON: Is there a motion to approve resolution 06-06?

MR. CAREY: So moved.

MR. MORRIS: Second.

CHAIRPERSON COURSON: Mr. Carey, seconded by Mr. Morris.

Any discussion on 06-06?

(No audible response)

CHAIRPERSON COURSON: Any discussion from the public?

(No audible response)

CHAIRPERSON COURSON: Let's call the roll.

MS. OJIMA: Ms. Weir?

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey?

MR. CAREY: Yes.

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Yes.

MS. OJIMA: Mr. Heidig?

MR. HEIDIG: Yes.

MS. OJIMA: Mr. Morris?

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine?

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson?

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 06-06 has been approved.

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Item 6. Resolution 06-03 (Single-Family Bonds)

CHAIRPERSON COURSON: Okay, now, we're going to move, Bruce, to 06-03, which is on 139 of your Board packet.

MR. GILBERTSON: Exactly.

Resolution 06-03 is a reauthorization for the Agency to issue Single-Family Bonds in the following amounts under any of the previously-approved forms of indenture. This resolution would authorize the issuance of bonds in amounts as follows: the amount of bonds being retired and eligible for funding pursuant to tax law, the dollar amount of new volume cap received through an application process to the California Debt Limit Allocation Committee, and up to $900 million of federally-taxable bonds.

In addition, this resolution authorizes the full range of related financial agreements for this purpose, to include for the investment of bond proceeds, which will hedge interest rate exposure in connection with our interest-rate swap strategies, to hire consultants to help us manage those risks, and to also help us with quantitative analysis.

Short- and long-term credit facilities are also authorized by this resolution in an amount not to exceed $750 million.

I want to stop there for a moment to just discuss that concept in the broader sense of all of the resolutions today. There is duplicate language in each of the financing resolutions dealing with short- and long-term credit facilities. It is an aggregate total of not to exceed $750 million for all of the programmatic purposes.

So we would be asking for authority from this Board to have those facilities in that amount for the Single-Family financing programs, Multifamily financing programs, the Bay Area Housing Program, as well as a smaller loan to locality program.

Lastly, Resolution 06-03 is a form of continuing authorization. As I mentioned earlier, we come to this Board in January of every year for that purpose. The authority provided under this resolution would not expire until 30 days after the first Board meeting in the next calendar year, 2007, again at which time there is a quorum of the Board.

I'm just going to spend a few moments quickly and discuss some of the single-family financing plans, as we look forward to 2006.

At this point, it appears that we would issue bonds four to five times throughout the year for purposes of raising capital to fund our first-mortgage program.

I guess I can catch up on my slides.

We plan to continue to use our AA-rated Home Mortgage Revenue Bond indenture, which is by far the largest bond indenture of the Agency. Periodically, we may need to issue draw-down bonds to preserve tax-exempt issuance authority, either from our bond-redemption activity or new-volume cap that is provided to us from the California Debt Limit Allocation Committee.

We would plan to continue our borrowing with the State's Pooled Money Investment Board for purposes of warehousing these loans.

And one last note, as far as issuance activity.

It is at this point contemplated that we would do a small bond offering for purposes of financing downpayment assistance loans in March of this year. We do that under our Housing Program Bond indenture, and the approximate size is $50 million.

With that, I'd open it up to questions. I'd be glad to answer any.

CHAIRPERSON COURSON: Motion to approve Resolution 06-03?

MR. SHINE: I'd move.

CHAIRPERSON COURSON: Mr. Shine?

Second?

MR. MORRIS: Second.

CHAIRPERSON COURSON: Mr. Morris?

Any discussion? Questions?

(No audible response)

CHAIRPERSON COURSON: Any comment from the public?

(No audible response)

CHAIRPERSON COURSON: 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. Morris?

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine?

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson?

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 06-03 has been approved.

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Item 7. Resolution 06-04 (Multifamily Bonds)

CHAIRPERSON COURSON: Okay, we will now move to Resolution 06-04, which is on page 153.

MR. GILBERTSON: Thank you.

Resolution 06-04 is a reauthorization to issue Multifamily Bonds under any of our previously-approved forms of indenture, up to the following limits. Again, equal to the dollar amount of bonds being retired, equal to the dollar amount of private activity volume cap received through application to the California Debt Limit Allocation Committee. And then $800 million total for purposes of financing 501(c)(3) development or the issuance of federally-taxable bonds. And lastly, up to $300 million to acquire loan portfolios in a bulk transaction, similar to a financing that the Agency entered into in calendar year 2000 with Fannie Mae.

Like the Single-Family resolution, this resolution would authorize the full range of related financial arrangements, the short- and long-term credit facilities, and again would not expire until 30 days after the first Board meeting in calendar year 2007.

Our Multifamily financing plans in 2006 include some of the following: There is a need to do a relatively small draw-down bond issuance in March of 2006, to preserve tax-exempt authority received from CDLAC at the December 2005 meeting. We will issue those bonds on a permanent basis, to fund those loans in June of this coming year.

We would continue our borrowing with Bank of America for short-term warehousing of our Multifamily loans. It is anticipated that we would use our Multifamily Housing Revenue Bonds III indenture, a general-obligation-backed indenture, for these issues purposes. And it's likely that we would issue bonds twice during the calendar year: once in June and once in November.

With that, I would open it up to any questions.

CHAIRPERSON COURSON: Is there a motion to approve resolution 06-05?

MS. WEIR: 06-04?

CHAIRPERSON COURSON: 06-05?

06-04, sorry. I was looking ahead.

06-04.

MR. MORRIS: *(Indicating.)*

CHAIRPERSON COURSON: Mr. Morris.

Second?

MS. NEVIS: *(Indicating.)*

CHAIRPERSON COURSON: Ms. Nevis.

Any discussion?

(No audible response)

CHAIRPERSON COURSON: Okay. Let's 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. Morris?

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine?

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson?

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 06-04 has been approved.

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Item 8. Resolution 06-05 (Loans to Local Public Entities)

CHAIRPERSON COURSON: Okay, and now we'll move to Resolution 06-05 on page 167.

MR. GILBERTSON: Thank you.

Resolution 06-05 is a reauthorization to issue bonds to finance loans to local public entities. Although this is a reauthorization, the Agency has not used this authority in the past to issue bonds for this purpose.

The limits under this resolution would allow the Agency to issue up to $50 million of bonds for this purpose. Again, it would also allow us to enter into financial arrangements for advisors, investment of proceeds, and things of that nature. The same short- and long-term credit facilities that we've discussed would be a part of this. And this authority, again, would expire 30 days after the first Board meeting in calendar year 2007.

If there's any questions, I'd be free to answer those.

CHAIRPERSON COURSON: Mr. Shine?

MR. SHINE: Go back again and tell us, what's different about this?

MR. GILBERTSON: As compared to?

MR. SHINE: You said that you're asking for things here in this resolution that you haven't done before.

MR. GILBERTSON: Yes, exactly.

MR. SHINE: What is it specifically you haven't done before, and why do you want to do it now?

MR. GILBERTSON: Okay. What we are asking for is the authority to issue bonds. We first asked for this authority in 2005. The thought behind this resolution is that at some point, we may want to issue bonds to finance some of our other loan programs, such as the HELP Loan program. At one time we talked about doing a tax increment financing program. We had simply never gotten to that point, and decide that that's what we wanted to do. But it's the authority to allow us to do so, if we felt it was appropriate.

CHAIRPERSON COURSON: Is there a motion to approve Resolution 06-05?

MR. SHINE: I'll move it.

CHAIRPERSON COURSON: Mr. Shine moves.

MR. MORRIS: *(Indicating.)*

CHAIRPERSON COURSON: Mr. Morris seconds. Any discussion from the Board?

(No audible response)

CHAIRPERSON COURSON: Any comments from the public?

(No audible response)

CHAIRPERSON COURSON: 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: Ms. Heidig?

MS. HEIDIG: Yes.

MS. OJIMA: Mr. Morris?

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine?

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson?

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 06-05 has been approved.

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Item 10. Resolution 06-06 (Application to California Debt Limitation Allocation Committee for private activity bond allocations for Homeownership and Multifamily programs)

CHAIRPERSON COURSON: Okay, and now we will move to Resolution 06-07 on page 192.

MR. GILBERTSON: Thank you, Mr. Chairman.

Yes, and lastly, Resolution 06-07 is authorization from this Board to apply to the California Debt Limit Allocation Committee for tax-exempt issuance authority for our Single-Family Bond program and our Multifamily Bond program.

The amounts shown on this slide are $600 million for the Single-Family programs and $400 million for the Multifamily programs.

Although these amounts are larger than we might anticipate applying to CDLAC for, the presumption is that the Board might want to provide us with the authority to apply for additional tax-exempt issuance capacity, if it became available at CDLAC during the course of this year. This authority is tied to the prior resolutions for issuance of Single-Family Bonds and Multifamily Bonds, and would be in place for the duration of those resolutions.

I'd be happy to answer any questions.

CHAIRPERSON COURSON: Questions?

(No audible response)

CHAIRPERSON COURSON: Is there a motion to approve 06-07?

MR. CAREY: So moved.

CHAIRPERSON COURSON: Mr. Carey.

Second?

MS. NEVIS: *(Indicating.)*

CHAIRPERSON COURSON: Ms. Nevis.

Any comments from the Board?

(No audible response)

CHAIRPERSON COURSON: Any comments from the public?

(No audible response)

CHAIRPERSON COURSON: 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. Morris?

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine?

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson?

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 06-07 has been approved.

CHAIRPERSON COURSON: Thank you. Thank you, Bruce.

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Item 12. Resolution 06-08 (CalHFA Board Audit Committee)

CHAIRPERSON COURSON: I'm going to take the prerogative of the chair, and suggest that Item 12 is a discussion that we've talked about before, the Audit Committee, that we do that next. It's the next page in our book, 197. And in the event that somebody has to leave early, we'll have a quorum and sufficient number. This is the last action item on our agenda.

So with that, I will ask Tom to walk us through this resolution.

MR. HUGHES: Thank you, Mr. Chairman.

As we had told the Board, I believe at our last meeting, we would be coming back with a proposal for the Board to consider the creation of an audit committee of the Board of Directors. And in that time, we've worked with Chairman Courson to outline the framework of what we think an effective audit committee would be and how it would function for CalHFA.

I should probably say that there is no real magic to the structure that we have suggested. It could be done in a wide variety of ways.

I think the overriding issue that the Board should focus on here is the establishment of essentially a check-and-balance within our financial procedures that effectively allows the Board direct communication with our auditors. I think that's the overriding issue.

How you structure that is really up to the Board, and we're not necessarily wedded to any specific detail of that.

The feeling of the staff, and I believe of the Chairman, is that, obviously, in recent years, with the Sarbanes-Oxley laws and the trend of both the legal and political considerations in terms of financial oversight, that it's wise and helpful to have that kind of direct communication between a board and the auditors who are the folks, you know, reviewing the finances of the Agency.

So while we're not bound by that particular federal law, our suggestion was that we create a framework where the Board could have some comfort level that it was getting direct, unfiltered information from the auditors.

The proposal that's in front of the Board today would essentially establish a three-member audit committee, consisting of three members of the Board of Directors to be essentially chosen through some process that the Chairman would institute.

We had proposed that that committee essentially be an advisory committee. We did indicate we felt it was probably simply expedient to have that committee develop the internal working procedures that it would follow in actually dealing with auditors, having some oversight on auditor selection and independence issues.

Having said that, it could be any mix of advisory or delegated powers or purely advisory, whatever the Board's wish would be in that regard. But we thought this was probably the most efficient structure to create.

The open meeting laws of California, the Bagley-Keene Act, requires that if there's three members or more, that the committee be subject to open-meeting procedures. Regardless of that requirement, CalHFA's own statutes require that committees of the Board can do their business in open meetings. So the activities of the Board would be subject to an open-meeting procedure, public meetings, just as we have here.

Meetings do not need to be held at the same time. They can be held at any schedule that would be convenient for the committee members. However, we would have to have a notice and an agenda and a publicized meeting, exactly as we do with the Board here.

I don't think it would be necessary to do the verbatim transcripts. I think it's going to be a less formal kind of procedure. But we will need to comply with those basic requirements.

Having said that, that is more or less the overview of what we have suggested to the Board. And we'd be a happy to respond to any questions.

CHAIRPERSON COURSON: Mr. Morris?

MR. MORRIS: So basically this is going to be an advisory to the executive director, basically. And the only thing is, I would add in the second paragraph, where it's talking about the purpose of creating this is to interact with the Agency's outside auditors and Board members. I'd put the "Agency's outside auditors' staff and Board members."

MR. HUGHES: Just one minor clarification. The committee would be advisory to the full Board, because the committee would need to bring any action items, other than maybe the development of its internal procedures back to the Board for approval.

MR. MORRIS: So it's an advisory board to --

MR. HUGHES: To the full Board.

MR. MORRIS: Advisory committee to Board executive director?

MR. HUGHES: Correct. And it is contemplated essentially that as the committee meets with the auditors and asks whatever questions or gives whatever direction it wants to the auditors, that the committee would, at least once a year, report back to the full Board as to what its thoughts, what its findings were, and make any recommendations to the full Board for any action that needed to be taken in connection with that process.

MS. PARKER: Tom, clarify from that standpoint, because what we've tried to do on the one hand is obviously make this audit committee very relevant. On the other hand, we're just trying to walk a fine line between what are the day-to-day responsibilities of the executive director and the Board of Directors.

And so I just -- you know, in full disclosure, I just want to make sure the Board members understand what we are trying to accomplish here.

MR. HUGHES: Right, I think that's an excellent point and one we had discussed. There's sort of two points here. The first is that in a Sarbanes-Oxley type environment, the Board audit committee would probably actually be choosing and hiring the auditors.

The way CalHFA statutes are set up, the

executive director really has the power, the inherent power to exercise those sort of functions.

So what we have envisioned is that the audit committee would oversee that process, develop recommendations, procedures, governing the selection, and to maintain the independence of the auditors. However, the actual hiring, the contract would be done by the executive director.

And then, secondly, certainly the executive director and the entire staff here would be available, of course, as always as staff to this audit committee to advise that committee and ultimately the full board.

MS. PARKER: Right. I think it's really intended, again, that myself and my staff serve in that staff capacity. The Board essentially develops what the policies are and then essentially we carry that out.

MR. HUGHES: Right.

CHAIRPERSON COURSON: Yes, I think that says it well. And my intent here was as that role. And plus the fact that I think as our auditors would probably tell you, they would like to have some additional involvement from the Board level as they produce their results, have their audits, to have a debriefing, or to have a discussion where questions from the Board, who obviously have a fiduciary responsibility, can have those discussions, and then have that group in effect bring it back to the Board and report on those functions. So that was the intent.

The other, I might add -- if we approve this resolution -- the next steps are really twofold: One, is to start working on and when appointing the three members; and, two, is to put some structure, if you would, behind the resolution.

And Laura and I have talked, I guess about a week ago, and she has, and in working with counsel, has some good prototypes that we can use by some similar -- CalSTRS and CalPERS, I think that would be available.

MS. WEIR: Both the PERS and STRS retirement boards have elected to create an audit subcommittee similar to what's here on the table today. And both of those boards have spent a lot of time developing procedures for that audit committee.

And to the extent that parts of those procedures may be relevant to what this committee may ultimately end up doing, I'm happy to share that with committee members, and have this subcommittee sort of build on what others have done, and not have to reinvent the wheel from scratch.

CHAIRPERSON COURSON: Yes, that would be very helpful.

Okay, any other discussion?

Yes, Ms. Nevis?

MS. NEVIS: We also have an audit committee with a similar role and purpose. And we'd be happy to share the guidelines that have been established for that. There would be some differences, but it would have similarities.

CHAIRPERSON COURSON: Good.

MR. MORRIS: Are these other committees that you're mentioning -- the PERS and STRS -- are they advisory committees; or do they have any --

MS. WEIR: They have a higher-type role than what's being contemplated here.

MR. MORRIS: My only comment is, I've been on state advisory boards, and I've found that a lot of times it just creates additional work for staff and most of the people really don't care what advisory boards come up with.

And, you know, I think it's a good idea -- I'm not one about advisory boards. I'd like to know that it has some -- a little more teeth than just --

I mean I chaired the California World Trade Commission. We were an advisory board basically to the Cabinet Secretary. We did a ton of work. And it was all just kind of thrown under the table. And I just think that you're going to have -- three individuals are going to probably put in a lot of time and effort on this audit committee and come back to the Board, and yet it's going to be an advisory committee to the Board -- which is great, but is this really going to do anything, or is it just going to create additional work for staff and individuals?

I would like to see that there's a little more teeth than simply being an advisory committee to the Board.

CHAIRPERSON COURSON: Well, let me --

MR. MORRIS: But I don't know other models that have been used.

I totally agree that the idea of an audit committee is a fabulous idea. Advisory committees, to me, are worthless. But I just had bad experiences with them.

CHAIRPERSON COURSON: Well, it seems to me -- and the word "advisory" is maybe taking on a bigger role here than it should -- and I'll give you an example.

Right now, we show up at a meeting, and in a white envelope we get a pretty cover, colored picture, report from the auditors just a couple months after it's done. And so we look at it, and it's great, and we're off.

My feeling is that, as a board, I would like to have representation sitting down with the auditors, along with the executive director, and there's a lot of things that go on behind audit reports than just the numbers in the book. And I think it's important for the Board to have a report from a group from the Board that says, "We met with the auditors. Here are some -- we saw some weaknesses," or "We have these issues behind the numbers that we have talked to management that we think they should address."

And I think as a board, I would like to have that reported back by this audit committee to the Board because ultimately, we do have some fiduciary responsibility as to how the Agency is managed on a day-to-day basis.

MR. HEIDIG: Mr. Chairman, I support that. I want to say that I served ex officio on the California Travel and Tourism Commission. They have an audit committee. And it really does offer an opportunity for the commissioners to get down into the audit in a direct way and to work as an adjunct, really with the staff. And I think it's a very good, and a different model than maybe the run-of-the-mill advisory committees.

CHAIRPERSON COURSON: Mr. Carey?

MR. CAREY: The other two thoughts I'd have are, we are creating this committee. And if over time we felt the need to strengthen it, we certainly would have that same opportunity.

I think to me the most important thing is, as John said, it opens the door of communication directly from the auditors to Board members; and, therefore, gives them perhaps that channel of communication, not just us to them. But it clearly clarifies that there is a channel of communication from the auditors to the Board that if need be, could be used.

MR. MORRIS: One question.

CHAIRPERSON COURSON: Yes, Mr. Morris.

MR. MORRIS: This committee is going to meet a few times a year.

CHAIRPERSON COURSON: I think we had in mind three.

MR. MORRIS: And we have a relatively small board to begin with, and we often have a difficult time in getting a quorum.

MS. OJIMA: Yes.

MR. MORRIS: So my question would be, do we need to set up another committee -- would it be -- and once again, I don't want to spend any more time on this -- but would it make sense to maybe just invite the auditors to come in and have this discussion three times a year as it relates to -- I mean, do we need to have a separate committee set up for this, or could this just be an agenda item that every three months we discuss the audit or invite the auditors in on an annual basis? I just -- I mean, once again, it's not a big issue to me, it's just, we have a small board.

Like I said, it's hard to get everybody together most of the time. It's an advisory committee to the Board which, you know, 75 percent of the advisory commission is going to make up Board members. So you're really talking about a couple of Board members that aren't going to be at this audit committee.

So I don't know, I don't really -- to be honest with you, I don't really care one way or another. But it's just a thought.

MR. SHINE: Just hold a meeting on the same day.

CHAIRPERSON COURSON: The concern is in addition to interfacing with the auditors, I mean, I do think every -- at this point every three years, we undertake a request-for-proposal process to select new auditors.

MR. MORRIS: Right.

CHAIRPERSON COURSON: And the executive director has the authority to make that selection. But I think in this case, Terri and I have talked about it, that group would certainly be involved in the vetting of those requests for proposals, the preparation of them, perhaps interviewing, and ultimately she'll make the decision. But they may well make the recommendation. My guess is we'd reach a consensus.

So I think there's more than just having -- talking to the auditors three times -- frankly, probably the meeting with the auditors is once a year, would be my guess, and that's after the audit is completed.

MR. MEIDINGER: Mr. Chairman, my name is Dennis Meidinger. I am the controller.

Mr. Chairman, there are basically two touch points for each of our audits. We have our Housing Finance Fund audit, the auditors come in, there's normally an engagement letter. And in that engagement process, our auditors are very willing to come in, go over to review the scope of the audit, and answer any questions at that time. And at the conclusion of each audit, after the audit report and their audit opinion has been made, oftentimes there's management letters and also concerns. And if they would be willing to come in and go over the conclusion.

CHAIRPERSON COURSON: Right.

MR. HUGHES: One thing, Mr. Chairman, just to touch on Mr. Morris's point and to give you the benefit of the staff's thinking on this; the perception that we've had over the years from the staff level, as the Board knows, frequently the financial reports and financial matters are in the reports at the end of Board packages. And our experience is that there's seldom enough time really in a Board meeting to discuss that in detail. And what we envisioned here was essentially a subcommittee of the Board that would essentially take what time was needed to delve into these issues related to the audit and whatever related issues came up in connection with that, and provide a report back to the Board in a way that we didn't think was practical to do on an ongoing basis because the meetings got so long, people needed to leave; and there really hasn't been historically time for that. So that was our thinking, whether the Board chooses to go that way or not.

CHAIRPERSON COURSON: Well, and part of this is, we're going to have to figure out some of these questions as we put together sort of the policies, procedures, and so on of this group which will bring back -- the group will bring back to the Board. And I think it will be a work in progress to determine what real function is.

But I truly believe that advisory, yes, in terms of the selection and so on; but I think it's important that the Board engage head to head with the auditors and report back. There are management letters, there are issues. And if there are those that rise to the level that it raises at-risk concerns, I would deem that one of the jobs of this audit committee would be to thoroughly vet those and bring those to the Board's attention. And whatever appropriate action needs to be taken, needs to be taken.

