CalHFA BOARD OF DIRECTORS

Thursday, January 18, 2007

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

9:30 a.m.

1. Roll Call.

2. Approval of the minutes of the November 9, 2006 Board of Directors meeting.

3. Chairman/Executive Director comments.

4. Report by Executive Director regarding the portfolio sale of certain homeownership Loans to Fannie Mae.

5. Discussion, recommendation and possible action relative to final loan commitment for the following project: (Edwin Gipson)

NUMBER	DEVELOPMENT	LOCALITY	UNITS
06-084-C/S	Diamond Aisle Apartments	Anaheim/Orange	25

6. Discussion, recommendation and possible action relative to a modification to the original commitment for the following project: (Laura Whittall-Scherfee)

NUMBER	DEVELOPMENT	LOCALITY	UNITS
03-023-C/S	Coyote Run Apartments, Phase II	Palm Springs/ Riverside	66

7. Update on Bay Area Housing Plan Financing. (Kathy Weremiuk/Edwin Gipson)

8. Discussion, recommendation and possible action relative to the adoption of a resolution authorizing the Agency's single family bond indentures, the issuance of single family bonds, short term credit facilities for homeownership purposes, and related financial agreements and contracts for services. (Bruce Gilbertson)
Resolution 07-03...191

9. Discussion, recommendation and possible action relative to the adoption of a resolution authorizing the Agency's multifamily bond indentures, the issuance of multifamily bonds, short term credit facilities for multifamily purposes, and related financial agreements and contracts for services. (Bruce Gilbertson)
Resolution 07-04...205

10. Discussion, recommendation and possible action relative to the adoption of a resolution authorizing applications to the California Debt Limit Allocation Committee for private activity bond allocations for the Agency's homeownership and multifamily programs. (Bruce Gilbertson)
Resolution 07-05...219

11. Mortgage Insurance premium rate setting process.

12. Report of the Audit Committee Chairman regarding the meeting of CalHFA Board of Directors' Audit Committee which is scheduled for January 18, 2007, at 9 a.m. (Jack Shine)

13. Report of the CalHFA Compensation Committee Chairman regarding the Committee's process and recommendations on salary ranges for certain Agency exempt employee positions:

    a) Executive Director
    b) Chief Deputy Director
    c) Chief Information Officer
    d) Director of Financing
    e) Director of Financial Risk Management
    f) Director of Homeownership Programs
    g) Director of Mortgage Insurance
    h) Director of Legislation
    i) Director of Multifamily Programs
    j) General Counsel

15. Discussion of other Board matters.

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

NOTES

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

FUTURE MEETING DATE: Next CalHFA Board of Directors Meeting will be March 8, 2007, at the Regency Hyatt Regency Sacramento, Sacramento, California.

THIS PAGE INTENTIONALLY LEFT BLANK

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

--oOo--

BOARD OF DIRECTORS

PUBLIC MEETING

--oOo--

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

Thursday, November 9, 2006
10:02 a.m. to 12:26 p.m.

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

01/18/2007

Attest: [signature]

ORIGINAL

--oOo--

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

Yvonne K. Fenner & Associates
Certified Shorthand Reporters
2256 Murieta Way
Sacramento, California 95822
Phone 916.531.3422 Fax 916.457.8369
yfennercsr@aol.com

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

--oOo--

BOARD OF DIRECTORS

PUBLIC MEETING

--oOo--

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

Thursday, November 9, 2006
10:02 a.m. to 12:26 p.m.

--oOo--

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

Yvonne K. Fenner & Associates
Certified Shorthand Reporters
2256 Murieta Way
Sacramento, California 95822
Phone 916.531.3422 Fax 916.457.8369
yfennercsr@aol.com

A P P E A R A N C E S

Directors Present:

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

PETER N. CAREY
President/CEO
Self-Help Enterprises

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

JEFF DAVI
for Sunne Wright McPeak
Secretary
Business, Transportation and Housing Agency

LYNN L. JACOBS
Director
Department of Housing and Community Development

JOHN G. MORRIS
President
John Morris, Inc.

THERESA A. PARKER
Executive Director
California Housing Finance Agency

WILLIAM J. PAVAO
for Phil Angelides
State Treasurer
State of California

JACK SHINE
Chairman
American Beauty Development Co.