Ms. Weir, did you --

MS. WEIR: No.

CHAIRPERSON COURSON: Any other comments?

(No audible response)

CHAIRPERSON COURSON: Is there a motion to approve Resolution 06-08?

MR. MORRIS: So moved.

CHAIRPERSON COURSON: Mr. Morris.

Second?

MR. CAREY: Second.

CHAIRPERSON COURSON: Okay, Mr. Carey.

Any other discussion?

(No audible response)

CHAIRPERSON COURSON: Any comments from the public?

(No audible response)

CHAIRPERSON COURSON: 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. Morris?

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine?

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson?

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 06-08 has been approved.

CHAIRPERSON COURSON: Thank you, Tom.

Dennis, thank you.

MR. CAREY: Could I suggest perhaps next year at this time that we revisit the issue just to see, as a board, if it's functioning the way we thought that it might?

CHAIRPERSON COURSON: Yes, absolutely.

And we will, as a board, also want to know the sort of framework of procedures, and so on, and get another crack at those also when they're done.

I would hope we can get those done by the March meeting.

It's good to have goals. We should have. Particularly with the body of work that we're going to be working from, I mean, it should be able to sort of pick and choose what best fits our needs from what we're going to be looking at.

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Item 11. Business Plan Update

CHAIRPERSON COURSON: The next item on the agenda, going back, is Item 11, which is the business plan update presentation.

Terri?

MS. PARKER: Right.

Mr. Chairman and Members, as we always do in January, we have a business plan update to walk you through, to give you some sense of where we are relative to the business plan that you adopted last May, from the standpoint of the meeting, our project and program goals and guidelines, also to give you some sense of anything that's happening in the marketplace or whatever that may be impacting our ability to meet some of the assumptions and objectives that we had given you last summer when we did this; and to really open this up to get some feedback from the Board about whether we're still moving in the right direction, some thoughts on your part for us to take into consideration. Later in this month or the beginning of next month, when we start our own internal off-site staffing discussions on what we think is the appropriate business plan, recommendations to be given to you in the March meeting and then following up in the May meeting.

So with that, Mr. Chairman and Members, I'd like to start off first with our Homeownership Programs. And as I mentioned, Jerry Smart has been on medical leave; and Stan Sowers has been running the shop with very competent staff.

So, Stan, if you've got slides, walk us through them.

MR. SOWERS: Good morning.

CHAIRPERSON COURSON: Let me interrupt, Stan, before you start.

The package that is also in front of you, and it's about halfway down behind the financing slides that Bruce has, you'll see the start of his presentation.

Sorry, go ahead.

MR. SOWERS: Good morning. I'm pleased to be here to represent the Homeownership Division, and pleased to report that chair Jerry Smart is on the mend. He has approval by his doctors to return back to work this coming week. So we are all looking forward to his return.

Let me call your attention to the second page of the presentation, and the slide that's on the screen, and to the four columns that are in the center of the slide.

Let me further call your attention to the right column of the four columns. You'll note that during the six months ending December 31st, 2005, the Agency purchased 2,705 first-mortgage loans, totaling $696 million. This represents 58 percent of the entire fiscal year, 2005-2006 goal of 1.2 billion, which is reflected in the column immediately to the left.

You can further compare that with the actual purchases for the preceding fiscal year 2004-2005, which exceeded 1.3 billion.

(Mr. Walsh left the room.)

MR. SOWERS: Moving on to the next slide, which is page 3 of the presentation, this graph shows the actual production of CalHFA's downpayment assistance programs against the fiscal year goal for each program. As you can see, during the first six months ending December 31st, the Agency funded 4.1 million in CHAP loans, 15.8 million in CHDAP loans, 1.7 million in Extra Credit Teacher Program loans, 15.9 million in HiCAP loans, 1.5 million in School Facility Fee grants, 850,000 in HIRAP loans, and 500,000 in Self-Help Builder Assistance Program loans.

Moving on to the next slide, on page 4 of the presentation, is a compilation of data and information reflecting the types and percentages of loans we purchased and the areas and customers we served. Out of the 2,705 had first-time homebuyer families that we served during this six-month period, 35 percent of them chose the *interest only* PLUS loan as a means to finance their purchase. Of course, the remaining 65 percent were 30-year fully amortizing loans.

22 percent of our loans were done on financed new-construction housing. 78 percent resale housing. 53 percent of our loans were in high-cost areas. 66 percent of our loans were made to minorities. And 43 percent of our loans were to low-income families. 78 percent of all first mortgages utilized some form of CalHFA subordinate financing.

Moving on to the next slide and page 5 of the presentation. You'll note that in the six months, the total downpayment assistance and closing costs loans totaled $40 million. And that was a composite of slightly more than 4,000 in subordinate loans and grants.

During this period of time, we have also provided outreach efforts at 63 conferences, home buyer fairs, workshops and special speaking events. We've conducted 35 lender-training seminars. And we now have

231 approved local assistance programs under our Affordable Housing Partnership Program.

And those localities in that period of time have provided over 16.4 million in assistance, to 226 CalHFA home buyers.

Our last slide is a summary of continuing and new initiatives. First, we are listing the completion of the Homeownership Loan Origination Project. This is a project that was started last -- well, last fall. It's co-sponsored by the IT and Homeownership divisions. And we are undergoing a very thorough investigation, analysis, and identification of our processes, and determining what new technologies should be applied to better do what we do, and serve the lenders and home buyers in California.

Secondly, we're fairly far along in the preparation and development to introduce a 40-year, 100 percent fully-amortized conventional loan product. We are also targeting our lender outreach to CalHFA-producing loan officers. For the last several months, on our lender access system, when reservations are made, we have been asking for the name of the loan officer, their branch address, and phone number, so that we can compile data to better allow us to serve those loan officers that are bringing us business.

We plan on targeting them with additional offers of assistance and helping them to do whatever they need us to help them to do, to do more CalHFA loans.

The fourth item is to provide administrative support to implementation of a Residential Development Loan Program. This is really in the development phase. My understanding is, it is essentially a Multifamily HELP department-driven effort to facilitate development and construction, infill sites. And the Homeownership Division stands ready to do whatever is required of us to support that effort.

Finally, we are trying to pool all of our resources together, to be prepared to adopt and handle a significant increase in loan production in the coming fiscal year, presuming that our goals will be there to ask us to reach ever-increasing new levels of production.

This completes my report. I appreciate the opportunity to come before you and share with you the activities of the Homeownership Division.

CHAIRPERSON COURSON: If I could make a couple of comments.

One is the CalHFA was one of the feature articles. Some of our innovative things that we're doing in the single-family area in the Mortgage Banking magazine, that gets a very wide distribution. And thanks to Ken, working with some folks at the Mortgage Banking magazine, we got a very nice article in there about our efforts that -- in fact, personally, I've had several calls on it.

The other is, as I've said before, that the key to doing this is - one, is the existing loan officers, but the other is, we've got to go out and reach the others that have forgotten about us. And that's how our Marketing and Homeownership folks are working together, because we certainly do have a good answer to affordability for first-time home buyers over and above what's available in the private market.

Thank you, Stan.

MS. WEIR: Mr. Chair, I just want to note the Extra Credit Teacher Home Purchase Program and CalHFA continues to work very hard to meet the goal that was set for loans in the program. And Ken Giebel, we've been working very hard with his Marketing staff. And the Treasurer just wants to note that he looks forward to continuing to work with CalHFA and meeting the 500-loans-per-year goal for the Extra Credit Teacher Home Purchase Program. Thank you.

CHAIRPERSON COURSON: That's great.

Thanks.

MS. PARKER: Thank you very much, Stan.

Let me move on to Mortgage Insurance. And as I mentioned early on with Nancy's retirement, Greg Carter will be leading that team.

So, Greg, walk us through our slides, please.

MR. CARTER: Thank you, Ms. Parker.

I'd like to start by comparing our production -- our goal production against our actual production for the fiscal year-to-date. The chart shows, in the goldenrod color, that our CalHFA business we had projected or set a goal for 460 million. Already, we are almost 369 million, 80 percent of that goal. A rather success story which I'll talk a little bit about later.

We also had set a very small goal for the PERS production in anticipation of some program and administrative changes in the PERS programs.

The good news about not doing any of those PERS loans is that the administrative for the PERS program became CalHFA-approved, and PERS members are able to get CalHFA loans as opposed to Fannie Mae or Freddie Mac loans. So while there is no production there, we didn't really anticipate much, it actually switched over to a CalHFA loan.

The other business we were looking at very closely was the CalSTRS product. And we had actually thought we had set a rather small goal, given the nature of the CalSTRS program changes, the administration things that were going on at the beginning -- the beginning of last year. So at the fiscal year, we knew that the production would be down because of these impending changes, but we didn't realize that it wasn't going to amount to very much at all. So there are other programs for teachers that had taken over the priority of that program.

The next column shows a Lease Purchase Program. Initially, we had six local government authorities involved in offering a lease purchase program. Only one of those remained at the beginning of the fiscal year. And there was authority enough to do our project goal of 4 million. However, that never materialized and we ended up doing just a little over half a million in that program.

That program actually comes to an end, and we have no further commitments to do the Lease Purchase Program at this time.

The next column shows that we had a $6 million goal for what we term "community-affordable," which is essentially Fannie Mae, Freddie Mac, Affordable Housing Programs. And we found -- we wanted to be a little conservative here, and we found that a lot of emphasis was being placed on emerging markets, which was typically the type of product that went into community affordable. And we saw Fannie Mae and Freddie Mac and private mortgage insurers adjust their products and their thinking to the point where CalHFA mortgage insurance was really no longer needed.

The final column is actually an overall goal. And thank heavens for the CalHFA business, we are way ahead. We are 76 percent of goal for the fiscal year, just almost 370 million, for a total goal of 485. We expect to exceed the goal.

The objectives we've set for this fiscal year included how do we support a $460 million goal for CalHFA, which is the first time we had really wanted to do a whole lot more business in that arena. And some of the things that we did to do that was, we were involved in the development of some new products, most notably, the *interest only* PLUS program that Stan referred to earlier, which was really introduced back in March of last year but never really got started until after the start of the fiscal year.

We were also in the development and promotion of the 100 percent, 30-year loan, CalHFA loan.

We also promoted and developed lower mortgage insurance coverage, resulting in lower premiums for home buyers and a cost savings to home buyers.

We also developed and promoted a program called the HomeOpeners, which is essentially an insurance against involuntary job loss.

And we attended 23 of the events that Stan talked about in order to assist in promoting both CalHFA loan programs and the related Mortgage Insurance products.

One of the other objects we had was to look at our technology and how to integrate that and be more responsive to business-to-business and internal technology. And I guess I'm happy to report that that analysis blossomed into something much, much larger, where we realized that we weren't alone here as an agency, as Homeownership and as Mortgage Insurance, we needed to integrate the entire system. It's become a much larger project that's actually being managed by our technology people right now.

I just wanted to bring up, we were involved in Mortgage Insurance in the development of some of the products. I've listed two of them there. I just wanted to give you a progress report on those two products.

Firstly, we did introduce and it really started to happen in the fiscal year, it's called "HomeOpeners." It's actually a mortgage protection program that you may recall -- we've talked about it before -- it provides for home buyers who may be faced with involuntary unemployment. It provides a little peace of mind that if they should become unemployed under those circumstances, that up to $2,500 a month of their mortgage payment would be paid, for up to six months, over a five-year term.

So it gave a peace of mind that their decision to go ahead and purchase a home was a good one, and the way that we felt that we could not only put them in homes, and we could find a way to keep them there.

This program was developed in conjunction with Genworth Mortgage Insurance, and it's applied for any loan that has mortgage insurance on it, and it comes at no cost to the home buyer, which is what we liked very much. It was part of the reinsurance agreement.

The other success story I wanted to talk about was the *interest only* PLUS program that Stan talked about, because Mortgage Insurance staff were involved in the development and the promotion of that program.

My graph is showing that, from fiscal year start, the percentage of *interest only* PLUS loans against total production has hovered around 35 percent. The figures showing in December -- the December figure is actually now -- 43 percent of the production is now in the *interest only* PLUS. And that's the program that you may recall is interest only for the first five years, then fully amortized over the next 30 years. Always a fixed rate, no surprises.

And that concludes the Mortgage Insurance update.

MS. PARKER: Any questions of Greg?

Thank you, Greg.

Bev, if you would come up and join us and walk the Board members through the Multifamily Programs.

MS. FRETZ-BROWN: Thank you. The most dramatic thing in the past six months as you see on the slide has been the loan closings on the Multifamily department. We've closed more loans in the past six months than we did the entire last year, last fiscal year. And last fiscal year -- and last fiscal year was the greatest amount of loan closings that we had since that time. So a lot of the commitments that we have seen in previous years have come home to roost, thank goodness, and that houses are entering construction or have been completed. And that activity, this total activity has affected almost 4,000 households, which I think is something we often lose sight of. Really, almost 12,000 people.

Another impact of that activity is that -- and this is just a graph showing the differences over the years, in terms of the balancing between new commitments and closings. Another result of that activity is that we have been doing -- over the last six months, we have done almost 1,200 construction inspections. And that obviously has a lot of impact on staff and staff work. And in any given month, we will be making construction loan disbursements on 38 to 40 different projects.

And so I think taking -- I'm trying to paint for you a picture of what are people working on in the Multifamily Department, and that's it, in terms of the very, very high number of loan closings and the attendant inspections.

This slide is really a more detailed presentation of where we've gotten those figures, where we are here today, and where we anticipate being at the end of the fiscal year.

This chart relates exclusively to bond-financed loans. As you know, in the Multifamily Department, there are really two parts of this: one, of the bond finance projects, and the other, of the special lending projects. And in the special lending programs, the Bay Area Housing Plan, which we have discussed this morning, does involve tax-exempt or taxable bond financing. But the balance of those special lending programs are primarily through the Housing Assistance Trust or through, really, other people's money, as I like to say -- thank you, HCD --

Prop. 46 monies that have come to the Agency primarily through the Department of Housing and Community Development.

And in those special lending programs, other than Bay Area Housing, the HELP program, of course, has been of interest to the Board. We've just gone out for the first round of this fiscal year, our rounds coincide really, with the fiscal year. We will be committing ten million in this first round for about 1,100 units. Cumulatively over the past eight years, over 18,000 units for low and moderate -- for low- and very-low-income people -- actually very few of them are moderate-income people -- are being produced. And those HELP loans have gone to 94 local governments. And as we have discussed before, those 94 local governments are a good avenue also for increasing CalHFA's other loan production activity.

We have had on the books for some time a Small Loan Program. It has been revived. We have two business loans coming through now. They will create 22 Homeownership and 50 Multifamily units. And this was a program to provide predevelopment financing specifically for small businesses who, over the last three years, I believe, have no more than 10 million in assets.

Again, we are seeing great interest in that program as it expands; and we're making special efforts over the next six months to expand that activity, because we can help some of the borrowers that we're now working with, who really need that kind of assistance. And it pays up to half of the predevelopment expenses -- or it lends up to half of predevelopment expenses for a given project of the primarily nonprofit entity.

Other, on our kind of launchings, over the past six months, we have launched a Habitat for Humanity Loan Purchase Program, with a $5 million allocation. This, as Terri mentioned earlier in the meeting, was very, very well received by the Habitat for Humanity, the local -- "local" meaning its state-based Habitat for Humanity programs. And what this will do, particularly for the older programs who have an inventory of seasoned loans, we will be able to purchase those loans and have a whole variety of arrangements, so that should a loan go bad, there are different ways in which they can make that loan good. In other words, it's not like a typical lender activity. Clearly, the loans have to be good. But should something go under, the local habitat would have 12 months to pay on that loan themselves, certainly the right to substitute the loan with an assumption, or they just purchase the loan outright, as in the private lending community. So we're very, very excited about that.

And the first applications will be due at the end of February.

Also, on the administrative side, our staff has been -- let me go -- whoops, I'm ahead of myself here.

And this is just a chart that shows overall the special lending activity, and then the total -- the grand total activity by dollar amount in all the Multifamily Department programs.

As you can see, some of the special lending activity -- and the amounts are particularly driven by the Bay Area Housing Program -- but also the HELP Program, Small Loan Program, Habitat, and so forth. And we will be talking a bit about the Residential Development Lending Program, are increasing our activity throughout this state but not through bond-financed programs.

On the administrative side, we have been working with our partners here to develop a universal application, which has a core -- kind of a core information needed by the state's major housing entities, and then an addendum for other specific information that's needed by those different agencies. That has been under development for a couple years. And it's very close now, I think, to being made public. Probably, I would say in February, because it's going to go through focus groups and that kind of thing. The final drafts are now going through focus groups.

As you've heard before, technology is exceedingly important. And Laura in particular has been working with the Prolink software program that we hope will revolutionize our ability to track and record all the different activity in loan-making.

The last item here on this slide, the Architectural Processing Requirements Manual, I've got to tell you, this is a big deal. We have had them -- and Ed Gipson has done an incredible job in a very short period of time -- is that that manual was out of date, and we needed to shake up not only the substance of it, but the manner in which it was applied. And he has taken that on. And we are a good way -- and we're making really fine steps in doing that. It was one of the things that many of the borrowers did not appreciate was our attention to detail in Architectural Services. And where we're heading for are not to lose our standards, to be sure, but to approach it more as guidelines as reasonableness efforts. And, obviously, our interest is making sure all the codes are there and making sure we have durability in the housing that we produce.

So I just want to commend Ed and many of the people that are working with him in making a major improvement, I think, in the way that we do our loan processing.

Other kind of important things we're working on and will really come about in the first quarter of 2006, the Residential Development Loan Program was -- it's basically Prop. 46 money, 75 million. And what it is going to be used for, is for acquisition -- primarily acquisition and some related predevelopment lending for new Homeownership housing and infill of redevelopment areas. It's always been an extremely difficult thing for a state agency to finance. And we're exploring now, very actively, how do we do that effectively? How do we really get those smaller developers financed on the very important front-end costs?

And we are circulating a number of proposals internally, and we hope to have that launched, certainly in the first quarter of the fiscal year.

Doug Smoot, who is head of the HELP Program, it's under his competent leadership, and has been talking both to the smaller developers and also the cities, in terms of how do we link this stuff up so we get some sufficient local commitments to actually build that housing? How do we wrap all that stuff up in this program?

The last item here, housing for the mentally ill homes, again, it's the Governor's initiative that we've been working with HCD and the State Mental Health Department on for some period of time. The HCD is the core State agency for this program; and CalHFA's role, we envision it as being primarily construction lending. And that is so because, truthfully, these developments for the homeless mentally ill really can't carry debt. The debt that they carry is HCD's multifamily housing debt, which is deferred payment.

The role of the Department of Mental Health is absolutely critical because of the operating assistance they give to those developments.

So here, we have kind of a one-stop program, where a developer puts in one application, HCD circulates it out, we basically come together with our financing, and fund the development. It's taken a lot of work. Ed Gipson's staff has been working very hard on this. But we are really looking forward to this as yet another activity. We're really going to expand the Agency's lending programs.

That's it.

Thank you.

And Laura Whittall-Scherfee and Ed Gipson, I want to thank particularly for being able to make this presentation.

CHAIRPERSON COURSON: I might mention, I was interested in your universal application. I received a call about a week ago from my counterpart, who serves on a board, actually on an HCD advisory -- similar HCD in Colorado. And they're struggling with trying to come up with a universal application through different agencies and states, and wanted to know if we'd be willing to work with them.

They're going a second step. They are also trying to standardize annual reporting. They found that the same builder-developer has to also do reporting on status and finance and financials and so on, and trying to standardize that. They've got that pretty well down the pike. They don't have the application piece.

So it may be something -- and I'll share with you, Terri, and you, Bev, the information because they would like to share with us and have us share with them. And frankly, if they're down the road on a piece that we are not, and we are on the other, it might be interesting.

So I'll give you all the name and contact information.

MS. FRETZ-BROWN: Thank you.

MS. WEIR: Mr. Chair, if you wouldn't mind sharing that with the Tax Credit and Tax-Exempt Bond Committees as well.

CHAIRPERSON COURSON: Okay.

MS. WEIR: The Tax Credit Committee does the compliance monitoring for most all of the deals. And there are existing agreements with HCD and the Tax Credit Committee and others to do that monitoring.

CHAIRPERSON COURSON: Okay, sure.

MS. WEIR: And if we could get that annual reporting tied in, that would be very helpful.

CHAIRPERSON COURSON: I will make the call back today or tomorrow and tell them we certainly are interested in finding out sort of logistically who their folks are and see if we can't get at least some dialogue going.

MS. FRETZ-BROWN: That's great. Thank you.

MS. WEIR: Mr. Chair, I had a question.

I know it's a very small thing but I'm curious. The Small Loan Program to two businesses, were these businesses associated with the housing partnerships, and were these housing loans or IDB loans or --

MS. FRETZ-BROWN: No, these are two loans to small nonprofit housing development corporations who have wanted to do -- basically, produce some housing. But they needed assistance on the front end to help with some of the predevelopment costs related to those acquisitions of land.

MS. WEIR: Okay.

MS. PARKER: Thank you, Bev.

Margaret Alvarez, if you would come up and join us and go through Asset management. And I think we've really made a concerted effort to have Margaret walk you through the activities of Asset Management. Because in many cases, it really is connected to the work that Multifamily is doing, with some of our existing projects.

So, Margaret --

MS. ALVAREZ: Thank you.

Home stretch here. I only have two slides so you can all take a breath.

The first thing I want to talk about is restructuring of our Section 8 portfolio, which is made up of the original loans that the Agency started out doing thirty-some years ago. And we started out with about 161 of those, and slowly they're becoming restructured into other types of loans and going away also as their loans and subsidy contracts terminate.

So the first one I would mention is Imperial Terrace, which is a family project that was taken in LA by Caltrans to build an extension of the freeway down there.