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

Directors Present, continued:

SEAN WALSH
Director
Governor's Office of Planning and Research

--oOo--

CalHFA Staff Present:

KEN GIEBEL
Director of Marketing

BRUCE D. GILBERTSON
Director of Financing
Fiscal Services

THOMAS C. HUGHES
General Counsel

JOJO OJIMA
Office of the General Counsel

DENNIS MEIDINGER
Comptroller

KATHY WEREMIUK
Multifamily Loan Officer

LAURA WHITTALL-SCHERFEE
Chief of Multifamily Programs

--oOo--

Speakers from the Public:

GARRETT G. BELL
Relationship Manager
Bank of America

JIM BURTON
Executive Director
Regional Center of the East Bay

CHUCK GARDNER
Hallmark Group

BRENT OWEN
Boles Creek Apartments

CARL W. RIEDY, JR.
Vice President
Public Entities Channel
Fannie Mae

--o0o--

Table of Contents

Table of Contents, continued

--o0o--

BE IT REMEMBERED that on Thursday, November 9, 2006, commencing at the hour of 10:02 a.m., at the Hilton Burbank Airport and Convention Center, Vine A Conference Room, 2500 Hollywood Way, Burbank, California, before me, YVONNE K. FENNER, CSR #10909, RPR, the following proceedings were held:

--o0o--

Item 1. Roll Call

CHAIRPERSON COURSON: Good morning. I will call the CalHFA meeting to order and ask that we call the roll.

MS. OJIMA: Mr. Pavao for Mr. Angelides.

MR. PAVAO: Here.

MS. OJIMA: Mr. Carey.

MR. CAREY: Here.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Here.

MS. OJIMA: Ms. Galante.

(No response.)

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Here.

MS. OJIMA: Mr. Davi.

MR. DAVI: Here.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Here.

MS. OJIMA: Mr. Shine.

MR. SHINE: Here.

MS. OJIMA: Mr. Walsh.

(No response.)

MS. OJIMA: Mr. Genest.

(No response.)

MS. OJIMA: Ms. Parker.

MS. PARKER: Here.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Here.

MS. OJIMA: We have a quorum.

CHAIRPERSON COURSON: Okay, thank you.

--o0o--

Item 2. Approval of the minutes of the September 7, 2006 Board of Directors meeting

CHAIRPERSON COURSON: The first item on our agenda is the approval of the minutes of our last Board meeting, which was September 7th. Is there a motion to approve those minutes?

MR. CZUKER: So moved.

MS. PARKER: Mr. Chairman, may I just speak before you make a motion, point out that there are a number of errors in -- small errors, but misspelled words and names and numbers that are not correct that staff would like to have entered into the record for your consideration.

CHAIRPERSON COURSON: Are you suggesting we approve the minutes but note that there are technical errors in spelling?

MS. PARKER: Well, it's -- it's more than spelling. Some of the numbers that are in the minutes are not correct. It's transcription errors.

CHAIRPERSON COURSON: I'm going to at this point look at counsel and seek a suggestion as how you would like to proceed. It seems like we can hold the minutes over for approval at the next meeting and have the corrections made.

MR. HUGHES: The usual process that we've had is that any Board member or person can note changes or errors that they believe are in the minutes, and then the Board usually approves the minutes as amended.

CHAIRPERSON COURSON: But it doesn't sound like we're prepared to make all the changes.

MS. PARKER: Well, we can tell you what they are. I just --

CHAIRPERSON COURSON: Go ahead.

MS. PARKER: I mean, I think -- I'm just trying to go through my minutes because there's about ten of them. There -- it's -- for example, on page 39, line 2, it talks about, "This chart shows that under 620, look at the 620," the number should be 600. It's -- there are just -- it's transposition.

Page 42, line 22, the last word in that sentence should be "hit" not "get." Page 46, this is particularly significant, line 11, the number there should be 78, not 88. Page 49, line 19, the -- it should be, "no question that we do have to have standards" instead of don't have to have standards.

MR. PAVAO: What page was that last one?

CHAIRPERSON COURSON: 49. Page 49, line 19.

MR. PAVAO: Thank you.

CHAIRPERSON COURSON: "Don't" becomes -- "don't" becomes "do."

MS. PARKER: Page 48, the second line, "very formal quality," not "cola" but "control." Page 53, line 19, Treasurer's Office about any use of any unallocated with respect to bond credits. Page 54, mortgage-banked securities -- mortgage-backed, excuse me.

MR. DAVI: What line?

MS. PARKER: Line 18.

And so I think --

CHAIRPERSON COURSON: It's mortgage-backed.

MS. PARKER: Backed. Yeah, I corrected myself. Sorry, it needs an "ed."

And I think that there's a couple of other misspelled names. I wondered if the Board would consider the staff working with the transcriber to correct these and give them back, that the Board would approve the minutes based on these corrections.

CHAIRPERSON COURSON: Well, I think a motion would be in order to approve the minutes as amended with the understanding that any further transcription errors will be corrected.

MR. DAVI: So moved.

CHAIRPERSON COURSON: Is there a second?

MR. PAVAO: Second.