Next, we have a couple of payoffs through the Office of Affordable Housing Preservation, which used to be OHMAR. And this is a program whereby HUD approved a loan-payoff program, and owners would get some -- would put in 25 percent of the money for recapitalization themselves, HUD would allow lending up to a certain amount, and they would be tied again to subsidized housing for a new 20-year term, which we felt was better than anything our Agency could offer, so we let those projects go as the opportunity has arisen, with our blessings.

And so we had two payoffs on those types of loans. And our Agency has continued to be the contract administrator, overseeing the subsidy contracts on those buildings.

Then this next group, Baywood, Flower Park, Morse Court, and Redwood, actually were refinanced through Multifamily programs, through Bev's group, with our Agency. And in these cases, it's been new loans made, new buyers, much like what was presented this morning with Palm Springs Senior. The same kind of idea, just kind of flipping projects on our building with new buyers.

We also have quite a few buyers who would like to refinance in place. Again on Palm Springs Senior, you noticed that the HUD rents were much higher than the market rents. And that's one of the problems that we have with refinancing, because the subsidy contracts are tied to the rents. So although owners want lower rates, that also means lower rents, and doesn't always help them. We're getting, you know, preferred rates on those HUD loans ourselves. So it's kind of a bigger discussion than we've been able to sign off on and do as quickly as we would like. We have several groups in our Agency working together in trying to figure out how we can best provide a program for in-place financing.

I would mention also that starting in 2010, the first of our Section 8, 30-year loans begin to terminate, and also along with the subsidies. So it's going to be important over the next few years to come up with that program to recapture and preserve some of our own loans in that portfolio.

Okay, on the next slide here, last year -- we're in August -- we went out with a sales plan to sell six of our six -- we have six REOs in the Agency. And we had hired an outside broker, through an RFP process, to sell those, and made them available to the marketplace. The plan being to sell them as a package deal, which we felt through the brokers would be the best opportunity for a sale for those REOs.

What happened was, we had 12 offers. Nobody really wanted all of them. People really -- there were some lowball offers. There were some questions about our financing. Many people preferred not to have our financing, and so forth.

So when we really saw what we got, we decided that we didn't really get what we were looking for; but we learned a lot. Maybe we needed to tweak our sales package a little bit. We needed to be clearer on our goals and objectives. So we said no to all those buyers, and came back in-house and kind of reinvented the wheel. And we'll be remarketing those here in the next couple of weeks.

CHAIRPERSON COURSON: As a package again?

MS. ALVAREZ: No, we're going to be going out individually. And instead of six, we're only going out with five. Because right after we went out with the marketing plan the first time, we had a fire in one of the smaller REO buildings, a 25-unit complex in Compton, and four units were destroyed. So we feel it's really in our best interest to get those up and running and sell those separately.

We have what we call a Capital Improvement Loan Program. This is where we use Agency funds with our Housing Assistance Trust on the non-Section 8 buildings, the nonsubsidized buildings. Our unit has allocated $4 million this past year for loans. We made one loan for $518,000. These are, again, for Capitol Improvement projects.

We have two or three more in the pipeline. They're kind of slow-moving. We hope to get this program up and running a little bit faster over the next year.

The second category of funds here is the Earned Surplus Funds from HUD. And with the HUD subsidy programs, owners are restricted in what their distribution can be and any overage we call Earned Surplus, and the Agency collects, and we hold either on behalf of ourselves or on HUD. There is kind of a demarcation date of 1980. Prior to that, the Agency could keep those funds and use them for more affordable housing. After 1980, HUD got smart and realized they wanted those funds.

But the post-'80 funds are also designated to specific buildings that earn them, whereas the pre-'80 money, the Agency's money to spend can be used on any building.

And again, on Palm Springs Senior, this morning you saw where we're lending some of the money back out there, which is exactly the purpose of the program.

So this has been one of the most hopeful things in the Section 8 portfolio, as those buildings age and need recapitalization. And again through the Multifamily Programs department, these amounts here, the 4.5 million, the half million and the 298,000, were all loaned this last year, or given -- actually, it was given, these were all post-'80 money. So we were able to apply these funds to the projects without -- because they earned it, in other words. So they will not have to be paying those back.

And then to me, really, the nearest, dearest thing and the most important thing is that we finally had the good fortune this last year to add five new bodies to the Asset Management staff. I've been here almost ten years, never hired a person extra, just backfilled. And it's made a huge difference in us being able to move ahead on keeping up with all the things that Multifamily Programs is doing and keeping up with all of the activity of the Agency. So it's good news enough to report.

And on that, I'll end my report.

Any questions?

(No audible response)

MS. PARKER: Thank you, Margaret.

Again, I think what we have provided for you is a fairly broad overview of the business plan and particular programs that were adopted last May, and sort of where we're at. We are going through all these areas obviously to consider their relevance in the marketplace, offer consideration for the business development plan in May of 2006.

I would mention that we are continuing to follow up on the work that was done last year with hiring the firm to look at the Agency's resources, over the next five, ten, fifteen years, so that we know about how much Housing Assistance Trust fund that we have to essentially make the program recommendations to you, and we're going to be continuing to look at ways to utilize those funds for the highest and best use purpose. And also to the extent that there are some additional resources of it, either by selling off debt, not using Housing Trust Funds for some of our downpayment assistance programs, or being able to increase that, perhaps by the sale of these REOs. We will be noting all of those to the Board in the next two months for the business plan adoption, four months from now.

And maybe as a last plug, I really want to point out to the Board, really today's meeting has occurred because there have been just a number of people who have stepped up with the tremendous loss of human capital we have in the Agency to tally, to make this -- the caliber of this meeting, I think, to our usual standard. And with good luck on the Agency's part in totality of being able to replace some of those vacancies, we hope to be able to continue to do this kind of work.

CHAIRPERSON COURSON: Okay, thanks, Terri.

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Item 13. Reports

CHAIRPERSON COURSON: The last agenda item is, Bruce, you would like to, I think, give us a briefing on some financing.

It's in the reports in the book.

MR. GILBERTSON: Thank you again, Mr. Chairman.

Due to the late hour, I'll just kind of be brief and highlight there's five different financing reports in the Board binder today. We had two different financing transactions where we issued bonds. And we had some activity within our Draw Down Bond indenture.

But I was going to start by summarizing calendar year 2005 from a debt-issuance perspective. During that year, we issued $1.8 billion in bonds, as compared to a little over $2 billion in bonds in 2004.

Of specific note is that calendar year 2005 was the first year in many years that we did not issue any federally-taxable bonds. So we had ample tax-exempt resources to finance all of our Single-Family and Multifamily programs. Of the $1.8 billion of bonds issued in 2005, 1.6 billion was for the Single-Family programs; and of the $1.8 billion, 1.2 billion was actually used to finance new loans, meaning, that 600 million, in essence, was used to preserve tax-exempt authority through our note and draw-down indenture strategies.

A couple other significant things that we've seen more recently is that interest rates have risen, as we all know, over the last couple years. But I think in our world, the market has maybe made a change more notably. Because in November of 2005, for the first time in, again, many years we were able to issue Multifamily Bonds with long-dated fixed-rate bonds. We did not issue them as variable rate bonds. And more recently, with some Single-Family financings, although we issued bonds in a variable rate mode, our underlying swap formulas were tied to a tax-exempt index rather than a taxable index, a further sign that the market is improving for HFA communities.

What that does for us, is allow us to mitigate certain tax-related risks, that there might be a fundamental change in tax law.

In December, we were presented a rather large -- or we were the recipient of a rather large gift from the California Debt Limit Allocation Committee. We received, on a carry-forward basis, in excess of $700 million of tax-exempt issuance authority for our Single-Family Program. We plan to use that over the coming two or three years, and certainly would allow us to potentially expand our loan production for Single-Family.

Total bond indebtedness at the end of the year was $7.7 billion. Of that, 6.8 billion, or 88 percent is in variable rate debt form.

Our net unhedged variable rate component at the end of the year was almost $850 million. And of our variable rate debt, $4.8 billion is swapped to fixed rate, with 11 different swap counterparties.

I can leave it at that, but I'd be more than willing to answer any questions.

CHAIRPERSON COURSON: Mr. Shine?

MR. SHINE: You said you just issued fixed rate based on the bonds for a period of time. What period of time was that?

MR. GILBERTSON: Since the last time we issued the --

MR. SHINE: The bond itself.

CHAIRPERSON COURSON: The term of the bonds.

MR. GILBERTSON: Off the top of my head, I'm guessing approximately 32 years.

MR. SHINE: Those are triple tax-free bonds;

right?

MR. GILBERTSON: Yes.

MR. SHINE: What was the interest rate coupon on that?

MR. GILBERTSON: I don't know off the top of my head, but I could certainly provide that for you.

MS. PARKER: Potential investor.

CHAIRPERSON COURSON: Other questions?

MR. GILBERTSON: I could forward you a prospectus.

MR. SHINE: By all means.

CHAIRPERSON COURSON: Bruce, thank you.

MR. GILBERTSON: All right.

CHAIRPERSON COURSON: Seeing nothing else, are there any other matters to come before the Board?

Mr. Carey?

MR. CAREY: I want to say I appreciate the list of projects improved by the Senior Loan Committee, just in case there was no report.

MS. PARKER: Oh, yes. I did want to mention that in the reports here, we have provided the Board a very detailed report of what the staff have essentially done under the delegation to us of $4 million and below. And I think it's actually a really good analysis because it sort of talks about what our original thoughts were about the utilization of that program and how it's really sort of morphed over the last couple years and its relevance in sort of our lending profile today.

I think that's something that we're going to talk internally about as part of our business plan development.

And as we had talked about bringing something back to the Board several months ago, I think now our intention is to wait until we do the business plan in May and see how this incorporates and what kind of business production we think we can do, and then talk with the Board about continuing this or any changes to it at that point in time.

CHAIRPERSON COURSON: That is a very good point.

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Item 14. Discussion of Other Board Matters

CHAIRPERSON COURSON: Any other comments from the Board?

(No audible response)

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Item 15. Public Testimony

CHAIRPERSON COURSON: Is there any public testimony, public comments?

(No audible response)

CHAIRPERSON COURSON: Seeing none, our next meeting is in March at the Clarion Hotel in Sacramento.

Yes?

MS. OJIMA: It was switched to the Holiday Inn, Capitol Plaza.

CHAIRPERSON COURSON: Okay, we have a roaming meeting. Those of you who don't care, show up at the Clarion. Those who care, show up at the Holiday. And we will change that in the announcement that does come out.

MR. SHINE: Where is it now?

MS. PARKER: Sacramento.

MR. SHINE: No, where in Sacramento?

CHAIRPERSON COURSON: The Holiday Inn.

MS. OJIMA: 300 J Street.

CHAIRPERSON COURSON: We will send you the address, Jack.

Seeing nothing else, this meeting stands adjourned.

(Proceedings concluded at 12:21 p.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 January 17, 2006.

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

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CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Indio Gardens Apartments
Indio, Riverside County, CA
CalHFA # 06-001 A/S

SUMMARY

This is a Final Commitment request. Security for the loans will be a 151-unit family apartment complex known as Indio Gardens Apartments, located at 82490 Requa Avenue, Riverside, California. Indio Gardens Affordable, L.P., whose managing general partners are Indio Gardens Residential, LLC and Las Palmas Foundation, a California nonprofit corporation, will own the project.

Indio Gardens Apartments is an existing portfolio loan currently owned by Requa Associates, a California limited partnership, whose general partner is L&B Real Estate & Management Company, a California corporation. The project was constructed in 1981 and will be an acquisition/rehabilitation of a 151-unit, three-story, elevator construction, senior apartment complex in Indio. The project is 100% Section 8 assisted and the initial 20-year term of its HAP contract plus four (4) additional 5-year renewal expires on February 1, 2022.

LOAN TERMS

Acquisition/Rehabilitation

First Mortgage	$4,400,000
Interest Rate	6.17%, variable
Term	24 Months, interest only
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.

Second Mortgage*	$4,800,000 - $1,090,000 Earned Surplus $3,710,000 Tax-Exempt
Interest Rate	5.45%
Term	16 year fixed, fully amortized
Financing	Tax-exempt & Earned Surplus

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

Permanent

First Mortgage	$4,400,000
Interest Rate	5.45%
Term	30 year fixed, fully amortized
Financing	Tax-exempt

OTHER FINANCING

There is no other financing involved in this transaction.

HOUSING ASSISTANCE PAYMENT ("HAP") CONTRACT

The original HAP contract was executed on February 8, 1982, for a term of 20 years. The HAP contract expired on February 1, 2002, and by its terms, was extended for the first of four (4) additional 5-year terms (20 years total). The contract is in the second 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 remaining 16-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 14 months of debt service reserve towards any potential shortfall in Section 8 funding. Any modification to the HAP extension approved by HUD could result in a reduction of the CalHFA second mortgage.

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 to Indio Gardens Affordable, L.P upon ownership.

PROJECT DESCRIPTION

Project Location

- The project is located in the central area of the city, on the north side of Requa at the T-intersection of Arabia.
- The city is served by Interstate 10.
- Indio is situated approximately 130 miles southeast of Los Angeles in eastern Riverside County, in the lower Coachella Valley area.
- The city is the oldest and largest city of the nine cities that comprise the Coachella Valley, as well as the fastest growing, with a current population of approximately 60,000 people.
- Land uses surrounding the subject property are heavily oriented toward multifamily development, both for sale and rental. Surrounding development is compatible with affordable senior apartments.
- The existing infill property is very well served with the following off-site amenities within a half-mile radius: curbside bus stop, three grocery stores, two pharmacies, senior complex, park, and library.

Site

- The site is a rectangular shaped parcel and is 6.25 acres in size.
- The site is zoned R-H, residential high density land use, and is legally conforming.
- The project size is 151 units or 15 units per acre. The density allowed under the County of Riverside's general plan is the same as when the project was originally approved. The subject and surrounding land uses are consistent with the zoning of the area.

Improvements

- This 151-unit project was built in 1981 and consists of six 3-story buildings and one 1-story community building. The basic structure is wood frame with stucco exterior. Access for all the units is through a linked breezeway. The roofing on all the buildings is rolled roofing.
- The one-bedroom units are flat style units. Each unit has a garbage disposal, ceiling fans, walk-in closets, and a patio or balcony with exterior storage closet.
- The common area amenities include a community room with a kitchen, a billiards room, a craft/classroom, and a library nook.
- The project offers 91 gated, open parking spaces.

PHYSICAL NEEDS ASSESSMENT / SCOPE OF WORK

- The project is in average overall condition for a development of this type and age.
- The scope of rehabilitation work totals $1,920,464 or $12,718 a unit and includes:
    - **Exterior –**
        1. New signage
        2. Exterior paint
        3. Asphalt repairs/sealing/re-striping
        4. Landscaping
    - **Common Area –**
        1. Upgrades to community room
        2. Elevator ADA upgrades
        3. New carpet and paint in corridors
    - **Individual Units –**
        1. New windows and sliding glass doors
        2. Kitchen/bathroom painting
        3. New countertops in kitchen and bathroom
        4. New fixtures in kitchen and bathroom
        5. New window blinds
        6. New kitchen/bathroom vinyl flooring
        7. New smoke detectors
        8. Replacement of kitchen and bathroom cabinets
        9. Replacement of appliances

Off-site improvements

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

Relocation

- There is approximately $67,700 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 will take place on a building-by-building basis and will be completed within 3 days. The residents will be offered a hotel voucher or cash equivalence for the inconvenience. In addition, these temporarily displaced residents shall be entitled to compensation for all reasonable out of pocket expenses incurred in connection with temporary relocation.

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

MARKET

Market Overview

The Coachella Valley consists of nine cities covering a 30+/- mile span, stretching from Palm Springs on the west to Coachella on the east. Indio and Coachella are the easternmost cities in the "Down Valley" area.

Indio has become more economically aligned with cities in central Coachella Valley, as residential and commercial development has pushed east. Coachella, adjoining Indio on the east, remains heavily agricultural and is heavily Hispanic (97%), with significantly lower household incomes (-20%) and housing values (-15%) than Indio.

The Primary Market Area (PMA) is defined as the City of Indio. The Secondary Market Area consists of the adjoining cities of Coachella and La Quinta.

Persons aged 65 and over represent 10% of the PMA residents. Overall, this represents half the 65 and over population in Coachella Valley and slightly below the 65 and over population for Riverside County as a whole. Proportionately, Indio has fewer residents aged 65+ than typical in the region or state (19%). The 3,407 households 65 years and older in the Indio PMA in 2005 are projected by ESRI to increase by 19.5% over the next five years, to 4,070 households in 2010.

Census data shows that 65+ renter households are more likely to be paying 35% or more their income toward rent than renters across all age groups.

Household incomes typically start to decline after age 62 and further decline after age 65, when many workers have retired. As of 2005 ESRI estimates, 39% of all 65+ households in the Indio PMA had annual incomes below $25,000, and 23% had incomes below $15,000. The PMA has more lower-income 65+ households than the state overall.

Housing Supply and Demand

- There is one existing senior LIHTC project in the Indio PMA: Christiansen, a 144-unit project originally built in 1974 by the Indio Housing Authority, and converted in 2000 using tax credit financing. Reportedly 85% of this project's tenant's have Housing Choice Vouchers.
- One other proposed senior LIHTC project was identified: Urban Housing Communities LLC has received an LIHTC allocation to build an 80-unit project (79 units rentable with 48-units income and rent restricted), Horizons at Indio, on a site one-half mile from the subject property. Income restrictions range from 40% to 60% MAI.
- The average occupancy rate for market rate units is 97.6%. LIHTC properties have an average occupancy rate of 100%.
- The existing stock of affordable LIHTC units at 50%-60% AMI in the City of Indio is 325 units. Indio Gardens represents 150 or 46% of existing stock.
- Other than Horizons at Indio, there are no new affordable or market rate housing currently planned within the PMA.

PROJECT FEASIBILITY

Estimated Lease-up Period

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

ENVIRONMENTAL

Barr & Clark Environmental completed a Phase I Environmental Assessment report on February 2, 2006. The report concludes that there are no adverse environmental conditions that warrant further investigation or remedial action.

SEISMIC

A seismic review assessment was performed by URS Corporation on February 6, 2006. The risks met the Agency's seismic risk criteria and no further review is needed.

ARTICLE 34

Borrower's opinion letter is subject to CalHFA's review and approval. Satisfactory evidence of Article XXXIV compliance will be a condition of the final commitment.

DEVELOPMENT TEAM

Borrower

Indio Gardens 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, Indio Gardens Residential LLC, a subsidiary of Bentall Residential LLC (Bentall), will be an initial general partner in the LP. Bentall was founded in 2002 in Irvine, California to acquire and manage affordable and market rate multifamily housing in the United States. Bentall has over 20 years of experience developing affordable quality rental housing. Bentall has developed 6 senior/family facilities representing over 2,251 units, in San Jose, Oakland, and various cities throughout Southern California.

  Bentall has developed projects with CalHFA including Baywood (77-unit, senior facility), El Rancho Verde (700-unit, senior facility), Coronado Terrace (312-unit family facility), Summercrest (372-unit, family and senior facility), Vista Terrace Hills (262-unit, family facility), Hemet Estates (80-unit family facility), and Sterling Village (80-unit family facility).

Management Agent

The John Stewart Company

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

Architect

Gary R. Collins and Associates (GRC+A)

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

Contractor

ICON Builders

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

PROJECT SUMMARY

PROJECT NUMBER: 06-001-A/S

Final Commitment

Project:	**Indio Gardens**			
Location:	82490 Requa Ave.	***Developer:***	**Bentall**	
City:	Indio	***Partner:***	Las Palmas	
County:	Riverside	***Investor:***	AIMCO	
Zip Code:	92201			
		No. of Buildings:	7	
Project Type:	Existing	*No. of Stories:*	3	
Occupancy:	Senior	*Residential Space*	126,184	sq. ft.
Total Units:	151	*Office Space*	0	sq. ft.
Style Units:	Stack/Flats	*Commercial Space*	0	sq. ft.
Elevators:	Yes	*Gross Area*	126,184	sq. ft.
Total Parking	91	*Land Area*	272,250	sq. ft.
Covered	0	*Units per acre*	24	

CalHFA Acquisition Financing	Amount	Rate	Term (Mths)
CalHFA Acquisition/Rehab Financing	$4,400,000	6.17%	24

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	**$4,400,000**	**5.45%**	**30**
CalHFA Bridge Loan	**$0**	**0.00%**	**0**
CalHFA Second Mortgage *	**$4,800,000**	**5.45%**	**16**
Mezzanine Loan	$0	10.00%	12
Assumed Reserves	$814,000	0.00%	0
Source 4	$0	0.00%	0
Source 5	$0	0.00%	0
Source 6	$0	0.00%	0
Source 7	$0	0.00%	0
Source 8	$0	0.00%	0
Source 9	$0	0.00%	0
Source 10	$0	0.00%	0
Source 11	$0	0.00%	0
Source 12	$0	0.00%	0
Income from Operations	$0		
Developer Contribution	$0		
Deferred Dev. Fee	$1,285,089		
Tax Credit Equity	$4,620,585		

*$3,710,000 tax-exempt; $1,090,000 earned surplus

Construction Valuation		Appraisal		Value Upon Completion	
Investment Value	$16,910,000	**Appraisal Date:**	**Feb. 10, 2006**	**Restricted Value**	$11,490,000
Loan / Cost	31%	**Cap Rate:**	**6.00%**	**Perm. Loan / Cost**	28%
Loan / Value	26%			**Perm. Loan / Value**	38%

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	Amount	Required Reserves	Amount
CalHFA Construction Loan Fee	$92,000	Other Reserve	$0
CalHFA Permanent Loan Fees	$22,000	Replacement Resv. Initial Deposit	$151,000
Other Fee	$0	Repl. Reserve - Per Unit/ Per Yr	$400
Construction Loan - Guarantees and Fees		CalHFA Operating Expense Reserve	$149,191
Completion Guarantee Fee	$2,189,330	Rent Up Reserve	$0
Contractors Payment/Performance E	$2,189,330	Other Reserve	$0
		Transition Operating Reserve	$150,000

Date: 2/22/2006 **Senior Staff Date:** 2/17/2006

UNIT MIX AND RENT SUMMARY

Indio Gardens

06-001-A/S

Total Unit Mix

# of Units	Unit Type	# of Baths	Average Sq. Ft.
129	1 Bedroom Flat	1	608
6	1 Bedroom Flat	1	649
15	1 Bedroom Handicap	1	757
1	2 Bedroom Flat	2	1,282
	3 Bedroom Townhome	2	
	4 Bedroom Townhome	2.5	
151			

Number of Regulated Units By Agency

Agency	35%	45%	50%	60%	80%	Unrestricted	Total
CalHFA			30				
Tax Credits				150			
Locality							
HCD							
AHP							
Zoning							
Other							

Restricted Rents Compared to Average Market Rents

Median Income Rent Levels	Units Restricted	Restricted Rents	Avg. Mkt Rent	Sec. 8 Rent	Dollars Difference	% of Market
One Bedroom			$725	$862		
35%	0	$0			$0	0%
45%	0	$0			$0	0%
50%	30	$442			$284	61%
60%	120	$580			$145	80%
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 — Indio Gardens

06-001-A/S
Final Commitment

SOURCES OF FUNDS:	Funds in during Construction ($)	Funds in at Permanent ($)	Total Sources of Funds ($)	Sources per Unit	%
CalHFA Acquisition/Rehab Financing	4,400,000				
Construction Only Source 2	-				
Construction Only Source 3	-				
CalHFA First Mortgage		4,400,000	4,400,000	29,139	28%
CalHFA Second Mortgage	4,800,000		4,800,000	31,788	30%
Mezzanine Loan	-	-	-	-	0%
Assumed Reserves	408,754	405,246	814,000	5,391	5%
Source 4	-	-	-	-	0%
Source 5	-	-	-	-	0%
Source 6	-	-	-	-	0%
Source 7	-	-	-	-	0%
Source 8	-	-	-	-	0%
Source 9	-	-	-	-	0%
Source 10	-	-	-	-	0%
Source 11	-	-	-	-	0%
Source 12	-	-	-	-	0%
Income from Operations	-	-	-	-	0%
Developer Contribution	-	-	-	-	0%
Deferred Developer Fee	454,347	830,742	1,285,089	8,511	8%
Tax Credit Equity	4,059,813	560,772	4,620,585	30,600	29%
Total Sources	14,122,914	6,196,760	15,919,674	105,428	100%
(Gap)/Surplus	-	0	0		

Total Development Sources (right-hand columns) / Total Development Costs (right-hand columns below)

USES OF FUNDS:	Construction ($)	Permanent ($)	Total Uses of Funds ($)	Cost per Unit	%
LOAN PAYOFFS & ROLLOVERS					
Construction Loan payoffs		**$4,400,000**			
ACQUISITION					
Lesser of Land Cost or Value	820,000	-	820,000	5,430	5%
Prepayment Penalty	1,627,747	-	1,627,747	10,780	10%
Legal - Acquisition Related Fees	244,500	-	244,500	1,619	2%
Subtotal - Land Cost / Value	2,692,247	-	2,692,247		
Existing Improvements Value	7,752,253	-	7,752,253	51,339	49%
Off-Site Improvements	-	-	-	-	0%
Other	-	-	-	-	0%
Total Acquisition	**10,444,500**	**-**	**10,444,500**	**69,169**	**66%**
REHABILITATION					
Site Work	-	-	-	-	0%
Rehab to Structures	1,920,464	-	1,920,464	12,718	12%
General Requirements	134,433	-	134,433	890	1%
Contractors Overhead	41,098	-	41,098	272	0%
Contractors Profit	93,335	-	93,335	618	1%
Contractor's Bond	41,521	-	41,521	275	0%
General Liability Insurance	51,902	-	51,902	344	0%
Environmental Mitigation Expense	-	-	-	-	0%
Other	20,000	-	20,000	132	0%
Other	-	-	-	-	0%
Total Rehabilitation	**2,302,753**	**-**	**2,302,753**	**15,250**	**14%**
RELOCATION EXPENSES					
Relocation Expense	67,700	-	67,700	448	0%
Relocation Compliance Monitoring	-	-	-	-	0%
Total Relocation	**67,700**	**-**	**67,700**	**448**	**0%**

(Continued on Next 2 Pages)

USES OF FUNDS (Cont'd):	Construction ($)	Permanent ($)	Total Development Costs: Total Uses of Funds ($)	Cost per Unit per Unit	%
NEW CONSTRUCTION					
Site Work	-	-	-	-	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	99	0%
Architect's Supv during Construction	-	-	-	-	0%
Total Architectural	**15,000**	**-**	**15,000**	**99**	**0%**
Engineering Expense	16,000	-	16,000	106	0%
Engineers Supv. during Construction	-	-	-	-	0%
ALTA Survey	5,000	-	5,000	33	0%
Total Engineering & Survey	**21,000**	**-**	**21,000**	**139**	**0%**
CONSTRUCTION LOAN COSTS					
Construction Loan Interest	-		-	-	0%
CalHFA Construction Loan Fee	92,000		92,000	609	1%
ICAC Fees	50,114		50,114	332	0%
CalHFA Outside Legal Counsel Fees	-		-	-	0%
Other Lender Req'd Legal Fees	-		-	-	0%
Title and Recording fees	6,729		6,729	45	0%
CalHFA Req'd Inspection Fees	18,000		18,000	119	0%
Other Req'd Inspection Fees	-		-	-	0%
Prevailing Wage Monitoring Expense	-		-	-	0%
Taxes & Insurance during construction	167,556		167,556	1,110	1%
Other	-		-	-	0%
Cost for Completion Guarantee	-		-	-	0%
Other	-		-	-	0%
Total Construction Loan Expense	**334,399**	**-**	**334,399**	**2,215**	**2%**
PERMANENT LOAN COSTS					
CalHFA Perm Loan Fees	-	22,000	22,000	146	0%
CalHFA Bridge Loan Fees	-	-	-	-	0%
CalHFA Loan Application Fee	500	-	500	3	0%
Other Lender Perm. Loan Fees	-	-	-	-	0%
Title and Recording	-	5,000	5,000	33	0%
Perm. Bridge Loan Interest Expense	-	-	-	-	0%
Bond Origination Guarantee Fee	-	-	-	-	0%
Tax Exempt Bond Allocation Fee	600	-	600	4	0%
Other	-	-	-	-	0%
Total Permanent Loan Expense	**1,100**	**27,000**	**28,100**	**186**	**0%**
LEGAL FEES					
Borrower Legal Fee	75,000	-	75,000	497	0%
Other	-	-	-	-	0%
Total Attorney Expense	**75,000**	**-**	**75,000**	**497**	**0%**

USES OF FUNDS (Cont'd):	Construction ($)	Permanent ($)	Total Development Costs Permanent of Funds ($)	Per Unit per Unit	%
CONTRACT / REPORT COSTS					
Appraisal	10,000	-	10,000	66	0%
Market Study	14,000	-	14,000	93	0%
Physical Needs Assessment	7,500	-	7,500	50	0%
HUD Risk Share Environ. Review	-	-	-	-	0%
CalHFA EQ Waiver Seismic Review Fee	-	-	-	-	0%
Environmental Phase I / II Reports	3,000	-	3,000	20	0%
Soils / Geotech Reports	-	-	-	-	0%
Asbestos / Lead-based Paint Report	-	-	-	-	0%
Noise/Acoustical/Traffic Study Report	-	-	-	-	0%
Termite/Dry Rot Report	5,000	-	5,000	33	0%
Other	-	-	-	-	0%
Total Contract Costs	**39,500**	**-**	**39,500**	**262**	**0%**
CONTINGENCY					
Hard Cost Contingency	218,933	-	218,933	1,450	1%
Soft Cost Contingency	20,000	-	20,000	132	0%
Total Contingency	**238,933**	**-**	**238,933**	**1,582**	**2%**
RESERVES					
CalHFA Operating Expense Reserve	-	149,191	149,191	988	1%
Construction Defects Reserve	-	-	-	-	0%
Transition Operating Reserve	-	150,000	150,000	993	1%
Replacement Resv. Initial Deposit	-	151,000	151,000	1,000	1%
Other	-	-	-	-	0%
Total Reserves	**-**	**450,191**	**450,191**	**2,981**	**3%**
OTHER					
CTCAC App/Alloc/Monitor Fees	68,774	-	68,774	455	0%
Local Permit Fees	15,000	-	15,000	99	0%
Local Development Impact Fees	-	-	-	-	0%
Other Local Fees	-	-	-	-	0%
Advertising & Marketing Expenses	-	-	-	-	0%
1st Year Taxes & Insurance	-	-	-	-	0%
Furnishings	75,000	-	75,000	497	0%
Final Cost Audit Expense	24,255	-	24,255	161	0%
Miscellaneous Admin Fees	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Other Expenses	**183,029**	**-**	**183,029**	**1,212**	**1%**
SUBTOTAL PROJECT COSTS	**13,722,914**	**4,877,191**	**14,200,105**	**94,040**	**89%**
DEVELOPER COSTS					
Developer Overhead/Profit (5% Acq.)	400,000	1,319,569	1,719,569	11,388	11%
Developer Overhead/Profit (NC/Rehab)	-	-	-	-	0%
Consultant / Processing Agent	-	-	-	-	0%
Project Administration	-	-	-	-	0%
Broker Fees to a related party	-	-	-	-	0%
Construction Mgmt. Oversight	-	-	-	-	0%
Other	-	-	-	-	0%
Total Developer Fee / Costs	**400,000**	**1,319,569**	**1,719,569**	**11,388**	**11%**
Total Costs	**14,122,914**	**6,196,760**	**15,919,674**	**105,428**	**100%**

Annual Operating Budget — Indio Gardens

Final Commitment

INCOME:	$ Amount	Per Unit	% of Total
Total Rental Income	$1,551,600	$10,275	99.54%
Laundry	$7,098	$47	0.46%
Other Income	$0	$0	0.00%
Gross Potential Income (GPI)	**$1,558,698**	**$10,323**	100.00%
Less:			
Vacancy Loss	$66,793	$442	4.48%
Effective Gross Income	**$1,491,905**	**$9,880**	

EXPENSES:	Total Cost	Per Unit	% of Total
Payroll	$165,544	$1,096	26.38%
Administrative	$34,263	$227	5.46%
Management fee	$67,044	$444	10.69%
Utilities	$94,911	$629	15.13%
Operating and Maintenance	$137,182	$908	21.86%
Insurance and Business Taxes	$55,234	$366	8.80%
Locality Compliance Monitoring Fee	$0	$0	0.00%
Other	$0	$0	0.00%
Subtotal Expenses	**$554,178**	$3,670	88.32%
Replacement Reserves	$60,400	$400	9.63%
Taxes & Assessments	$12,875	$85	2.05%
Total Expenses	$627,453	$4,155	100.00%
Financial Expenses			
CalHFA First Mortgage	$378,983	$2,510	
CalHFA Second Mortgage	$450,212	$2,982	
Other Required Debt Service	$0	$0	
NET OPERATING INCOME	**$35,257**	**$233**	

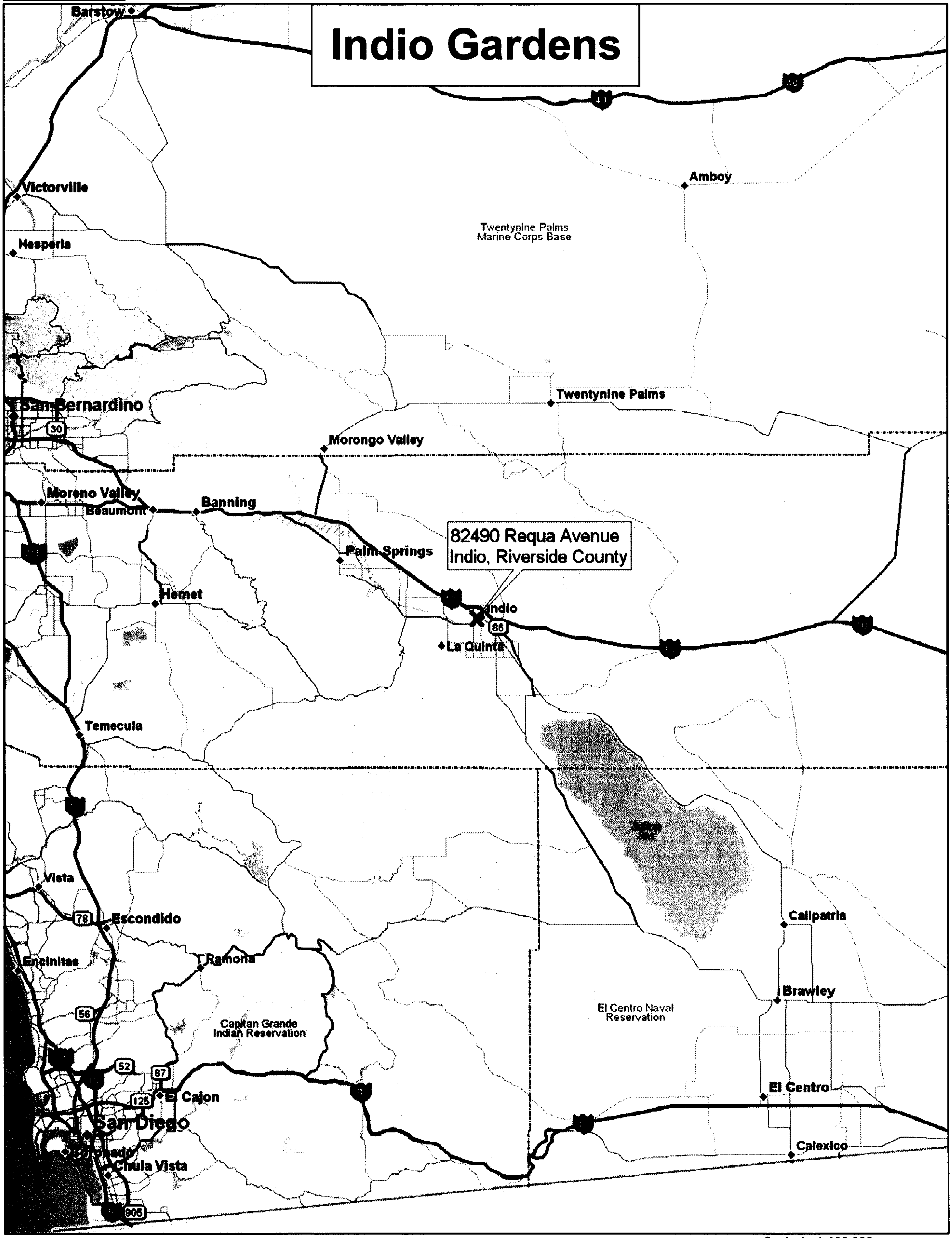
Cash Flow	Final Commitment			CalHFA Project Number:	06-001-A/S					Indio Gardens
RENTAL INCOME	Rehab Yr. 1	Rehab Yr. 2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Affordable Rents	994,500	1,019,363	1,044,847	1,070,968	1,097,742	1,125,185	1,153,315	1,182,148	1,211,702	1,241,994
Affordable Rent Increase	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Rental Subsidies	557,100	532,238	506,753	480,632	453,858	453,858	462,935	472,194	481,638	491,271
Rental Subsidy Increases	0.00%	0.00%	0.00%	0.00%	0.00%	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	1,551,600	1,551,600	1,551,600	1,551,600	1,551,600	1,579,044	1,616,250	1,654,342	1,693,340	1,733,265
OTHER INCOME										
Laundry	7,098	7,240	7,385	7,533	7,683	7,837	7,994	8,154	8,317	8,483
Other Income	0	0	0	0	0	0	0	0	0	0
Other Income Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL OTHER INCOME	7,098	7,240	7,385	7,533	7,683	7,837	7,994	8,154	8,317	8,483
GROSS POTENTIAL INCOME	1,558,698	1,558,840	1,558,985	1,559,133	1,559,283	1,586,881	1,624,244	1,662,496	1,701,656	1,741,748
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Unrestricted Units	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	66,793	67,297	67,814	68,344	68,887	70,267	71,953	73,681	75,450	77,262
EFFECTIVE GROSS INCOME	1,491,905	1,491,543	1,491,171	1,490,789	1,490,396	1,516,614	1,552,291	1,588,815	1,626,206	1,664,486
OPERATING EXPENSES										
Expenses	554,178	573,574	593,649	614,427	635,932	658,190	681,226	705,069	729,747	755,288
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	12,875	13,133	13,395	13,663	13,936	14,215	14,499	14,789	15,085	15,387
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			52,850	53,907	54,985	56,085	57,207	58,351	59,518	60,708
Percentage Increase Yearly	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL EXPENSES	567,053	586,707	659,894	681,997	704,853	728,490	752,932	778,209	804,349	831,383
NET OPERATING INCOME	924,852	904,836	831,276	808,792	785,543	788,124	799,358	810,605	821,857	833,103
DEBT SERVICE										
CalHFA - 1st Mortgage	378,983	126,032	298,138	298,138	298,138	298,138	298,138	298,138	298,138	298,138
CalHFA - Bridge Loan	0	0	0	0	0					
CalHFA - 2nd Mortgage	450,212	450,212	450,212	450,212	450,212	450,212	450,212	450,212	450,212	450,212
None	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0
DCSR on Restricted Rental Income	2.04	2.00	1.14	1.15	1.16	1.17	1.17	1.18	1.19	1.20
DSCR on Total Income and Total Debt	1.12	1.57	1.11	1.08	1.05	1.05	1.07	1.08	1.10	1.11
Cash Available for Distribution	95,657	328,592	82,926	60,441	37,192	39,774	51,008	62,255	73,506	84,753

Cash Flow — CalHFA Project Number: 06-001-A/S — Indio Gardens

Cash Flow	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19
RENTAL INCOME											
Affordable Rents	1,273,044	1,304,870	1,337,492	1,370,929	1,405,202	1,440,333	1,476,341	1,513,249	1,551,081	1,589,858	1,629,604
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%
Rental Subsidies	501,096	511,118	521,340	531,767	542,402	553,250	0	0	0	0	0
Rental Subsidy Increases	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unrestricted Units	0	0	0	0	0	0	0	0	0	0	0
Unrestricted Unit Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME	1,774,140	1,815,988	1,858,832	1,902,696	1,947,605	1,993,583	1,476,341	1,513,249	1,551,081	1,589,858	1,629,604
OTHER INCOME											
Laundry	8,653	8,826	9,002	9,182	9,366	9,553	9,744	9,939	10,138	10,341	10,548
Other Income	0	0	0	0	0	0	0	0	0	0	0
Other Income Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL OTHER INCOME	8,653	8,826	9,002	9,182	9,366	9,553	9,744	9,939	10,138	10,341	10,548
GROSS POTENTIAL INCOME	1,782,793	1,824,814	1,867,834	1,911,879	1,956,971	2,003,136	1,486,085	1,523,189	1,561,219	1,600,198	1,640,152
VACANCY ASSUMPTIONS											
Affordable (Blended Average)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Unrestricted Units	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	79,118	81,018	82,965	84,959	87,000	89,092	74,304	76,159	78,061	80,010	82,008
EFFECTIVE GROSS INCOME	1,703,675	1,743,795	1,784,870	1,826,920	1,869,970	1,914,044	1,411,781	1,447,029	1,483,158	1,520,188	1,558,144
OPERATING EXPENSES											
Expenses	781,723	809,083	837,401	866,710	897,045	928,441	960,937	994,570	1,029,380	1,065,408	1,102,697
Annual Expense Increase	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Taxes and Assessments	15,695	16,008	16,329	16,655	16,988	17,328	17,675	18,028	18,389	18,756	19,132
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Replacement Reserve	61,922	63,161	64,424	65,712	67,027	68,367	69,734	71,129	72,552	74,003	75,483
Percentage Increase Yearly	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL EXPENSES	859,340	888,252	918,153	949,078	981,060	1,014,137	1,048,346	1,083,727	1,120,320	1,158,167	1,197,312
NET OPERATING INCOME	844,335	855,543	866,716	877,842	888,911	899,908	363,435	363,302	362,838	362,021	360,832
DEBT SERVICE											
CalHFA - 1st Mortgage	298,138	298,138	298,138	298,138	298,138	298,138	298,138	298,138	298,138	298,138	298,138
CalHFA - Bridge Loan	450,212	450,212	450,212	450,212	450,212	450,212	0	0	0	0	0
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0	0
None											
DCSR on Restricted Rental Income	1.20	1.21	1.21	1.21	1.22	1.22	1.22	1.22	1.22	1.21	1.21
DSCR on Total Income and Total Debt	1.13	1.14	1.16	1.17	1.19	1.20	1.22	1.22	1.22	1.21	1.21
Cash Available for Distribution	95,985	107,193	118,365	129,492	140,560	151,557	65,297	65,164	64,699	63,883	62,694