CHAIRPERSON COURSON: Any discussion?

(No response.)

CHAIRPERSON COURSON: Let's call the roll.

MS. OJIMA: Thank you.

Mr. Pavao.

MR. PAVAO: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Abstain.

MS. OJIMA: Mr. Davi.

MR. DAVI: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: The minutes as amended have been approved.

CHAIRPERSON COURSON: And we'll also let the minutes show that Mr. Walsh from the Office of Planning and Research is here. Sean, nice to see you. Thank you for coming.

--o0o--

Item 3. Chairman/Executive Director comments.

CHAIRPERSON COURSON: I really have very few comments. I will tell you we have a busy housing agenda today, and we got a little later start. We had our Audit Committee meeting at 8:00 under the chairmanship of Mr. Shine and met with our auditors. We'll see a -- have a report on that later. We had the -- our new Compensation Committee had its first meeting today. I'm sorry, I mean Audit met at 8:00, and the Compensation Committee met at 9:00, so we're starting a little bit later.

We have a very full agenda, and unless there's an objection from anyone on the Board, my plan is just to drive us through to a finish. So if anyone needs to take a break, please feel free. If you are of the male gender, I will make the public announcement that you are relegated to go across the courtyard to the other building for rest room facilities because there are 500 law officer women in the building, in the room next to us, that have taken over our facilities today. I want that on the public record for note, please.

The other -- so I have no other comments. The rest of the things I have will come out under the different reports that we have, so I'll turn it over to Terri.

MS. PARKER: Thank you, Mr. Chairman.

I don't think it's probably appropriate that I should make comments that the line out of the men's room and the ladies' room for the women is so long it goes around the block, so perhaps going to the next building if you're a woman may be a good idea too.

My comments for the Board, actually there's a number, lots of good news and things have happened since our last Board meeting, probably the one that many of us on the Board are very excited about and that's with the election last Tuesday, the passage of

Prop 1-C, $2.8 billion bond for housing. Within that bond is $200 million for the California Housing Finance Agency for two of our major programs: Downpayment assistance and also our residential development loan program.

We also have, at your desk, our most recent annual report hot off the press. That has been transmitted per our requirements to develop an annual report every year. I hope you're all pleased with your pictures.

Sort of moving down my list, I want to report to you all many of you have been through the trials and tribulations of our HC case, R&R Mortgage Insurance Program. You're well aware that about two years ago we had a civil trial. The Agency was -- prevailed in its -- the judgment against the -- Mr. Schienle and Mr. McWhirk, the two defendants, and an award was made for the California Housing Finance Agency.

This last week the appellate court heard the petition, and we received their findings. And in -- their findings were to support the Agency in totality. There is still the criminal case outstanding. There is a trial or a hearing scheduled this month. We are expecting that with the civil case essentially done through the appellate level that the criminal case will now step up. So we'll keep you apprised of that.

I'll also tell you that at the fall NCSHA conference, the Housing and Finance Agency was awarded two national awards off the good work by the marketing folks in developing ads on housing and brochures for homeownership.

We have hired a consultant to work on the whole issue of a new building, buying, leasing that we hope when our leases in Sacramento, the two locations that we're currently at, when those leases expire that we will have one building that we will move all the staff into. And we will continue to keep you updated on the actions as we go through and look at what our options are.

We are looking at proposed legislation to raise our bond cap because we currently think our business plan will see the increase necessary by the middle of 2008 calendar year. So Di will be submitting, probably to the extent that it's approved by the Governor's Office, have at least one piece of legislation to be tracking this next year, after her very successful year of legislation this year.

We had meetings in September with the rating agencies in New York. You have all received information in Bruce's reports. The meetings went very, very well as usual, and we expect all of our ratings to be affirmed.

We did have an additional meeting with the rating agencies the last couple of days to talk about the Bay Area Housing Plan in anticipation of us getting ready to sell bonds. I think it was very good, given the complexity of that program to be able walk the rating agencies through how those securities will be supported through lease payments, and we expect that there will be further questions about it, but we think we got a good start on the education of that process.

And my one final comment that I think would be helpful for colleagues to know that Mr. Courson was elected to the NCSHA Board during their September annual meeting.

That concludes my report, Mr. Chairman.

CHAIRPERSON COURSON: Thank you.

Any comments on Terri, questions for Terri?

(No response.)

CHAIRPERSON COURSON: Seeing -- and only reason I was there is there were 15 spots and only 14 people in the room, so I was drafted. Actually, it's an interesting group. It's made up of chairs of other HFAs around the country, and we've had our first telephone conference call.

And I think that it has some potential to expand beyond what its present role is, so my plan is to get the sharp stick out I normally carry around and prod it in the side to do more than planning a couple meetings a year, and see if we can make it into a better advocacy group, because they do have their chairs of all the state HFAs. There are federal issues, and they clearly have the ability and capability legislatively to get their voice heard in Washington through their connections and use that as a -- as a resource as opposed to somebody who's just accepting information, somebody to take some action on it. So we'll see if we can't move the -- move the elephant in the right direction.

--o0o--

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

CHAIRPERSON COURSON: Okay. We -- having said that, we are now at the point of looking at a new -- well, not a new project, another project, and then we'll move on to the Bay Area Housing.

So Kathy, are you going to take us through the Fireside Appointments -- Apartments or --

MS. WHITTALL-SCHERFEE: Yes.

--o0o--

Item 4. Resolution 06-17 (Fireside Apartments)

MS. WHITTALL-SCHERFEE: What we're going to do is we're going to take you through Fireside Apartments. Fireside Apartments was originally brought to the Board and approved in November 2005. At the time, we approved a construction loan and a permanent loan, a first, a second and a bridge loan. Today we are bringing it back for a final commitment loan modification.

Fireside Apartments is a 50-unit special needs project. Eighteen of the units are expected to be occupied by families with an adult who has mental illness and is either at risk of homelessness or is homeless. We expect, though, that many more of the units other than those 18 will be used for adults with mental illness.

The final commitment modification request that we're presenting today is for a third loan once the loan becomes permanent. It is for a loan in the amount of $1,050,000. Payments would be residual receipt. It would be for 25 years. It would be repaid either at maturity or upon the repayment of the first deed of trust. The source of funds would be HAT funds, and the interest rate would be at 3 percent.

Kathy is going to explain to you a little bit more about the purpose behind this third deed of trust, and she's going to also provide the Board with an update as to where we are and how we got to where we are today.

Currently the project is at CDLAC for new bond allocation for the construction loan in the amount of $12,165,000. It is also currently at TCAC for consideration for state tax credits. Both of those decisions are expected by approximately December 13th, and assuming that we obtain a new bond allocation and the state tax credits, this project is expected to close before the end of the year.

And now Kathy is going to take us through the slide presentation and provide the Board with an update.

MS. WEREMIUK: This is a little déjà vu. These are old slides that you've seen before. The project is located in Marin County and -- can I do -- I can do a pointer.

MS. WHITTALL-SCHERFEE: You can.

MS. WEREMIUK: This is the site. This is Highway 101. The Golden Gate Bridge is here. This is Marin City. This is Highway 101, and Mill Valley is -- I can't make that go to the north -- is to the north here approximately a quarter of a mile.

The -- I'm going to -- before I go through the slides, I'm going to just go through a little bit of the financing issues with this project. We were slated to close this construction loan in September of 2005. The -- we worked through all major issues on the loan closing, and two weeks prior to closing, the tax credit investor and the first tier investor in their pool brought to us a concern as to whether the escrow bonds and the permanent bonds that were issued by the Agency could provide the volume cap authority required for tax credits.

The -- this issue was a new issue. It caught us by surprise. They asked us to pursue the issue both with the IRS and also to obtain a new CDLAC allocation. The Agency chose to do both, but given the exigencies of time and the difficulties of working through issues with the IRS, we at this point are going forward with a new CDLAC allocation, which will require the project giving up the original allocation it got in December 2005.

Giving up the December 2005 allocation meant that the project would lose 130-percent basis boost it had received from tax credits, which was attached to the County of Marin being a difficult-to-develop area.

To our surprise, Marin lost that designation in the year 2005 and is now no longer a difficult-to-develop area technically, although practically I think it still is a difficult-to-develop area.

The loss of that basis boost on tax credits had a million-five impact on the project in terms of lost credits. And the project had basically used most available -- all available sources that it could go to for residual funding and permanent funding. And there are two avenues available that would make the project feasible. One is state -- going for state tax credits, which actually is the first choice and will provide approximately a million-nine in equity.

As a backup, to keep the investor, which is Enterprise Social Investment, and the first tier investor, Bank of America, in the deal and committed to the project and going forward with the project, they also asked that the project provide a backup scenario in case the project did not get state tax credits, and that's what we're coming to you for.

The Agency had a million-500 -- or $1,050,000 indirectly in the deal because we had loaned that money to the County of Marin in HELP funds. And as a first avenue, the developer came to us and asked if we might be able to extend HELP funds as a residual loan into the project. The Agency preferred instead to make -- because those funds really are the county funds, they're not the Agency funds, we've loaned them to the County, we preferred instead to provide a residual loan with our -- with a gap funding program that the Agency has. This money would be HELP money. To make -- to get to the million-five, the developer agreed to put in $253,000 of their own money and to defer almost all of their developer fee.