Cash Flow — CalHFA Project Number: 06-001-A/S — Indio Gardens

	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
RENTAL INCOME											
Affordable Rents	1,670,344	1,712,103	1,754,905	1,798,778	1,843,747	1,889,841	1,937,087	1,985,514	2,035,152	2,086,031	2,138,182
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%
Rental Subsidies	0	0	0	0	0	0	0	0	0	0	0
Rental Subsidy Increases	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unrestricted Units	0	0	0	0	0	0	0	0	0	0	0
Unrestricted Unit Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME	1,670,344	1,712,103	1,754,905	1,798,778	1,843,747	1,889,841	1,937,087	1,985,514	2,035,152	2,086,031	2,138,182
OTHER INCOME											
Laundry	10,759	10,974	11,193	11,417	11,645	11,878	12,116	12,358	12,605	12,857	13,115
Other Income	0	0	0	0	0	0	0	0	0	0	0
Other Income Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL OTHER INCOME	10,759	10,974	11,193	11,417	11,645	11,878	12,116	12,358	12,605	12,857	13,115
GROSS POTENTIAL INCOME	1,681,103	1,723,076	1,766,098	1,810,195	1,855,393	1,901,719	1,949,203	1,997,872	2,047,757	2,098,888	2,151,296
VACANCY ASSUMPTIONS											
Affordable (Blended Average)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Unrestricted Units	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	84,055	86,154	88,305	90,510	92,770	95,086	97,460	99,894	102,388	104,944	107,565
EFFECTIVE GROSS INCOME	1,597,048	1,636,923	1,677,794	1,719,685	1,762,623	1,806,633	1,851,743	1,897,979	1,945,370	1,993,944	2,043,731
OPERATING EXPENSES											
Expenses	1,141,292	1,181,237	1,222,580	1,265,370	1,309,658	1,355,496	1,402,939	1,452,042	1,502,863	1,555,463	1,609,905
Annual Expense Increase	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Taxes and Assessments	19,514	19,904	20,303	20,709	21,123	21,545	21,976	22,416	22,864	23,321	23,788
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Replacement Reserve	76,992	78,532	80,103	81,705	83,339	85,006	86,706	88,440	90,209	92,013	96,614
Percentage Increase Yearly	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	5.00%	0.00%
TOTAL EXPENSES	1,237,798	1,279,674	1,322,986	1,367,784	1,414,120	1,462,048	1,511,621	1,562,897	1,615,936	1,670,798	1,730,306
NET OPERATING INCOME	359,249	357,249	354,808	351,901	348,503	344,586	340,122	335,081	329,434	323,146	313,425
DEBT SERVICE											
CalHFA - 1st Mortgage	298,138	298,138	298,138	298,138	298,138	298,138	298,138	298,138	298,138	298,138	298,138
CalHFA - Bridge Loan	0	0	0	0	0	0	0	0	0	0	0
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0	0
None											
DCSR on Restricted Rental Income	1.20	1.20	1.19	1.18	1.17	1.16	1.14	1.12	1.10	1.08	1.05
DSCR on Total Income and Total Debt	1.20	1.20	1.19	1.18	1.17	1.16	1.14	1.12	1.10	1.08	1.05
Cash Available for Distribution	61,111	59,111	56,670	53,763	50,365	46,447	41,983	36,943	31,295	25,008	15,287



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1" = 17.36 mi
Data Zoom 7-5

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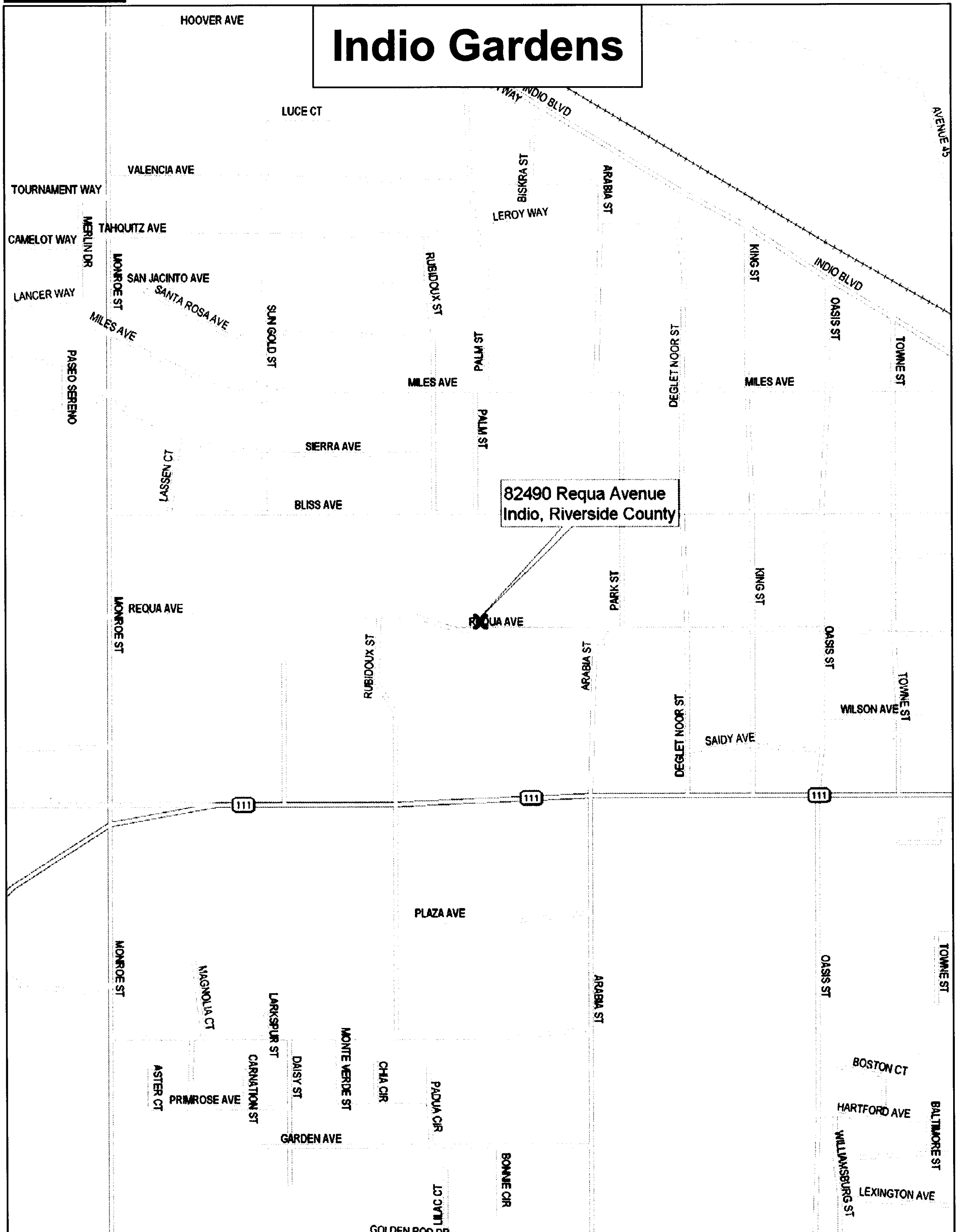
Street Atlas USA® 2004



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1" = 733.3 ft

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RESOLUTION 06-09

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Indio Gardens 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 Indio, Riverside County, California to be known as Indio Gardens 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 January 3, 2006, 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
06-001-A/S	Indio Gardens Apartments Indio, Riverside County,	151	\$4,400,000: 1st Mortgage (Acq/Rehab) \$4,800,000: 2nd Mortgage (of which 1,090,000 Earned Surplus) \$4,400,000 Permanent 1st Mortgage

2. The Executive Director may modify the terms and conditions of the loans or loans as described in the Staff Report, provided that major modifications, as defined below, must be submitted to this Board for approval. "Major modifications" as used herein means modifications which either (i) increase the total 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 06-09 adopted at a duly constituted meeting of the Board of the Agency held on March 9, 2006 at Sacramento, California.

ATTEST:______________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY

Final Commitment
Seven Directions
Oakland, Alameda County
CalHFA Loan #4-017-C/N

SUMMARY:

This is a Final Commitment request for construction and permanent financing. The improvements will include the newly constructed, 36-unit Seven Directions family apartment community with a 20,000 square foot community based health-care facility on the first and second floors of the five floor building. The residential and clinic parcels will each have separate legal descriptions and CalHFA will have a first lien on the residential parcel only. The development will be owned by Seven Directions Housing Limited Partnership, a California limited partnership, with Seven Directions Management LLC as the general partner. The members of the LLC will be East Bay Asian Local Development Corporation, (EBALDC) and Native American Health Center, Inc., (NAHC). The development will be located on International Boulevard in Oakland, California.

LOAN TERMS:

Construction

First Mortgage	$8,750,000
Interest Rate:	variable
Term:	18 Months, interest only
Financing:	Tax-exempt

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

Permanent

First Mortgage	$1,600,000
Interest Rate:	5.25%
Term:	10 year fixed, fully amortized
Financing:	Tax-exempt

OTHER FINANCING:

The Oakland Housing Authority will be providing eighteen project based Section 8 vouchers. The Agreement to provide Housing Assistance Payments, which clarifies the amount of the Section 8 subsidy per unit, will be in place prior to closing the construction loan, with the Housing Assistance Payments Contract required to be in place prior to closing the permanent loan. The term of the HAP is expected and required to be ten years to coincide with the CalHFA first mortgage. Other sources of financing included the following:

Permanent Sources	Type	Loan Amount	Term	Interest Rate	Repayment
Redevelopment Agency of the City of Oakland	Loan	$3,289,000	55	3.00%	Residual Receipts, pro-rata basis
City of Oakland	Loan	$1,216,600	55	3.00%	Residual Receipts, pro-rata basis
City of Oakland		$93,972	55		Deferred Interest
Department of Housing and Community Development, Multi-Family Housing Program (MHP)	Loan	$2,606,331	55	3.00%	Required 0.42% payment plus Residual Receipts
MHP Nonresidential Space for Supportive Services	Loan	$250,399	55	3.00%	Residual Receipts, pro-rata basis
Federal Home Loan Bank-Affordable Housing Program	Loan	$227,368	55	0.00%	none

PROJECT DESCRIPTION:

Project Location

Seven Directions will be located on a half-acre site on International Boulevard in the Fruitvale District of the City of Oakland, approximately two miles south of downtown Oakland. The site is approximately a half mile from Interstates 580 and 880.

The site is an extension of the busy commercial district which extends from the intersection of Fruitvale and International Boulevards. Next to the subject site is the Bodega Furniture store in a new building containing a restaurant and four housing units. Adjacent to the east is a vacant restaurant (IHOP), with a large parking lot bordering the rear southeasterly property line. Further east of the site is the six-story Fruitvale Medical Center, a historic structure with mostly medical uses including a full-service pharmacy. Next to the Bodega Furniture store is a two-story multi-family development of sixteen units, and further on 29th Avenue is the historic Cohen-Bray house. The rear of the subject site abuts the southeast property line of the Cohen-Bray house. There is a supermarket, Supermercado Mi Pueblo, on the corner of 29th Avenue and International Boulevard. Across the street from the site on International Boulevard is a large Goodwill facility and kitty corner from the site is the Cesar E. Chavez Education Center, a charter school.

Also nearby are the Fruitvale Public Library and Sanborn Park and Recreation Center both within a quarter mile of the site. The Hawthorn and Garfield year-round elementary schools are a few blocks from the project; and Roosevelt middle school is approximately a half mile away. The San Francisco Bay Area Rapid Transit District (BART) provides rapid rail transit service from the Fruitvale BART station, which is within one-quarter mile of the site. In addition, AC Transit provides local and trans-bay bus service with a bus stop at the intersection of 29th Avenue and International Boulevard, and other bus stops serving other routes within a few blocks of the site.

Site

Seven Directions will be located on a half-acre site at 2946 International Boulevard in the Fruitvale District of the City of Oakland. The rectangular parcel is an interior lot with 130 feet of frontage on International Boulevard and with a total of 26,292 square feet. Formerly the location of a retail and warehouse building, the site has been vacant since 1976. The lot is primarily flat and the rear of the site is currently raised approximately three feet.

Improvements

The Seven Directions project draws its name from Native American spirituality and the Sacred Hoop or Medicine Wheel with its seven points or spirits - North, South, East, West, Father Sky, Mother Earth, and Center. Seven Directions will include housing, a Health Center, ground floor parking and outdoor courtyard areas. The building will be an air rights subdivision over the 20,000 square foot community-based healthcare facility being developed and separately financed by the Native American Health Center. To facilitate the separate financing, the housing and clinic portions of the property will be subdivided vertically into two legal parcels. CalHFA's security for its construction and permanent loans will be the fee interest in the land and air space parcel on the housing parcel of the project only. The Health Center facility is designed with separate access so that residential and clinic uses will not conflict. This mixed-use project will directly combine family housing with NAHC's comprehensive holistic healthcare model. The Health Center will provide community service space, clinic and health services on the first and second floors of the building.

The building is five stories high at the street frontage, matching the historic Fruitvale Medical Center at the corner. The height of the building decreases to three stories at the rear of the site, respecting the lower density of the residential neighborhood off 29th Avenue.

The ground floor level of the project will contain parking, elevator access, separate lobbies and entrances for the clinic and the housing, as well as counseling rooms, conference rooms and offices for the Health Center. An on-grade courtyard near the center of the building will provide a landscaped gathering space for Health Center clients. The clinic will be served by its own two-story elevator. The units will be served by two hydraulic elevators running from either the parking area or the residential lobby to all levels. There will be one secured entrance to the parking area that will have nine Health Center spaces in front and 31 residential parking spaces behind a second key-carded gate. A parking variance has been conditionally approved based on a parking management plan which will allow residents to utilize the clinic parking spaces in the evenings and on weekends, when the Health Center is not open.

The second floor will contain the main medical and dental clinics, as well as three dwelling units and the residential community room, which will be fully separated from the Health Center and its exiting system. The residential community room will be used for social service coordination and some job training activity, as well as a computer room. The third, fourth and fifth floors will be for residential uses only. The third floor will contain more apartments, the management office, maintenance office, janitor's room, and laundry room, in addition to a play area and a separate contemplative courtyard for adults. The fourth and fifth floors are at the front two-thirds of the site only and contain additional residential units.

The building will contain 36 housing units with two studios, two one-bedroom units, 18 two-bedroom-units, 13 three-bedroom units, and one four-bedroom unit. The manager's unit will be one of the two-bedroom units. Most units have balconies or personal outdoor space as well as ample storage space. The units will have eat-in kitchen areas and the three- and four-bedroom units will have dishwashers. All units will have electric heat.

The building is designed to meet local, state and federal regulations governing persons with mobility, hearing and visual disabilities. Section 8 regulations will require that nine units be handicap-accessible to accommodate households with physical, hearing and/or visual disabilities.

Services provided by Native American Health Center

A wide variety of social services will be readily available to the tenants due to the location of the Native American Health Center on the first and second floors. Although NAHC targets the Native American community, its services and programs are open to all. In the case of families who do not have medical benefits, NAHC case workers can assist them in applying for Medi-Cal or Medi-Care. This will qualify the families for a wide variety of services offered by the Health Center including primary medical care, dental care, counseling and general pediatric care including well-child services and immunizations, routine physical examinations, health education, smoking prevention/cessation, and mental health and substance abuse counseling.

The new healthcare facility will house primary family medical care, comprehensive dental care, and outpatient mental health services. These services will be relocated to the new facility from NAHC's existing, overburdened facility in the Fruitvale neighborhood. Additional medical and dental exam space and mental health client service space will be added to increase the organization's capacity to serve its patient population and meet the growing demand.

In addition, community outdoor space will be built on-site and will include multipurpose, culturally sensitive community gathering space for talking circles (culturally appropriate large group counseling), community events, community visioning meetings, lectures, workshops and other community gatherings. This community space will include an outdoor ceremonial garden that will be created for culturally appropriate ceremonies and healing.

Furthermore NAHC sponsors youth programs in the neighborhood, (two blocks from the site), including educational support, arts, athletics, and violence prevention programs. NAHC also runs the Healthy Nations Wellness Center, the only family fitness center in the Fruitvale neighborhood in Oakland.

Off-site Improvements

This project is an urban infill project with few off-site requirements. The building will be built to the edge of the sidewalk. Costs for curbs and gutters, demolition and replacement of existing sidewalks, curb cuts for the parking garage, relocation of a lamppost, and trenching for water, sewer, gas and electric lines, as well as installation of three sidewalk trees are included in portions of the contractor's hardcost line items for site concrete and landscaping. The total of those line items is $37,583, and they are not broken out separately in the CalHFA budget.

MARKET:

Market Overview

In the market study completed by Laurin Associates in January 2006, the Oakland Market Area is defined as the eastern portion of the City of Oakland. The Oakland Market Area is bordered by MacArthur Boulevard to the northeast, 42nd Avenue to the southeast, Interstate 880 to the southwest and Park Boulevard to the northwest. This area contained an estimated population of approximately 101,000 people, with approximately 31,000 households as of 2005. The Oakland Market Area average household size was 3.2 persons, and 66.1% of the households were renters in 2005. Median income in the Oakland Market Area was $36,692 in 2005.

According to the Landauer Realty Group, out of the sixty largest office markets in the United States, Oakland is expected to have the strongest market for the next several years. Proposed developments in Oakland include 300,000 square feet for a Walmart, cafes and retail space; a 130,000 square foot Home Depot; a $700 million dollar Oakland International Airport expansion;

and a $208 million dollar Oakland Airport connector project. In 2000, "Services" was the largest employment sector in the Oakland Market Area, constituting 47.5% of employed persons. "Trade" was the second largest employer with 14.9% of the employed population. The largest employers in Alameda County as of 2000 were the University of California, Berkeley, the County of Alameda, the Oakland Unified School District, and the Lawrence Livermore National Lab. Unemployment has dropped in Alameda County from its high of 6.8% in 2003 to 5.2% in 2005.

Housing Supply and Demand

According to the 2000 Census, 49.6% of the housing units in the City of Oakland were single family and 50.2% were multifamily, with a total of 157,413 units. According to a survey completed in 2000, 50.5% of the housing units in the City of Oakland were built in 1949 or earlier, with only 5.1% of the units built between 1990 and 2000. The Laurin Associates market study surveyed 664 apartment units in twelve properties in the Oakland Market Area and found a vacancy rate of 4.2% for market units and a vacancy rate of 1.1% for affordable units. Waiting lists were found to be long for affordable rental units. There are no other proposed developments in the Oakland Market Area.

PROJECT FEASIBILITY:

Estimated Lease-Up Period

The market study has estimated that the project would need to capture from 0.3% to 2.7% of the current demand from existing households depending on unit type and rent level. Laurin Associates estimates that these apartments would fully rent up within four months of opening. CalHFA is not requiring a rent-up reserve letter of credit for this project.

ENVIRONMENTAL:

CalHFA has reviewed the Phase I Environmental Site Assessment for the project which was completed by SCA Environmental, Inc. (SCA) in February 2002, and a Phase II Site Investigation completed by Uribe and Associates in April 2002.

Historically, the site consisted of vacant land until approximately 1930 when a retail and warehouse building was erected on the lot. The building was demolished in 1976 and the site has been vacant ever since.

From its review of regulatory databases SCA found one active site within a quarter mile radius with a leaking underground storage tank. In addition, prior uses of nearby properties include a former gas station across the street from the subject property. Due to the documented spill nearby and the general history of the immediate area, SCA stated that it is reasonable to assume the soil or groundwater on site may have some level of contamination. SCA concluded in their Phase I that: a) properties in the surrounding area have a potential to have caused site contamination; and b) there is the possibility of several contaminants on site that may be of some significance in future development of the site. SCA recommended limited subsurface sampling to check for the presence of petroleum hydrocarbon constituents.

Uribe and Associates collected six soil samples from two borings and analyzed the samples for the potential constituents identified in the Phase I. Groundwater was not encountered in any of the borings. In one of the borings, relatively low concentrations of diesel were detected in the two upper soil samples. Uribe states that the contamination was likely caused by a local surface spill since the diesel concentrations decreased with depth. The detected levels of diesel were much lower than the California Regional Water Quality Control Board ceiling level, and Uribe concluded that it was unlikely that the low level of contamination would require remediation if left in place.

A Geotechnical Engineering Investigation completed in March 2004 by Earth Mechanics Consulting Engineers includes recommendations regarding the design of the proposed project. Earth Mechanics concluded that the site is suitable for support of the proposed improvements provided that their recommendations are incorporated into the design and construction of the project.

URS, CalHFA's environmental consultant, has completed its review of the environmental reports mentioned above. URS stated that the low levels of contamination are below regulatory concern and do not require remedial action. URS does not recommend further subsurface investigations. CalHFA will require a Phase I update prior to the start of construction.

The Borrower has requested an earthquake insurance waiver, and a seismic evaluation is underway. Any design modifications required as a condition of the earthquake insurance waiver shall be incorporated in the final plans and specifications approved by CalHFA. If the earthquake waiver is denied, the CalHFA permanent loan amount may decrease so that the earthquake insurance premium can be included in the approved operating budget.

ARTICLE XXXIV

An opinion letter from the law offices of Gubb & Barshay LLP has been received, and is subject to review and approval by CalHFA's legal department. The City of Oakland has Article 34 authority set aside for up to 850 units financed by CalHFA. Of the remaining 447 unit CalHFA set aside, 36 low-income rental housing units have been allocated for this project.

DEVELOPMENT TEAM:

A. Borrower's Profile - Seven Directions Housing Limited Partnership

The development will be owned by Seven Directions Housing Limited Partnership, a California limited partnership, with Seven Directions Management LLC as the general partner. The members of the LLC will be East Bay Asian Local Development Corporation (EBALDC) and Native American Health Center, Inc.

EBALDC, established in 1975, is the co-developer of Seven Directions, responsible for the housing portion of the project. EBALDC pursues its mission of bettering the low income populations of the East Bay community through four coordinated departments including real estate development, property management, neighborhood and economic development, and asset management. The real estate department has acquired and rehabilitated several historic properties such as Swan's Marketplace, the Asian Resource Center, and Madison Park Apartments, all in Oakland. EBALDC also develops new construction affordable housing, mixed-used projects and community facilities. To date EBALDC has developed 917 units of rental housing in seventeen developments, in addition to 98 for sale single family homes and co-housing condominiums, and over 180,000 square feet of retail and office space including two child-care centers.

CalHFA financed projects developed by EBALDC include Coliseum Gardens Phase I, which is nearing completion, and Swans Market Apartments which was completed in 2000; both of which are in Oakland. EBALDC is currently developing Coliseum Gardens Phase II and Phase III, both of which will also be financed by CalHFA. Construction Security required from the borrower is shown as a Payment and Completion Guarantee from the general partner's member corporation, EBALDC. This is subject to review and approval of the financial information provided by the borrower and compliance with the Agency's underwriting standards.