We are hopeful from indications that the developer has gotten from the tax credit allocation committee, that the project -- the project scores well. There are three applicants. It has the highest score, and we're hopeful that it will get the award, but in the event that it doesn't, we do need this backup commitment to get the project into -- to get the project closed.

We have been working together with the developer with all of the other lenders to keep the project going. As is fairly typical of construction projects, it was facing a rainy season. They wanted to get grading done and especially wanted to lock their prices in and gave their contractor, Cahill Construction, a notice to proceed back in July. They've been using local sources to fund that construction. And if we were not able to get them to close in December, they would have to demobilize and the cost to the project would be enormous and it would basically destabilize the project and the developer both.

To get where we are, the -- the acquisition lenders, and that's LIHF, a partner that we work with very often, Corporation for Supportive Housing and the Marin Community Foundation, who were the acquisition lenders, two of the three were able to stay in the deal. Marin Community had other commitments for their funds, and LIHF basically loaned money to take them out with the developer, with the County also loaning HELP funds to allow the developer to take the Marin Community Foundation out so that the acquisition loans are in place through at least February.

The predevelopment loans have either been paid back or extended. The County has been funding -- County and AHP have been funding, and grants, have been funding the construction to date. And we've been working with HCD and the MHP staff on their commitment and also working very closely with the tax credit investor to basically have a project that is still viable and able to close in December. And that's the request that we're coming to you with.

Now I'm going to just go through a little bit of what the project is and what it looks like. This is just a closer shot of the project itself. I think you'll all remember the hillside issues that were connected to this project. I'm very happy to say that -- and the topography that makes those hillside issues important. On this side we have 17 family units. There's a parking structure here with 32 senior units. And on this portion of the site, there will be -- or there is a historic inn. You will also remember that this is an archeological site with a history of Indian remains.

This is what -- this is the historic inn. And what I'd like to tell you is that progress is really very good on this site to date. To date the western hillside has been stabilized. The footings, they were -- this is showing them about to be poured, but the footings have been poured, and the pads have been poured for the senior building. All of the digging was done. There were no Indian remains. There were a few bear bones, but those were happy findings as opposed to bad findings. And they're very close to pouring the pads on the senior building.

This is a slightly better view. You'll see on the eastern hillside, the stabilization has not yet occurred. They're beginning to do that, but they have done borings, soil borings, on the area where the family building will be. And from the borings, there's a determination that we don't expect to find any Indian remains.

The -- in terms of cost overruns, the retaining wall hit bedrock sooner than anyone expected it to, and so there were some cost savings from the retaining wall.

There will be some -- and to date there have been no draws against contingency. There is an anticipation that we will have some additional costs as they do the soil stabilization on the western -- east -- one of the sides of the site.

And also with Caltrans, and as I back -- let me see if I can back up. Can we back it up a little more? Just go back a little bit.

With Caltrans, this site is on -- adjacent to an on-ramp for Caltrans, and so there had to be a Caltrans permit. All the negotiations have occurred with Caltrans, but Caltrans wants the developer to do some additional work for Caltrans across the street away from the on-ramp as a quid pro quo for the permit, and that's still in negotiation. If they're not able to convince Caltrans to the contrary, there will be some cost overruns for that.

But to date it has -- the stabilization and the site work have gone very well.

And I think that the -- in terms of financing for the project, when I brought the project to you before, it was -- the cost was $21 million. It's currently $21,600,000, but there is a million -- an additional million-eight that is not in the partnership agreement which was an accommodation that was worked out with HCD, I think, in September of 2005.

But the financing is in place. Everything is committed on the project. There are a few documents that need to be signed by the County on additional funding that they committed to in August of last year, but at this point, given a positive determination from CDLAC, the project is ready to go.

MS. WHITTALL-SCHERFEE: And with that, we would be happy to entertain any questions you might have, and we also would ask that you consider approval of the request.

CHAIRPERSON COURSON: Okay. Mr. Shine first, then Mr. Czuker.

MR. SHINE: A couple things. Number one, HCD last time we went around had not yet approved the significantly higher cost of this project than any I've seen since I've been on the board, and I don't -- has that come through or -- you mentioned that they were giving you money, but does that mean they gave you money and said, yes, it's okay to spend that?

MS. WEREMIUK: Yes, they did. There was a -- what -- what was an issue for HCD was higher land costs proportionately to the units that were being built than would normally -- than you would normally see. And the accommodation that was made was that the County -- some of the county money was out -- was put outside of the partnership to allow HCD to go forward with the loan. But, yes, there was -- they did go forward with it.

MR. SHINE: Secondly, the cost of the project base is not a lot more than it was in the aggregate, but I'm curious, where did they find savings that allowed them to reduce the construction costs by 30-some-odd percent, you know, $3 million?

MS. WEREMIUK: The -- the -- the places you get to the 3 million are the 1,870,000 that is off -- that is outside of the partnership. And those are costs that -- they're not shown in your pro forma. They're shown in my staff report. And they're listed as the County of Marin relocation payment, the County of Marin trust fund payment for land, a fee waiver from the County for $373,000, a clean air grant of 200,000.

The other two places, the costs are 500,000 higher now on the pro forma. Also, the developer has deferred most of their developer fee. And so that would -- that basically is the way that the $3 million in additional construction costs were accommodated.

MR. SHINE: So in -- the old estimate was nine and a half million dollars, and the new estimate, it's at six-million-six or six million-five. That's $3 million you say is going to be spent but not from any of the portion of the funds here, but they're -- but the money is available; is that what you're saying?

MS. WEREMIUK: In the old estimate it was nine. In the current estimate it's 12. It's three million more for the construction than it was when I brought it to the Board the last time.

MR. SHINE: Well, I'm -- look on page 160. There's two numbers. Which number is it?

MS. WHITTALL-SCHERFEE: 164 has hard costs of six-million-six and the old --

MR. SHINE: You have six-million-six of the costs there --

MS. WHITTALL-SCHERFEE: -- budget. And then it's nine-million-five in the new.

MR. SHINE: And the other one was nine million, so I look at that as a $3-million difference.

MS. WEREMIUK: Okay. I'm looking at the totals. Yes, it is a $3-million difference. 164 is what I brought to you last time.

MR. SHINE: Am I correct in assuming that somebody came along and said, "We'll give you the $3 million and don't include it your project, it's separate over here?" Is that how that works?

MS. WEREMIUK: It's two million. It was two million additional that was given. There's an -- yes. That is how it works. $2 million, which is what is now shown outside of the project, and there is an increase in the project of 600,000 and a greater deferral of developer fee than you saw before.

MR. SHINE: So 21-million-six is a cost above the line, but at the bottom line, it's another $3 million that somebody somewhere is going to spend.

MS. WEREMIUK: No. At the bottom line, it's another two -- another million-eight. It's the --

MR. SHINE: Okay. Well, you know.

MR. PAVAO: Is it page 119 that represents the costs she recited that are not represented?

MS. WEREMIUK: Yes, it's page 119, and it's the non-partnership preparation costs.

MS. WHITTALL-SCHERFEE: It's in the graph.

MR. PAVAO: So if you can scan that committed column.

CHAIRPERSON COURSON: 119, page 119.

MR. SHINE: This just has -- okay.

MR. PAVAO: The committed column, I think, represents the figures you were reciting.

MR. SHINE: This is the loan --

MS. WEREMIUK: Right.

MR. SHINE: -- the part of it.

MS. WHITTALL-SCHERFEE: Yes.

MR. SHINE: I'm looking at the cost part of it.

MS. WEREMIUK: And the cost part of it, what happened is that some of the costs that were -- there's an increase that had to be absorbed in the budget of construction costs. Some of the costs that were project costs for site preparation which were in my old budget are now outside of the partnership.

MR. SHINE: Okay. And the local permits went up $160,000; is that right?

MS. WEREMIUK: Right.

MR. SHINE: They added -- they took money out and then charged $160,000 more in fees?

MS. WEREMIUK: That's normal.

MR. SHINE: There's another almost $400,000 in engineering, that there was no engineering before.

MS. WEREMIUK: That's correct.

MR. SHINE: There's been a lot of --

MS. WHITTALL-SCHERFEE: -- movement.

MS. WEREMIUK: There's been a lot of movement.

MR. SHINE: -- Adjustment to realism. In this budget.

MS. WEREMIUK: Yes. Absolutely. And the adjustment -- the engineering costs are entirely the site costs, yes.

MS. WHITTALL-SCHERFEE: And part of that is because we now have a construction contract, so we have actually formalized costs so we could give you a better budget than what we were able to provide to you when we originally came to you for the approval a year ago.

MR. SHINE: So our risk then is $12 million until they get it built and then everything moves around; is that correct?

MS. WEREMIUK: That's correct.

MR. SHINE: On a $21 million -- $24 million project.

MS. WEREMIUK: Our risk is 12 million of the $24-million project. We still fit within the 50-percent test.

MR. SHINE: It's amazing, but, yes.

CHAIRPERSON COURSON: Mr. Czuker.

MR. CZUKER: Yeah, obviously there's a lot of moving parts here, and on one level it's confusing and complicated, and my compliments to you guys to try to keep it all straight and keep juggling all the balls in the air with what seem to be moving pieces.