The Urban Indian Health Board, Inc., a California 501(c)(3) community-based non-profit organization, was founded in 1971 and changed its name to the Native American Health Center, Inc. in 2004. NAHC operates three licensed community health clinics in Oakland, San Francisco and Sacramento. NAHC provides a full range of community health care and prevention services including primary medical care, comprehensive dental care, women's health, health education, youth services, nutrition counseling, health care for homeless, HIV/AIDS prevention and care, outreach, prenatal and perinatal care, and outpatient mental health and substance abuse counseling. NAHC also maintains a satellite clinic at Alameda Point, a school-based clinic in Alameda and the Healthy Nations Wellness Center, a family fitness center in Oakland.

B. Management Agent - East Bay Asian Local Development Corporation (EBALDC)

EBALDC currently manages 691 units in twelve projects with a staff of approximately forty employees. The management team includes a Director of Housing with four staff members in the central office directing the activities of residential managers, maintenance workers, and contractors.

C. Contractor - Oliver and Company, Inc. (Oliver)

Oliver was originally formed in 1946 and has extensive experience in affordable housing, multi-unit residential construction, as well as commercial and institutional construction in Northern California. Their construction volume varies, but a typical year will have between $50,000,000 and $60,000,000 in completed projects. CalHFA financed projects completed by Oliver include the 132 unit Victoria Family Housing Apartments, developed by Eden Housing located in Hercules, and Swans Market Apartments developed by EBALDC located in Oakland.

Construction is expected to start in June 2006 with completion expected by September 2007.

D. Architect - Pyatok Architects Inc.

Pyatok is the principal architect for the new construction of the Development. Pyatok was established in 1985 by Michael Pyatok, FAIA, who has 34 years of experience in the field of architecture. Staffed with 24 architects and planners, the firm focuses on community planning, affordable housing and higher density, mixed-use developments. It has won over 50 design awards in the past decade. Other CalHFA projects designed by Pyatok include Swan's Marketplace for EBALDC and International Boulevard Family Housing Apartments for Resources for Community Development, both in Oakland, as well as Oak Court Apartments for Palo Alto Housing Corporation in Palo Alto.

PROJECT SUMMARY

PROJECT NUMBER: 04-017-C/N

Final Commitment

Project:	**Seven Directions**		
Location:	2946 International Blvd.	***Developer:***	**EBALDC**
City:	Oakland	***Partner:***	NAHC
County:	Alameda	***Investor:***	Yet to be determined
Zip Code:	94601		

		No. of Buildings:	1	
Project Type:	New Construction	*No. of Stories:*	5	
Occupancy:	Family	*Residential Space*	44,411	sq. ft.
Total Units:	36	*Parking Garage*	14,560	sq. ft.
Style Units:	Flats	*Commercial Space*	20,531	sq. ft.
Elevators:	Yes	*Gross Area*	79,502	sq. ft.
Total Parking	31	*Land Area*	26,136	sq. ft.
Covered	31	*Units per acre*	60	

CalHFA Construction Financing	Amount	Rate	Term (Mths)
CalHFA Construction Financing	$8,750,000	6.00%	18

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	**$1,600,000**	**5.25%**	**10**
CalHFA Bridge Loan	**$0**	**0.00%**	**0**
CalHFA Second Mortgage	**$0**	**0.00%**	**0**
HCD/MHP	$2,606,331	3.00%	55
HCD/MHP/NSSS	$250,399	3.00%	55
Oakland RDA	$3,289,000	3.00%	55
FHLB/AHP	$227,368	0.00%	55
City of Oakland	$93,972	0.00%	55
City of Oakland	$1,216,600	3.00%	55
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	$0		
Deferred Dev. Fee	$147,333		
Tax Credit Equity	$5,631,035		

Construction Valuation		Appraisal		Value Upon Completion	
Investment Value	$0	**Appraisal Date:**	**0/0/0**	**Restricted Value**	$0
Loan / Cost	61%	**Cap Rate:**	**0.00%**	**Perm. Loan / Cost**	11%
Loan / Value	#DIV/0!			**Perm. Loan / Value**	#DIV/0!

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	**Amount**	**Required Reserves**	**Amount**
CalHFA Construction Loan Fee	$65,625	Other Reserve	$0
CalHFA Permanent Loan Fees	$8,000	Replacement Resv. Initial Deposit	$0
Other Fee	$0	Repl. Reserve - Per Unit/ Per Yr	$600
Construction Loan - Guarantees and Fees		CalHFA Operating Expense Reserve	$46,706
Completion Guarantee Fee	$0	Rent Up Reserve	$0
Contractors Payment Bond	$9,454,038	Section 8 Transitional Reserve	$61,800
Contractors Performance Bond	$9,454,038		

Date: 2/22/2006 **Senior Staff Date:** 2/14/2006

UNIT MIX AND RENT SUMMARY — Seven Directions

04-017-C/N

Total Unit Mix

# of Units	Unit Type	# of Baths	Average Sq. Ft.
2	Studio	1	430
2	1 Bedroom Flat	1	515
18	2 Bedroom Flat	1	680- 995; Avg. 837
	2 Bedroom Townhome	2	
13	3 Bedroom Flat	2	1,130- 1,320; Avg. 1168
	3 Bedroom Townhome		
1	4 Bedroom Flat	2.5	1,570
36			

Number of Regulated Units By Agency

Agency	30%	35%	50%	55%	60%	Unrestricted	Total
CalHFA			8				8
Tax Credits					15		15
Locality			14				14
HCD	13	2	8	9	3	1	35
AHP	13	2	8	9	3	1	35
Zoning							
Other							

Restricted Rents Compared to Average Market Rents

Median Income Rent Levels	Units Restricted	Restricted Rents	Avg. Market Rate Rents	Dollars Difference	% of Market
STUDIO			$771		
30%	2	$409		$336	56%
35%	0	$0		$0	0%
50%	0	$0		$0	0%
55%	0	$0		$0	0%
60%	0	$0		$0	0%
One Bedroom			$955		
30%	0	$0		$0	0%
35%	0	$0		$0	0%
50%	1	$746		$179	81%
55%	1	$823		$102	89%
60%	0	$0		$0	0%
Two Bedroom			$1,204		
30%	5	$522		$646	46%
35%	2	$615		$553	54%
50%	3	$895		$273	77%
55%	6	$988		$180	85%
60%	1	$1,081		$87	93%
Three Bedroom			$2,076		
30%	6	$599		$1,431	31%
35%	0	$0		$0	0%
50%	3	$1,030		$1,000	52%
55%	2	$1,137		$893	57%
60%	2	$1,245		$785	62%
Four Bedroom			$1,866		
30%	0	$0		$0	0%
35%	0	$0		$0	0%
50%	1	$1,144		$666	64%
55%	0	$0		$0	0%
60%	0	$0		$0	0%

Sources and Uses of Funds

Seven Directions
04-017-C/N
Final Commitment

SOURCES OF FUNDS:	Funds in during Construction ($)	Funds in at Permanent ($)	Total Sources of Funds ($)	Sources per Unit	%
CalHFA Construction Financing	8,750,000				
HCD/MHP	-				
Construction Only Source 3	-				
CalHFA First Mortgage		1,600,000	1,600,000	44,444	11%
CalHFA Second Mortgage		-	-	-	0%
HCD/MHP	-	2,606,331	2,606,331	72,398	17%
HCD/MHP/NSSS	-	250,399	250,399	6,956	2%
Oakland RDA	3,289,000	-	3,289,000	91,361	22%
FHLB/AHP	227,368	-	227,368	6,316	2%
City of Oakland	93,972	-	93,972	2,610	1%
City of Oakland	1,216,600	-	1,216,600	33,794	8%
Source 8	-	-	-	-	0%
Source 9	-	-	-	-	0%
Source 10	-	-	-	-	0%
Source 11	-	-	-	-	0%
Source 12	-	-	-	-	0%
Income from Operations	-	-	-	-	0%
Developer Contribution	-	-	-	-	0%
Deferred Developer Fee	-	147,333	147,333	4,093	1%
Tax Credit Equity	700,000	4,931,035	5,631,035	156,418	37%
Total Sources	14,276,940	9,535,098	15,062,038	418,390	100%
(Gap)/Surplus	-	-	-		

(Total Development Sources)

USES OF FUNDS:	Construction ($)	Permanent ($)	Total Uses of Funds ($)	Cost per Unit	%
LOAN PAYOFFS & ROLLOVERS					
Construction Loan payoffs		**$8,750,000**			
ACQUISITION					
Lesser of Land Cost or Value	648,000	-	648,000	18,000	4%
Demolition	-	-	-	-	0%
Legal - Acquisition Related Fees	-	-	-	-	0%
Subtotal - Land Cost / Value	648,000	-	648,000		
Existing Improvements Value	-	-	-	-	0%
Off-Site Improvements	-	-	-	-	0%
Other	-	-	-	-	0%
Total Acquisition	**648,000**	**-**	**648,000**	**18,000**	**4%**

(Total Development Costs)

(Continued on Next 2 Pages)

USES OF FUNDS (Cont'd):	Construction ($)	Permanent ($)	Total Development Costs: Total Uses of Funds ($)	Cost per Unit per Unit	%
NEW CONSTRUCTION					
Site Work	225,295	-	225,295	6,258	1%
Structures (Hard Costs)	7,563,327	-	7,563,327	210,092	50%
General Requirements	601,063	-	601,063	16,696	4%
Contractors Overhead	257,347	-	257,347	7,149	2%
Contractors Profit	235,901	-	235,901	6,553	2%
Contractor's Perf. & Pymt Bond	93,604	-	93,604	2,600	1%
General Liability Insurance	-	-		-	0%
Personal Property in contract	188,538	-	188,538	5,237	1%
Contractors Contingency and City Taxes	288,963	-	288,963	8,027	2%
Total New Construction	**9,454,038**	**-**	**9,454,038**	**262,612**	**63%**
ARCHITECTURAL & ENGINEERING					
Architectural Design	744,474	-	744,474	20,680	5%
Architect's Supv during Construction	-	-	-	-	0%
Total Architectural	**744,474**	**-**	**744,474**	**20,680**	**5%**
Engineering Expense	109,800	-	109,800	3,050	1%
Engineers Supv. during Construction	-	-	-	-	0%
ALTA Survey	-	-	-	-	0%
Total Engineering & Survey	**109,800**	**-**	**109,800**	**3,050**	**1%**
CONSTRUCTION LOAN COSTS					
Construction Loan Interest	540,000		540,000	15,000	4%
CalHFA Construction Loan Fee	65,625		65,625	1,823	0%
Other Construction Loan Fees	-		-	-	0%
CalHFA Outside Legal Counsel Fees	20,000		20,000	556	0%
Other Lender Req'd Legal Fees	25,000		25,000	694	0%
Title and Recording fees	25,000		25,000	694	0%
CalHFA Req'd Inspection Fees	22,500		22,500	625	0%
Other Req'd Inspection Fees	-		-	-	0%
Insurance during construction	150,000		150,000	4,167	1%
Taxes during construction	22,050		22,050	613	0%
Predevelopment Interest	30,000		30,000	833	0%
Predevelopment Fee	32,860		32,860	913	0%
Interest on City Loan during Construction	93,972		93,972	2,610	1%
Total Construction Loan Expense	**1,027,007**	**-**	**1,027,007**	**28,528**	**7%**
PERMANENT LOAN COSTS					
CalHFA Perm Loan Fees	8,000	-	8,000	222	0%
CalHFA Bridge Loan Fees	-	-	-	-	0%
CalHFA Loan Application Fee	500	-	500	14	0%
Other Lender Perm. Loan Fees	-	-		-	0%
Title and Recording		10,000	10,000	278	0%
Perm. Bridge Loan Interest Expense	-	-	-	-	0%
Bond Origination Guarantee Fee	-	-	-	-	0%
Tax Exempt Bond Allocation Fee	600	-	600	17	0%
Legal Fees		10,000	10,000	278	0%
Total Permanent Loan Expense	**9,100**	**20,000**	**29,100**	**808**	**0%**
LEGAL FEES					
Borrower Legal Fee	5,500		5,500	153	0%
Other	35,000		35,000	972	0%
Total Attorney Expense	**40,500**	**-**	**40,500**	**1,125**	**0%**

USES OF FUNDS (Cont'd):	Construction ($)	Permanent ($)	Total Development Costs		
			Permanent of Funds ($)	Per Unit per Unit	%
CONTRACT / REPORT COSTS					
Appraisal	14,400	-	14,400	400	0%
Market Study	7,000	-	7,000	194	0%
Physical Needs Assessment	-	-	-	-	0%
CalHFA 3rd Party Environ. Review	5,000	-	5,000	139	0%
CalHFA EQ Waiver Seismic Review Fee	10,000	-	10,000	278	0%
Environmental Phase I / II Reports	16,200	-	16,200	450	0%
Soils / Geotech Reports	-	-	-	-	0%
Asbestos / Lead-based Paint Report	-	-	-	-	0%
Noise/Acoustical/Traffic Study Report	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Contract Costs	**52,600**	**-**	**52,600**	**1,461**	**0%**
CONTINGENCY					
Hard Cost Contingency	1,350,000	-	1,350,000	37,500	9%
Soft Cost Contingency	75,000	-	75,000	2,083	0%
Total Contingency	**1,425,000**	**-**	**1,425,000**	**39,583**	**9%**
RESERVES					
CalHFA Operating Expense Reserve	-	46,706	46,706	1,297	0%
Section 8 Transitional Operating Reserve	-	61,800	61,800	1,717	0%
Rent-Up Reserve	-	-	-	-	0%
Capitalized Investor Req'd Reserve	-	-	-	-	0%
Operating reserve	-	241,494	241,494	6,708	2%
Total Reserves	**-**	**350,000**	**350,000**	**9,722**	**2%**
OTHER					
CTCAC App/Alloc/Monitor Fees	21,519	-	21,519	598	0%
Local Permit Fees	135,000	-	135,000	3,750	1%
Local Development Impact Fees	75,000	-	75,000	2,083	0%
Other Local Fees	-	-	-	-	0%
Advertising & Marketing Expenses	75,000	-	75,000	2,083	0%
1st Year Taxes & Insurance	-	-	-	-	0%
Furnishings	40,000	-	40,000	1,111	0%
Final Cost Audit Expense	10,000	-	10,000	278	0%
Miscellaneous Admin Fees	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Other Expenses	**356,519**	**-**	**356,519**	**9,903**	**2%**
SUBTOTAL PROJECT COSTS	**13,867,038**	**9,120,000**	**14,237,038**	**395,473**	**95%**
DEVELOPER COSTS					
Developer Overhead/Profit (5% Acq.)	364,902	415,098	780,000	21,667	5%
Developer Overhead/Profit (NC/Rehab)		-	-	-	0%
Consultant / Processing Agent	45,000	-	45,000	1,250	0%
Project Administration	-	-	-	-	0%
Broker Fees to a related party	-	-	-	-	0%
Construction Mgmt. Oversight	-	-	-	-	0%
Other	-	-	-	-	0%
Total Developer Fee / Costs	**409,902**	**415,098**	**825,000**	**22,917**	**5%**
Total Costs	**14,276,940**	**9,535,098**	**15,062,038**	**418,390**	**100%**

Annual Operating Budget			Seven Directions
Final Commitment			

INCOME:	$ Amount	Per Unit	% of Total
Total Rental Income	$489,300	$13,592	99.52%
Laundry	$2,340	$65	0.48%
Other Income	$0	$0	0.00%
Gross Potential Income (GPI)	**$491,640**	**$13,657**	100.00%
Less:			
Vacancy Loss	$24,582	$683	5.26%
Effective Gross Income	**$467,058**	**$12,974**	

EXPENSES:	Total Cost	Per Unit	% of Total
Payroll	$78,400	$2,178	34.09%
Administrative	$23,468	$652	10.20%
Management fee	$20,520	$570	8.92%
Utilities	$34,754	$965	15.11%
Operating and Maintenance	$29,728	$826	12.93%
Insurance and Business Taxes	$18,000	$500	7.83%
Locality Compliance Monitoring Fee	$0	$0	0.00%
Other	$0	$0	0.00%
Subtotal Expenses	**$204,870**	$5,691	89.09%
Replacement Reserves	$21,600	$600	9.39%
Taxes & Assessments	$3,500	$97	1.52%
Total Expenses	$229,970	$6,388	100.00%
Financial Expenses			
CalHFA First Mortgage	$206,000	$5,722	
CalHFA Second Mortgage	$0	$0	
Other Required Debt Service	$10,947	$304	
NET OPERATING INCOME	**$20,141**	**$559**	

Cash Flow	Final Commitment			CalHFA Project Number: 04-017-C/N						Seven Directions
RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Affordable Rents	342,156	348,999	355,979	363,099	370,361	377,768	385,323	393,030	400,890	408,908
Affordable Rent Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Rental Subsidies	142,344	142,344	142,344	142,344	142,344	142,344	142,344	142,344	142,344	142,344
Rental Subsidy Increases	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unrestricted Units	4,800	4,896	4,994	5,094	5,196	5,300	5,406	5,514	5,624	5,736
Unrestricted Unit Increases	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL RENTAL INCOME	489,300	496,239	503,317	510,536	517,900	525,411	533,073	540,887	548,858	556,989
OTHER INCOME										
Laundry	2,340	2,387	2,435	2,483	2,533	2,584	2,635	2,688	2,742	2,797
Other Income	0	0	0	0	0	0	0	0	0	0
Other Income Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL OTHER INCOME	2,340	2,387	2,435	2,483	2,533	2,584	2,635	2,688	2,742	2,797
GROSS POTENTIAL INCOME	491,640	498,626	505,752	513,020	520,433	527,995	535,708	543,575	551,600	559,785
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Rental Subsidy Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Unrestricted Units	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Laundry & Other Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	24,582	24,931	25,288	25,651	26,022	26,400	26,785	27,179	27,580	27,989
EFFECTIVE GROSS INCOME	467,058	473,695	480,464	487,369	494,412	501,595	508,923	516,397	524,020	531,796
OPERATING EXPENSES										
Expenses	210,518	217,886	225,512	233,405	241,574	250,029	258,780	267,838	277,212	286,914
Annual Expense Increase	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Taxes and Assessments	3,500	3,570	3,641	3,714	3,789	3,864	3,942	4,020	4,101	4,183
Annual Tax Increase	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Replacement Reserve	21,600	21,600	21,600	21,600	21,600	21,600	22,680	22,680	22,680	22,680
Percentage Increase Yearly	0.00%	0.00%	0.00%	0.00%	0.00%	5.00%	0.00%	0.00%	0.00%	0.00%
TOTAL EXPENSES	235,618	243,056	250,754	258,719	266,963	275,494	285,402	294,538	303,993	313,777
NET OPERATING INCOME	231,440	230,638	229,710	228,649	227,449	226,102	223,521	221,858	220,027	218,019
DEBT SERVICE										
CalHFA - 1st Mortgage	206,000	206,000	206,000	206,000	206,000	206,000	206,000	206,000	206,000	206,000
HCD/MHP	10,947	10,947	10,947	10,947	10,947	10,947	10,947	10,947	10,947	10,947
Sum of all req'd debt service	216,947	216,947	216,947	216,947	216,947	216,947	216,947	216,947	216,947	216,947
Cash flow after CalHFA debt service	25,440	24,638	23,710	22,649	21,449	20,102	17,521	15,858	14,027	12,018
DCR for just CalHFA loans	1.12	1.12	1.12	1.11	1.10	1.10	1.09	1.08	1.07	1.06
CASH FLOW after all debt service	14,493	24,638	23,710	22,649	21,449	20,102	17,521	15,858	14,027	12,018
DEBT COVERAGE RATIO CalHFA & MHP	1.07	1.06	1.06	1.05	1.05	1.04	1.03	1.02	1.01	1.00

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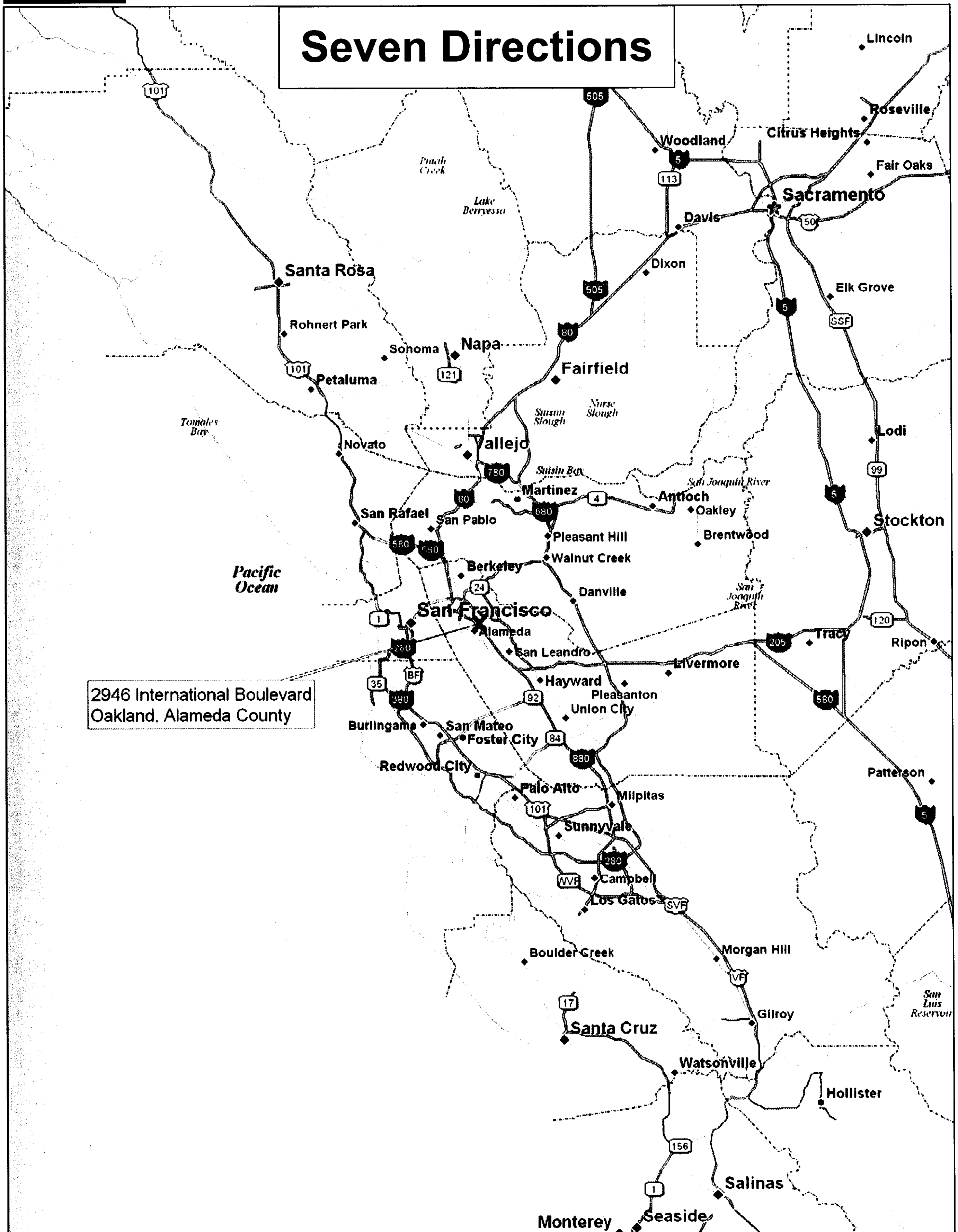
Street Atlas USA® 2004