The one part that wasn't clear from the write-up was that there still appears to be a gap of $450,000 that we're asking the developer to create a new source of funding for. And I wasn't quite sure where that source is coming from and whether you're satisfied those funds have been made available.

MS. WEREMIUK: We -- part of the funds are an additional deferral of fee, which we would normally not be comfortable with, Mr. Czuker. It's -- the deferral of fee is higher than -- we typically look at a deferral of fee that's 50 percent. You want some portion to be a cushion for the project, and you want to make sure that the developer is capable of carrying the project to fruition.

The other is other funds that the developer has, and, yes, we're comfortable that they have them, although we're very hopeful that they're successful in December and that they don't need to go this route. Because if they do get state credits, they get more money and they don't have to defer the fees.

MR. CZUKER: And so what portion of 450,000 is really new money versus deferral?

MS. WEREMIUK: The 235 is new money, and the rest is deferral.

CHAIRPERSON COURSON: Mr. Carey, did you have a question?

MR. CAREY: No.

CHAIRPERSON COURSON: Any other questions?

(No response.)

CHAIRPERSON COURSON: Is there -- seeing none, is there a motion to approve the project, the modification of the project resolution?

MR. PAVAO: So move.

CHAIRPERSON COURSON: And is there a second?

MR. CAREY: Second.

CHAIRPERSON COURSON: Is there any further discussion?

(No response.)

CHAIRPERSON COURSON: Is there any comment from the public?

(No response.)

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

MS. OJIMA: Thank you, Mr. Chairman.

Mr. Pavao.

MR. PAVAO: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Yes.

MS. OJIMA: Mr. Davi.

MR. DAVI: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

CHAIRPERSON COURSON: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 06-17 has been approved.

CHAIRPERSON COURSON: Okay. Thank you.

--o0o--

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

Resolution 06-18 (Bay Area Housing Plan)

CHAIRPERSON COURSON: Are we ready to move right into the Bay Area Housing Plan?

MS. WHITTALL-SCHERFEE: Yes, we are.

CHAIRPERSON COURSON: Why don't we do that.

MS. WHITTALL-SCHERFEE: This next request is a request for a final commitment approval of $25 million. This request would bring the total amount of final commitment approved for the Bay Area Housing Plan from 45,000 to 70,000 dollars. What we're going to do is we're asking for -- did I say 70,000?

CHAIRPERSON COURSON: Yeah.

MS. WHITTALL-SCHERFEE: I'm sorry. Let's try $70 million. This is a request for $25 million to supplement what's already been approved.

We're asking for the increase to $70 million. In addition the Board had requested that we come back and provide to them a sample of a project, an actual project that has been approved as part of this process, and we are going to present that project to you today. And as a final piece of information, we would also like to provide you with an update as to where we are with the whole Bay Area Housing Project and how many projects have already been purchased or are in the process of being purchased.

Kathy is going to take you through all three of those.

CHAIRPERSON COURSON: And I think it might be interesting for the Board, and I know folks have been here, but if you-all could maybe introduce -- I know we've got a lot of different parties here that are involved in this project, and I think it might be well because we've got new people to -- could you maybe introduce those who are here and the different roles that they play?

MS. WHITTALL-SCHERFEE: Yes, and we're going to have some of them up here --

CHAIRPERSON COURSON: Oh, okay. We'll just do it that way.

MS. WHITTALL-SCHERFEE: -- helping with the presentation --

CHAIRPERSON COURSON: Okay. Okay. Fair enough.

MS. WHITTALL-SCHERFEE: -- as well.

CHAIRPERSON COURSON: Okay.

MS. WEREMIUK: But we might do some of the introductions --

MS. WHITTALL-SCHERFEE: Go right ahead.

MS. WEREMIUK: -- just in terms of staff. Liz Hogan, stand up.

MS. WHITTALL-SCHERFEE: She's our -- she's in our legal department, and Liz has been helping very, very much with this project.

MS. WEREMIUK: Sandy Casey-Herold.

MS. WHITTALL-SCHERFEE: Sandy is also with the legal department.

MS. WEREMIUK: Sabrina Saxton.

MS. WHITTALL-SCHERFEE: Sabrina is with our asset management -- I'm sorry, architectural services division.

MS. WEREMIUK: Tom Hughes.

MS. WHITTALL-SCHERFEE: Legal.

MS. WEREMIUK: Bruce Gilbertson.

MS. WHITTALL-SCHERFEE: Finance department.

MS. WEREMIUK: I think I covered most of our staff. Margaret Alvarez, who is working on this from the asset management department.

MS. WHITTALL-SCHERFEE: Yes, she's with asset management.