TN

MN (14.7°E)

Scale 1 : 1,100,000

1" = 17.36 mi

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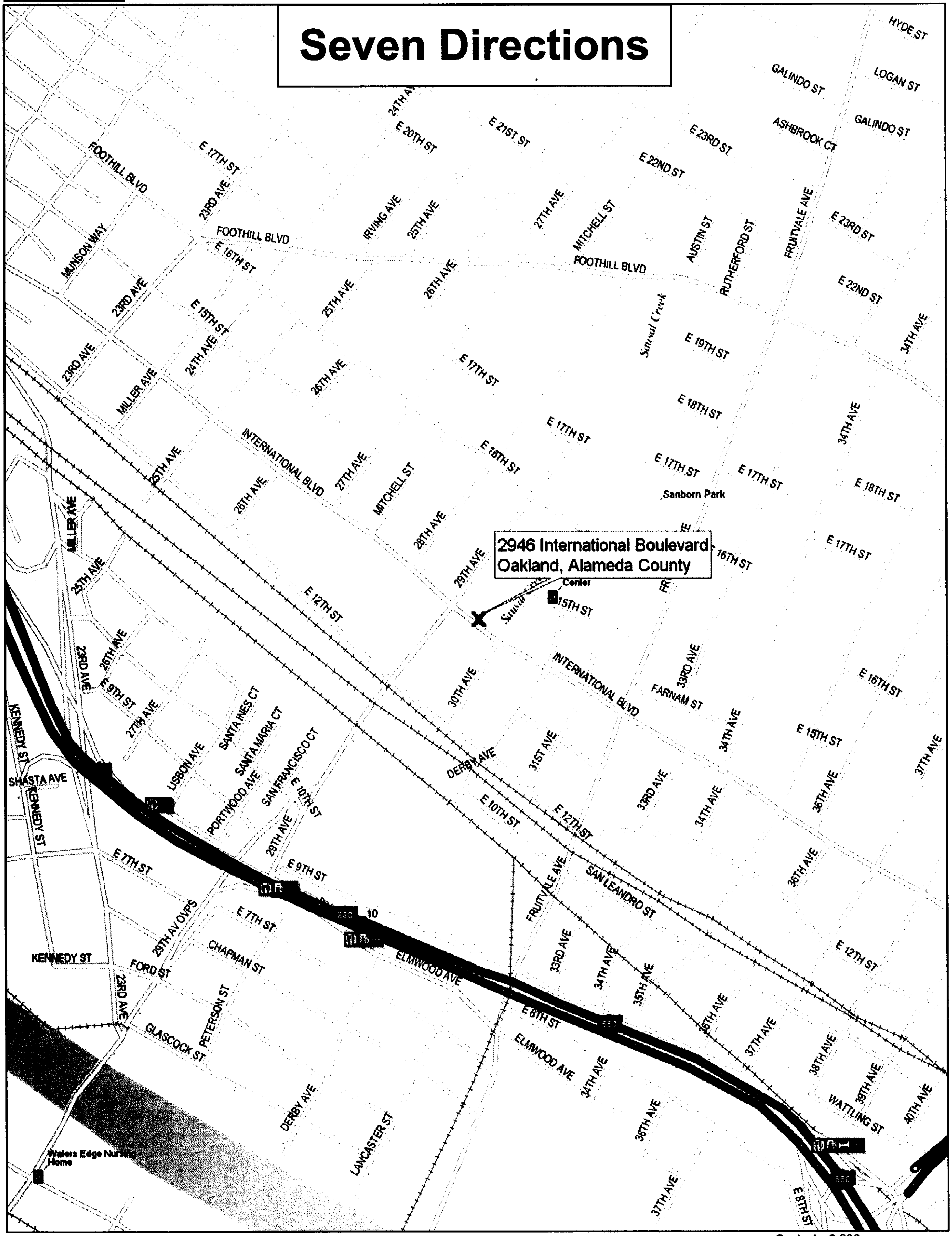

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1" = 733.3 ft

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RESOLUTION 06-10

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Seven Directions Housing Limited Partnership, a California limited partnership (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in Oakland, Alameda County, California to be known as Seven Directions (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 January 3, 2006, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

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

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNT
04-017-C/N	Seven Directions Oakland, Alameda County, California	36	$8,750,000 (construction) $1,600,000 (permanent)

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 06-10 adopted at a duly constituted meeting of the Board of the Agency held on March 9, 2006 at Sacramento, California.

ATTEST:______________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Villa Vasconcellos
Walnut Creek, CA
CalHFA # 05-015C/N

This is a final commitment request. Security for the loans will be fee interest in the 1.37-acre site and the residential improvements located at 1515 Geary Road in the City of Walnut Creek. Villa Vasconcellos, L.P., a California Limited Partnership, will own the property. Resources for Community Development (RCD), a California nonprofit public benefit corporation is its General Partner.

Villa Vasconcellos is a 70-unit senior project. The project is new construction and twenty-five (25) units will serve homeless seniors with mental and physical disabilities.

LOAN TERMS

Construction

First Mortgage	$11,435,000
Interest Rate	Variable
Term	18 months, interest only
Financing	Tax-exempt

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

Permanent

First Mortgage	$121,518
Interest Rate	3.00 %
Term	10 year fixed, fully amortized
Financing	HAT

SPECIAL NEEDS LOAN TERMS

The following table shows sources of non-Agency funds for permanent financing.

PERMANENT FINANCING

Source	Type	Loan Amount	Term	Interest Rate	Repayment
City of Walnut Creek – CDBG and RDA	Loan	$1,400,000	55	0%	Residual Receipts
City of Walnut Creek – In-Lieu Fund	Loan	$1,122,265	55	0%	Residual Receipts
Contra Costa County - HOME	Loan	$1,125,000	55	1%	Residual Receipts
Contra Costa County - HOPWA	Loan	$351,863	55	0%	Residual Receipts
Contra Costa County – Homeless Funding	Loan	$500,000	55	1%	Residual Receipts
Contra Costa – HOME	Loan	$600,000	55	1%	Residual Receipts
FHLB - AHP	Loan	$500,000	30	0%	Deferred/Forgivable
HCD - MHP	Loan	$4,939,154	55	3%	.42% Payment
GP Contribution		$893,656			n/a
Tax Credit Equity		$6,665,842			n/a

PROJECT DESCRIPTION

Project Location

- The project is located at 1515 Geary Road, approximately two miles from downtown Walnut Creek.
- The site is located on the southeast corner of Geary Road and Pioneer Avenue, west of North Main Street and Interstate 680.
- Surrounding uses include: single-family to the south and west across Pioneer Avenue; gas station/mini-mart and fast food to the east; and vacant commercial to the north, across Geary Road.
- Proximate services include: three parks within one mile; Pleasant Hill BART Station (1/3 mile to the east); bus stops (corner of Geary Road and North Main Street); Walnut Creek Senior Center (two miles to the south); Pleasant Hill Library (one mile to the north) and two medical centers within two miles of the site.

Site

- The site is 1.37 acres, irregular in shape and zoned SC (Service Commercial). The multi-family project is an approved use.
- The site is currently developed with a vacated assisted living center. The center is scheduled for demolition in March 2006.

Improvements

- The project will consist of a two-/three-story building and will provide 69 one-bedroom rental units, a two-bedroom manager's unit, social service space, and community space.
- The building will be wood-frame construction, with stucco and hardiplank siding exterior finishes. All units will be located off of double-loaded corridors accessed through a main lobby.
- The building is organized around two courtyards, with access from the parking lot and Geary Road. Offices for management and social services, and a community room flank the courtyard; the offices will accommodate the on-site manager and on-site service coordinator.
- The development will include thirty-nine (39) parking spaces.
- The senior units are one-bedroom flats.

SPECIAL NEEDS SERVICES

- Twenty-five (25) units will serve senior households where one member is homeless and disabled with mental or physical illness, HIV/AIDS, a history of chronic substance abuse or a chronic disabling health condition.
- Five (5) of the units will serve chronically homeless and three (3) units are reserved for residents with HIV/AIDS.
- Supportive services will be provided by the Pittsburg Preschool and Community Council (PPSCC) in collaboration with Contra Costa County Aging and Adult Services, New Connections, and Contra Costa Health Services Department AIDS and Homeless Programs.
- PPSCC will assign a full time services coordinator to the project. They will be paid $56,669 per year for their services, $28,000 of which will come from the operating budget and $28,669 will be raised annually by RCD.
- The Resident Service Coordinator will conduct initial assessments, create individual service plans as needed, and provide crisis management and intervention services.
- PPSCC will work with RCD's Director of Resident Services to offer a variety of health, recreational and social services, such as exercise classes, nutrition classes and health and wellness classes.
- With respect to special needs residents, the Resident Service Coordinator will link tenants with its project partners for substance abuse and mental health services (New Connections), HIV/AIDS counseling (New Connections and County AIDS Program), and in-home supportive and medical case management services (County Aging and Adult Services).

MARKET

Market Overview

- The Primary Market Area (PMA) is defined as central Contra Costa County, up the I-680 corridor. The Secondary Market Area (SMA) is defined as the Oakland Metropolitan Division (Alameda and Contra Costa Counties).
- The Special Needs Market Area (SNMA) is defined as Contra Costa County.

- In 2005 the population in the PMA was 506,790 and is expected to increase to 530,181 by 2010. The fastest growing age in the PMA is the 55 to 64 age group. As of 2005, there are an estimated 66,567 persons aged 65 and older in the PMA.
- Renters comprise 16.7 percent of elderly households in the PMA. The majority of elderly households are single-person households (71.9%) and over ninety percent (92.4%) are elderly households with one or two persons.
- Of the estimated 6,582 elderly households in the PMA, 24 percent had extremely high rent burdens (50 percent or more) or 150 households.
- There are an estimated 900 residents in the PMA living with AIDS, of which an estimated 5 percent (or 135 persons) are 50 years or older. Of this total, only slightly over one-half reported a stable housing situation (renting or owning).
- Annually an estimated 14,700 persons experience an episode of homelessness in the PMA.
- In 2005, one-third of elderly households in the PMA with incomes under $35,000 (very low income) were renters.

Housing Supply and Demand

- There are 2,415 below-market units in the PMA serving seniors, with an additional 210 units planned or in process.
- The demand for one-bedroom units in the PMA, based on rents set at area median income (AMI) targets are: 127 for units at 20 percent AMI; 148 units for units at 30 percent AMI; and 208 units serving 50 percent AMI.
- The capture rate to achieve stabilized occupancy is as follows: six percent for units at 20 percent AMI; 11 percent for units at 30 percent AMI, and 20 percent for units at 50 percent AMI rents.
- There is an estimated demand for 69 HOPWA units meeting the project's income, size and age criteria in the PMA units.
- There are currently 56 HOPWA units in the County.
- There are 44 persons on the waiting list for the County's Shelter Plus Care program which provides housing subsidies for chronically homeless.

PROJECT FEASIBILITY

Estimated Lease-up Period

- The estimated lease-up period for the 25 special needs units is two months.
- The lease-up for non-special needs units is estimated at six months.
- A rent-up reserve of three months of debt service is required by the Agency.
- Pursuant to MHP, RCD will fund two operating reserves in the amount of $111,492 and $50,000. The Agency's operating reserve requirement is met through these two reserves.

Asset Management/Compliance

- The Agency will coordinate with the Department of Housing and Community Development (HCD) on compliance efforts to eliminate duplication and promote cost efficiencies.

- The Agency will receive audited project financial statements and monitor occupancy requirements. The Agency will also reserve the right to conduct physical inspections and review monthly financial statements.
- The Agency will also receive special needs self-certifications, all other compliance protocols will be deferred to HCD.

RELOCATION

No relocation is required.

ENVIRONMENTAL

- A Phase I Environmental Assessment report was completed on July 2, 2004. There were no reported adverse environmental conditions that warrant further investigation. The report will be updated within six (6) months of construction closing.
- An Asbestos Survey Report was prepared on July 18, 2005. Asbestos was detected in friable and non-friable materials. A mitigation plan addressing its removal and disposal will be implemented and clearances by licensed asbestos abatement consultant issued upon completion.
- The Agency's construction loan commitment will be conditioned upon Certification from a licensed asbestos abatement consultant that all asbestos requiring remediation was abated and disposed according to the mitigation plan.
- A July 18, 2005 Lead-Based Paint Report concluded that the existing building does not contain lead above regulated levels requiring abatement.
- A Geotechnical Report was prepared March 7, 2005. The site exhibited moderately to highly expansive native soils and recommended reinforced mat or post-tensioned (P-T) slab. A P-T slab has been incorporated into the foundation design.
- A Noise Assessment was conducted as part of the Environmental Assessment pursuant to federal financing. Noise mitigation measures incorporated into building design were deemed acceptable to mitigate to HUD-adopted standards. Additionally, the design mitigation meets local noise mitigation standards.
- URS conducted a preliminary seismic review (Level 2 report). Based on the low risk identified, the loan term and amount, the Agency will not require a Level 4 earthquake waiver review for this property. Earthquake insurance will not be required.

ARTICLE XXXIV

The City of Walnut Creek provided a legal opinion stating that the project has Article XXXIV authority. HCD has reviewed and accepted the letter. The opinion is under Agency review.

DEVELOPMENT TEAM

Borrower and Sponsor

Villa Vasconcellos, L.P & Resources for Community Development

The property will be owned by Villa Vasconcellos, L.P., a California Limited Partnership. Its General Partner, RCD is the project developer and sponsor.

Founded by Berkeley community members in 1984, RCD currently has a portfolio of over 1,000 affordable housing units and emergency shelter beds in 30 projects. RCD has developed several projects with Agency financing. These include the following: University Avenue Cooperative Homes (1982), Mariposa Apartments (2000), Creekside Apartments (2001), Stanley Avenue Apartments (2002), and Bayport (in construction).

As its portfolio of completed developments has grown, RCD has also expanded its asset management and supportive services efforts to continue to ensure the long-term success of its housing and tenants. RCD has added community development programs for its tenants, including arts, tenant organizing and empowerment programs, and job creation efforts.

RCD currently has 379 special needs units in operation and 58 additional special needs units in construction. These units accommodate residents with a variety of needs, including physical and developmental disabilities, HIV/AIDS, frail elderly and formerly homeless individuals.

CalHFA will require a construction loan guarantee in the form of a Corporate Guaranty or letter of credit (LOC).

Management Agent

The Jon Stewart Company (JSCo)

The John Stewart Company began in 1978 with a commitment to providing high quality management for affordable housing in the Bay Area. Today, JSCo is a full-service housing management, development, and consulting organization employing over 1,000 people state-wide. According to the California Real Estate Journal, JSCo became the third largest manager of multi-family housing in California in 2002. Its management portfolio contains over 200 properties, more than 20,000 residential units, and home to over 65,000 California residents

Architect

Van Meter Williams Pollack (VMWP)

VMWP is an award winning multi-disciplinary architecture and urban design firm based in San Francisco and Denver. Much of the firm's work is focused on planning and design of affordable housing resulting in numerous national and local design awards. Projects designed by VMWP and financed through CalHFA include Fremont Oak Gardens, a senior special needs project.

Contractor

Segue Construction, Inc.

Segue, founded in 1992, is a service-oriented general contractor with an emphasis on construction of affordable multi-family apartment dwellings for Bay Area non-profit housing developers. Segue's cofounders, Paul Broeker and Kirk Wallis have 26 and 27 years of industry experience. Other Agency projects in construction by Segue include RCD's Bayport project, and Oak Court in Palo Alto.

Segue will post payment and performance bond for 100% of the construction contract amount.

Service Provider

Pittsburg Preschool and Community Council (PPSCC)

Founded in 1972 by community activities, PPSCC is a community-based organization that offers childcare and pre-school programs, education and job training, family and youth services, senior services, health education and outreach, HIV education and support and other supportive services. PPSCC provides services to an existing special needs senior affordable housing community in the City of Pittsburg.

PROJECT SUMMARY

PROJECT NUMBER: 05-015 C/N

Final Commitment

Project:	**Villa Vasconcellos**		
Location:	1515 Geary Road	***Developer:***	**Resources for Community Developme**
City:	Walnut Creek	***Partner:***	Same
County:	Contra Costa	***Investor:***	Yet to be determined
Zip Code:	95497-2706		

		No. of Buildings:	1	
Project Type:	New Construction	*No. of Stories:*	Two/Three	
Occupancy:	Senior	*Residential Space*	60,294	sq. ft.
Total Units:	70	*Office Space*	0	sq. ft.
Style Units:	Flats	*Commercial Space*	0	sq. ft.
Elevators:	Yes	*Gross Area*	0	sq. ft.
Total Parking	39	*Land Area*	59,495	sq. ft.
Covered	39	*Units per acre*	1	

CalHFA Construction Financing	Amount	Rate	Term (Mths)
CalHFA Construction Financing	$11,435,000	5.71%	18

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	**$121,518**	**3.00%**	**10**
CalHFA Bridge Loan	**$0**	**0.00%**	**0**
CalHFA Second Mortgage	**$0**	**0.00%**	**0**
City of Walnut Creek - RDA and CDBG	$1,400,000	0.00%	55
City of Walnut Creek - In-Lieu Fund	$1,122,265	0.00%	55
Contra Costa County - HOME	$1,125,000	1.00%	55
Contra Costa County - HOPWA	$351,863	0.00%	55
Contra Costa County - Homeless Funds	$500,000	1.00%	55
MHP	$4,939,154	3.00%	55
AHP	$500,000	0.00%	30
Contra Costa - HOME	$600,000	1.00%	0
Deferred Costs till Perm	$0		
GP Contribution	$887,578		
Tax Credit Equity	$6,665,842		
Deferred Developer Fee	$0		

Construction Valuation		Appraisal		Value Upon Completion	
Investment Value	$13,400,000	**Appraisal Date:**	**1/17/2005**	**Restricted Value**	$6,150,000
Loan / Cost	69%	**Cap Rate:**	**6.00%**	**Perm. Loan / Cost**	1%
Loan / Value	85%			**Perm. Loan / Value**	2%

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	**Amount**		**Required Reserves**	**Amount**	
CalHFA Construction Loan Fee	$85,763		Rent-Up Reserve	$3,520	Cash
CalHFA Permanent Loan Fees	$608		New Construction Repl. Reserve	$21,000	
Construction Inspection Fee	$22,500		Operating Reserve	$50,000	LOC or Cash
CalHFA Outside Legal Counsel F	$5,000				
Construction Loan - Guarantees and Fees					
Completion Guarantee	LOC 10% Contr:	**or**	Guaranty for 100% Contract		
Contractors Payment Bond	100% Contract			$0	
Contractors Performance Bond	100% Contract				

Date: 2/22/2006 **Senior Staff Date:** 2/14/2006

UNIT MIX AND RENT SUMMARY — Villa Vasconcellos

05-015 C/N

Total Unit Mix

# of Units	Unit Type	# of Baths	Average Sq. Ft.
69	1 Bedroom Flat	1	585
1	2 Bedroom Flat	1	1,070
	2 Bedroom Townhome	1.5	
	2 Bedroom Townhome	2	
	3 Bedroom Townhome	2	
	4 Bedroom Townhome	2.5	
70			

Number of Regulated Units By Agency

Agency	20%	30%	50%	60%	80%	Unrestricted	Total
CalHFA - Special Needs			25			45	**70**
Tax Credits				69		1	**70**
City of Walnut Creek				69		1	**70**
Contra Costa County	8	17	9			36	**70**
HCD	8	17	44			1	**70**
AHP	TBD						**0**
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			$900		
20%	8	$273		$590	34%
30%	17	$428		$435	52%
50%	44	$739		$124	86%
60%	0	$0		$0	0%
80%	0	$0		$0	0%
Two Bedroom			$0		
20%	0	$0		$0	0%
30%	0	$0		$0	0%
50%	0	$0		$0	0%
60%	0	$0		$0	0%
80%	0	$0		$0	0%
Three Bedroom			$0		
20%	0	$0		$0	0%
30%	0	$0		$0	0%
50%	0	$0		$0	0%
60%	0	$0		$0	0%
80%	0	$0		$0	0%
Four Bedroom			$0		
20%	0	$0		$0	0%
30%	0	$0		$0	0%
50%	0	$0		$0	0%
60%	0	$0		$0	0%
80%	0	$0		$0	0%

Sources and Uses of Funds — Villa Vasconcellos

05-015 C/N
Final Commitment

SOURCES OF FUNDS:	Funds in during Construction ($)	Funds in at Permanent ($)	Total Development Sources: Total Sources of Funds ($)	Sources per Unit	%
CalHFA Construction Financing	11,435,000				
Construction Only Source 2					
Construction Only Source 3	-				
CalHFA First Mortgage		121,518	121,518	1,736	1%
CalHFA Second Mortgage		-	-	-	0%
City of Walnut Creek - RDA and CDBG	1,400,000		1,400,000	20,000	8%
City of Walnut Creek - In-Lieu Fund	1,122,265		1,122,265	16,032	6%
Contra Costa County - HOME	1,125,000		1,125,000	16,071	6%
Contra Costa County - HOPWA	351,863		351,863	5,027	2%
Contra Costa County - Homeless Funds	500,000		500,000	7,143	3%
MHP	-	4,939,154	4,939,154	70,559	27%
AHP	-	500,000	500,000	7,143	3%
Contra Costa - HOME	600,000	-	600,000	8,571	3%
Source 10	-	-	-	-	0%
Source 11	-	-	-	-	0%
Source 12	-	-	-	-	0%
Other	-	-	-	-	0%
GP Contribution		887,578	887,578	12,680	5%
Tax Credit Equity	-	6,665,842	6,665,842	95,226	37%
Deferred Developer Fee	-	-	-	-	0%
Total Sources	16,534,128	13,114,092	18,213,220	260,189	100%
(Gap)/Surplus	(0)	-	(0)		

USES OF FUNDS:	Construction ($)	Permanent ($)	Total Development Costs: Total Uses of Funds ($)	Cost per Unit	%
LOAN PAYOFFS & ROLLOVERS					
Construction Loan payoffs		**$11,435,000**			
ACQUISITION					
Lesser of Land Cost or Value	2,790,000	-	2,790,000	39,857	15%
Demolition	200,000	-	200,000	2,857	1%
Legal - Acquisition Related Fees	134,610	-	134,610	1,923	1%
Subtotal - Land Cost / Value	3,124,610	-	3,124,610		
Existing Improvements Value	-	-	-	-	0%
Off-Site Improvements	-	-	-	-	0%
Other	-	-	-	-	0%
Total Acquisition	**3,124,610**	**-**	**3,124,610**	**44,637**	**17%**
REHABILITATION					
Site Work	-	-	0	-	0%
Structures (Includes PVs)	-	-	-	-	0%
General Requirements	-	-	-	-	0%
Contractor P/O	-	-	-	-	0%
	-	-	-	-	0%
Contractor's Bond	-	-		-	0%
General Liability Insurance	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Rehabilitation	**-**	**-**	**-**	**-**	**0%**
RELOCATION EXPENSES					
Relocation Expense	-	-	-	-	0%
Relocation Compliance Monitoring	-	-	-	-	0%
Total Relocation	**-**	**-**	**-**	**-**	**0%**

(Continued on Next 2 Pages)

USES OF FUNDS (Cont'd):	Construction ($)	Permanent ($)	Total Development Costs		
			Total Uses of Funds ($)	Cost per Unit per Unit	%
NEW CONSTRUCTION					
Site Work	879,305	-	879,305	12,562	5%
Structures (Hard Costs)	7,368,303	-	7,368,303	105,261	40%
General Requirements	509,138	-	509,138	7,273	3%
Profit/Overhead	676,299	-	676,299	9,661	4%
Builder's Risk	50,000	-	50,000	714	0%
Contractor's Perf. & Pymt Bond	-	-	-	-	0%
Construction Contract	9,483,045	-	9,483,045	135,472	52%
Utility Connections	50,000	-	50,000	714	0%
Testing/Inspections	35,000	-	35,000	500	0%
Total New Construction	**9,568,045**	**-**	**9,568,045**	**136,686**	**53%**
ARCHITECTURAL & ENGINEERING					
Architectural Design	634,750	-	634,750	9,068	3%
Architect's Supv during Construction	-	-		-	0%
Total Architectural	**634,750**	**-**	**634,750**	**9,068**	**3%**
Engineering Expense	-	-	-	-	0%
Engineers Supv. during Construction	-	-	-	-	0%
Surveys	15,000	-	15,000	214	0%
Total Engineering & Survey	**15,000**	**-**	**15,000**	**214**	**0%**
CONSTRUCTION LOAN COSTS					
Construction Loan Interest	576,024	-	576,024	8,229	3%
CalHFA Construction Loan Fee	85,763	-	85,763	1,225	0%
Other Construction Loan Fees	-	-	-	-	0%
CalHFA Outside Legal Counsel Fees	5,000	-	5,000	71	0%
Borrower Legal - Acquisition & Constr	15,000	-	15,000	214	0%
Title and Recording fees	35,000	-	35,000	500	0%
CalHFA Req'd Inspection Fees	22,500	-	22,500	321	0%
Other Req'd Inspection Fees	-	-	-	-	0%
Prevailing Wage Monitor	10,000	-	10,000	143	0%
Taxes & Insurance during construction	40,000	-	40,000	571	0%
SVB Acq. Loan Fee and Interest	69,276	-	69,276	990	0%
LISC Acq. Loan Fee and Interest	113,403	-	113,403	1,620	1%
Title and Recording - Acquisition	9,228	-	9,228	132	0%
Total Construction Loan Expense	**981,194**	**-**	**981,194**	**14,017**	**5%**
PERMANENT LOAN COSTS					
CalHFA Perm Loan Fees	608	-	608	9	0%
CalHFA Bridge Loan Fees	-	-	-	-	0%
CalHFA Loan Application Fee	500	-	500	7	0%
Other Lender Perm. Loan Fees	-	-	-	-	0%
Title and Recording	-	10,000	10,000	143	0%
Perm. Bridge Loan Interest Expense	-	-	-	-	0%
Bond Origination Guarantee Fee	-	-	-	-	0%
Tax Exempt Bond Allocation Fee	600	-	600	9	0%
Borrower Legal	-	5,000	5,000	71	0%
Total Permanent Loan Expense	**1,708**	**15,000**	**16,708**	**239**	**0%**
blank					
	-	-	-	-	0%
Other	-	-	-	-	0%
blank	-	-	-	-	**0%**

USES OF FUNDS (Cont'd):	Construction ($)	Permanent ($)	Total Development Costs		
			Permanent of Funds ($)	Per Unit per Unit	%
CONTRACT / REPORT COSTS					
Appraisal	10,000	-	10,000	143	0%
Market Study	11,000	-	11,000	157	0%
HUD Risk Share Environ. Review	-	-	-	-	0%
CalHFA EQ Waiver Seismic Review Fee	-	-		-	0%
ıvironmental (Phase I, Toxics & Asbestos)	3,965	-	3,965	57	0%
Soils / Geotech Reports	9,800	-	9,800	140	0%
Arborist Study	1,620	-	1,620	23	0%
Parking & Acoustical Studies	1,755	-	1,755	25	0%
	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Contract Costs	**38,140**	**-**	**38,140**	**545**	**0%**
CONTINGENCY					
Hard Cost Contingency	701,572	-	701,572	10,022	4%
Soft Cost Contingency	50,000	-	50,000	714	0%
Total Contingency	**751,572**	**-**	**751,572**	**10,737**	**4%**
RESERVES					
MHP Operating Reserve (#1)	-	114,392	114,392	1,634	1%
Construction Defects Reserve	-	-	-	-	0%
Rent-Up Reserve	-	3,520	3,520	50	0%
MHP Operating Reserve (#2)	-	50,000	50,000	714	0%
Services Reserve	-	120,000	120,000	1,714	1%
Total Reserves	**-**	**287,912**	**287,912**	**4,113**	**2%**
OTHER					
CTCAC App/Alloc/Monitor Fees	28,981	6,602	35,583	508	0%
CDLAC Fees	-	-	-	-	1%
Local Permit Fees	145,820	-	145,820	2,083	3%
Local Development Impact Fees	614,309	-	614,309	8,776	0%
Other Local Fees	-	-	-	-	0%
Advertising & Marketing Expenses	50,000	-	50,000	714	0%
1st Year Taxes & Insurance	-	-	-	-	0%
Furnishings	35,000	-	35,000	500	0%
Final Cost Audit Expense	5,000	12,000	17,000	243	0%
Miscellaneous Admin Fees	-	-	-	-	0%
Financing Contingency	-	-		-	0%
Other	-	-	-	-	0%
Total Other Expenses	**879,110**	**18,602**	**897,712**	**12,824**	**5%**
SUBTOTAL PROJECT COSTS	**15,994,128**	**11,756,514**	**16,315,642**	**233,081**	**90%**
DEVELOPER COSTS					
Developer Overhead/Profit (5% Acq.)		-	-	-	0%
Developer Overhead/Profit (NC/Rehab)	470,000	1,357,578	1,827,578	26,108	10%
Consultant / Processing Agent	45,000	-	45,000	643	0%
Construction Management	-	-		-	0%
Broker Fees to a related party	-	-	-	-	0%
Construction Mgmt. Oversight	-	-	-	-	0%
Syndication Legal	25,000	-	25,000	357	0%
Total Developer Fee / Costs	**540,000**	**1,357,578**	**1,897,578**	**27,108**	**10%**
Total Costs	**16,534,128**	**13,114,092**	**18,213,220.09**	**260,188.86**	**100%**

Annual Operating Budget — Villa Vasconcellos

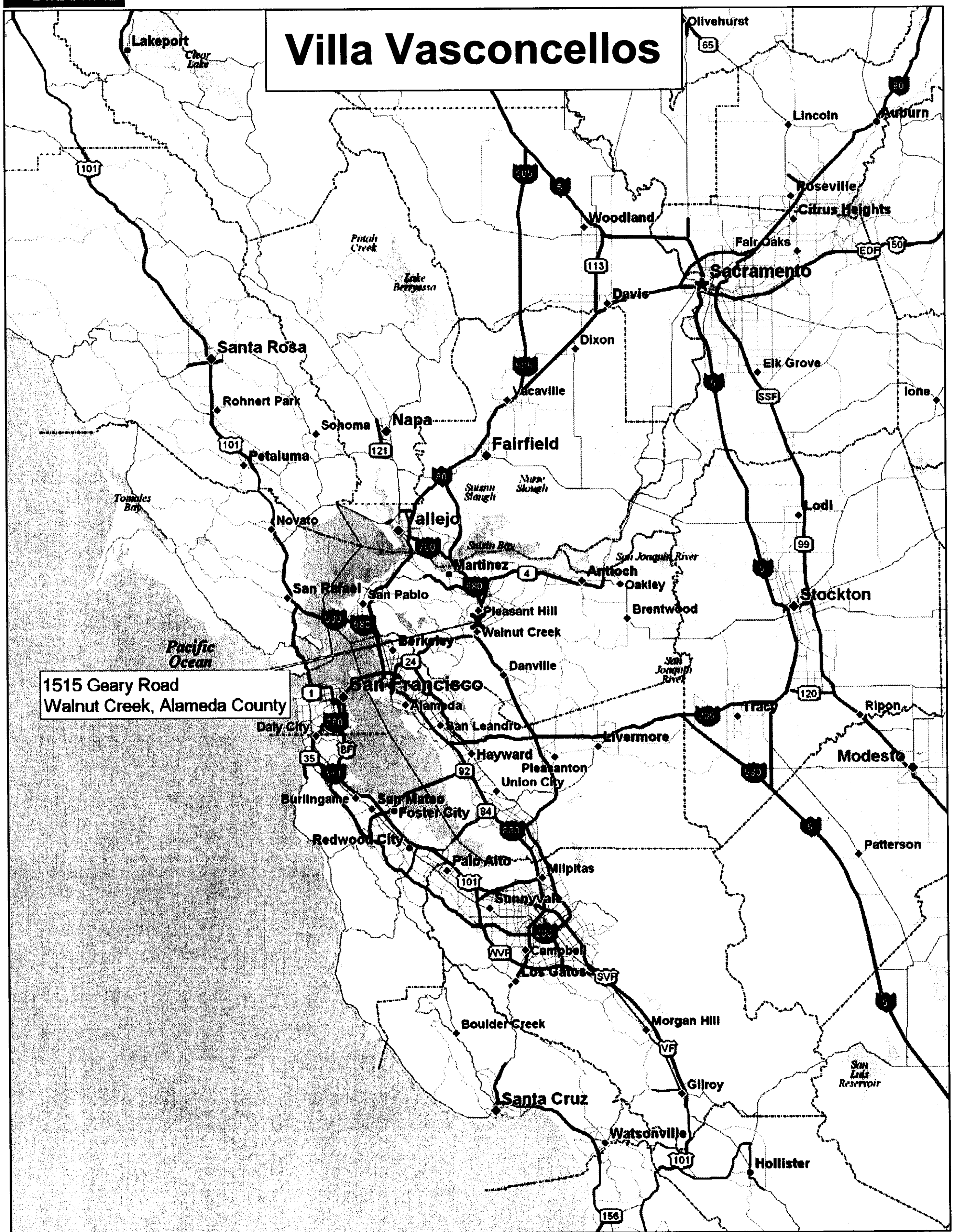
Final Commitment

INCOME:	$ Amount	Per Unit	% of Total
Total Rental Income	$503,712	$7,196	99.38%
Laundry	$3,120	$45	0.62%
Other Income	$0	$0	0.00%
Gross Potential Income (GPI)	**$506,832**	**$7,240**	100.00%
Less:			
Vacancy Loss	$22,823	$326	4.72%
Effective Gross Income	**$484,009**	**$6,914**	

EXPENSES:	Total Cost	Per Unit	% of Total
Payroll	$120,548	$1,722	29.37%
Administrative	$60,750	$868	14.80%
Management fee	$35,700	$510	8.70%
Utilities	$78,000	$1,114	19.00%
Operating and Maintenance	$59,000	$843	14.37%
Insurance and Business Taxes	$31,000	$443	7.55%
Locality Compliance Monitoring Fee	$0	$0	0.00%
Other	$0	$0	0.00%
Subtotal Expenses	**$384,998**	$5,500	93.79%
Replacement Reserves	$21,000	$350	5.12%
Taxes & Assessments	$4,500	$64	1.10%
Total Expenses	$410,498	$5,914	100.00%
Financial Expenses			
CalHFA First Mortgage	$14,081	$201	
CalHFA Second Mortgage	$0	$0	
Other Required Debt Service	$20,744	$296	
NET OPERATING INCOME	**$38,686**	**$553**	

Cash Flow		Final Commitment			CalHFA Project Number: 05-015 C/N						Villa Vasconcellos
RENTAL INCOME		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Affordable Rents		503,712	513,786	524,062	534,543	545,234	556,139	567,262	578,607	590,179	601,982
Affordable Rent Increase		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Rental Subsidies		0	0	0	0	0	0	0	0	0	0
Rental Subsidy Increases		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Unrestricted Units		0	0	0	0	0	0	0	0	0	0
Unrestricted Unit Increases		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME		503,712	513,786	524,062	534,543	545,234	556,139	567,262	578,607	590,179	601,982
OTHER INCOME											
Laundry		3,120	3,182	3,246	3,311	3,377	3,445	3,514	3,584	3,656	3,729
Other Income		0	0	0	0	0	0	0	0	0	0
Other Income Increase		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
TOTAL OTHER INCOME		3,120	3,182	3,246	3,311	3,377	3,445	3,514	3,584	3,656	3,729
GROSS POTENTIAL INCOME		506,832	516,969	527,308	537,854	548,611	559,583	570,775	582,191	593,834	605,711
VACANCY ASSUMPTIONS											
Affordable (Blended Average)		4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Rental Subsidy Income		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Unrestricted Units		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income		5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS		22,823	23,280	23,745	24,220	24,704	25,198	25,702	26,216	26,741	27,276
EFFECTIVE GROSS INCOME		484,009	493,689	503,563	513,634	523,907	534,385	545,073	555,974	567,094	578,436
OPERATING EXPENSES											
Expenses		387,498	399,123	411,097	423,430	436,132	449,216	462,693	476,574	490,871	505,597
Annual Expense Increase		3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Taxes and Assessments		4,500	4,590	4,682	4,775	4,871	4,968	5,068	5,169	5,272	5,378
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	300	21,000	21,000	21,000	21,000	21,000	21,000	22,050	22,050	22,050	22,050
Percentage Increase Yearly		0.00%	0.00%	0.00%	0.00%	0.00%	5.00%	0.00%	0.00%	0.00%	0.00%
TOTAL EXPENSES		412,998	424,713	436,778	449,205	462,003	475,185	489,811	503,793	518,193	533,025
NET OPERATING INCOME		71,011	68,976	66,784	64,429	61,904	59,200	55,262	52,181	48,900	45,411
DEBT SERVICE											
CalHFA - 1st Mortgage		14,081	14,081	14,081	14,081	14,081	14,081	14,081	14,081	14,081	14,081
CalHFA - Bridge Loan		0	0	0	0	0					
CalHFA - 2nd Mortgage		0	0	0	0	0	0	0	0	0	0
MHP Required DS		20,744	20,744	20,744	20,744	20,744	20,744	20,744	20,744	20,744	20,744
None		0	0	0	0	0	0	0	0	0	0
Cash flow after CalHFA debt service		56,930	54,895	52,704	50,348	47,823	45,119	41,181	38,101	34,819	31,330
CASH FLOW after all debt service		36,186	54,895	52,704	50,348	47,823	45,119	41,181	38,101	34,819	31,330
DEBT COVERAGE RATIO		2.04	1.98	1.92	1.85	1.78	1.70	1.59	1.50	1.40	1.30

DELORME Street Atlas USA® 2004



Scale 1 : 1,100,000

1" = 17.36 mi

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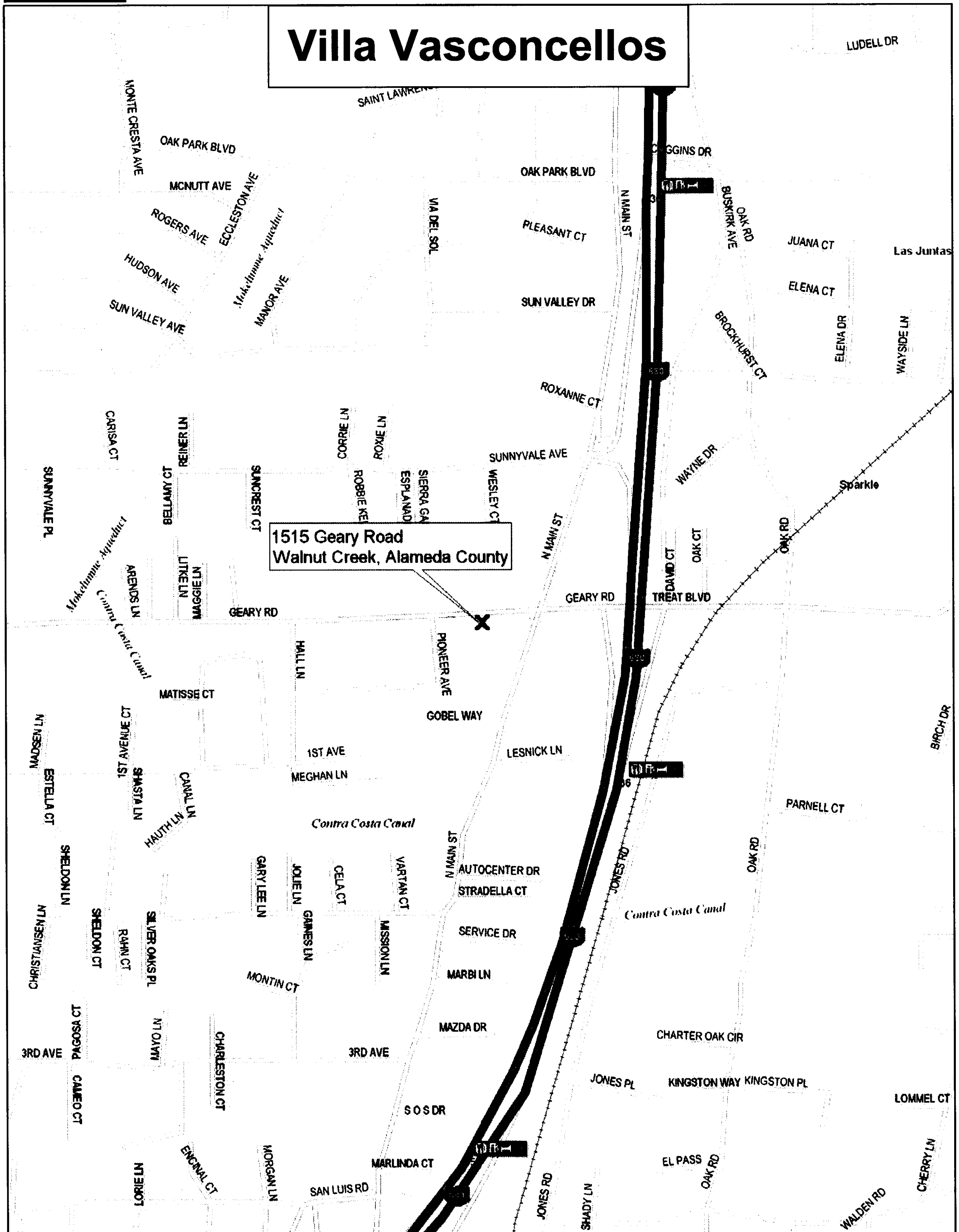
Street Atlas USA® 2004

Villa Vasconcellos



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RESOLUTION 06-11

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Villa Vasconcellos, 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 Walnut Creek, Contra Costa County, California, to be known as Villa Vasconcellos (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 January 3, 2006, 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
05-015-C/N	Villa Vasconcellos Walnut Creek, Contra Costa County, California	70	$11,435,000 (construction) $121,518 (permanent)

Resolution 06-11
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 06-11 adopted at a duly constituted meeting of the Board of the Agency held on March 9, 2006 at Sacramento, California.

ATTEST:______________________
Secretary