CHAIRPERSON COURSON: Okay. And then we'll meet the other folks as they --

MS. WEREMIUK: Actually, Bank of America will probably not be sitting at the table with us, so from Bank of America, we have Garrett Bell here.

MR. BELL: We have Elizabeth Tracy and Gabriel Speyer.

MS. WEREMIUK: And bond counsel, Stan Dirks.

MR. BELL: And also Robin Ginsbury and Auli

Limtaio.

MS. WEREMIUK: And we also have our master developer. Chuck Gardner is here joining us.

And, Chuck, you should join us at the table.

And Jim Burton, who is representing the regional centers. He's the director of the Regional Center of the East Bay.

And Julia Mullen, who is with DDS, sent apologies. She was at -- with us at the rating agency meeting the other day, but has a bad cold and could not be here today.

Chairman Courson and Members of the Board, it's a pleasure to be back here again this month to provide you an update and a description of one of the projects. What I'm going to do, I think, Board Member Shine asked that I provide a description of the Baywood Avenue -- 1320 Baywood Avenue last time, which is about the first project that our senior staff approved under your initial commitment.

It's in the city of San Jose. It was purchased in July of this year for a price of $975,000. It is a property with five bedrooms and two baths. It is -- when finished, it will have amenities that include widened doorways, ADA bathrooms with a roll-in shower, a track system for safe transfers, a fire suppression system, central heating and cooling, Energy Star appliances, new flooring and durable finishes and customized safety features for the residents.

This is a floor plan of the home as it is completed. This will be a medical model home for people with chronic illness -- with chronic illnesses that require 24-hour supervision. It will be licensed by the Department of Social Services. And residents will transfer from Agnew.

These are pictures of -- and they're a little dark. I apologize for that. They were beautiful when I put the slide show together.

MR. SHINE: They are beautiful on paper too.

MS. WEREMIUK: Thank you.

The fireplaces in the medical model homes will be maintained in some instances. For the other homes, they will be retained but closed for other facilities where people are more mobile. The kitchen will be completely opened and renovated. Surfaces will become more durable. Flooring will generally be hardwood floors with granite countertops. Those are fairly luxury items for our standard buildings, but given the residents that are here and the needs for durability, the finishes would be better than we generally see.

In the backyard, all of the entrances and egresses that you see will be widened, will generally have French doors that you could open so you can bring wheelchairs and gurneys in and out. To the extent that ramping is needed, it will be provided. And the bathrooms will be opened up into ADA bathrooms.

The financing on a project like this, and I'm going to -- bear with me as I find all the paperwork that I gave you. The project was -- when we looked at -- we had an appraisal which was the same as the purchase price. It is an as-is appraisal. We anticipate getting appraisals at the completion and before purchase that would reflect the rehabilitation.

We have had one project that was -- that is slated to be purchased, which is a medical model home with five bedrooms that is currently -- has been rehabbed, and the acquisition price on that including all the improvements brought the appraisal to $1,000,250. And that's what we would anticipate in a -- in an as-completed appraisal.

The Agency charged a loan fee of 1 percent that was prepaid for this property. We have a reserve, an additional reserve, which is a collateral reserve of a thousand dollars on this property -- or a hundred thousand dollars. It's 5 percent of whatever the

Agency's loan will be, and that is not -- along with the financing fee or the Agency's commitment fee, that reserve will not be financed in the -- by the Agency.

There is a debt service reserve --

MR. SHINE: Excuse me. Are you on Baywood Avenue now?

MS. WEREMIUK: Yes.

MR. SHINE: And you said the commitment is a million how much?

MS. WEREMIUK: The commitment, the Agency commitment, for this property is $2,008,000.

MR. SHINE: Thank you.

MS. WEREMIUK: The -- the additional collateral, the 5 percent of that amount is a hundred thousand, and that's money that would be transferred to us by the regional centers out of reserves that we would have. We would keep that -- that hundred thousand dollars until the property reaches the appraisal amount. Currently when it's fully amortized for that $2 million to come back to the 850, it would take 11 years and eight -- and six months to -- to amortize down to what the current appraisal is. So it would be holding that -- that hundred thousand for approximately 11 years.

The debt service reserve that's showing, which is one year of the debt service, is -- will be held for the full term of the loan by the Agency. This loan will amortize over 15 years.

The service provider for Baywood is a nonprofit. Because they're a nonprofit and the eventual owner, the Bay Area Housing Corporation, is also a nonprofit, the Agency will be able to use 501(c)(3) bonds. It's -- they're not housing bonds. They're bonds doing business -- assisting government in doing its business bonds. They have slightly different characteristics.

So that the interest rate when we eventually finance the project, our current estimate of that, we estimate it every month, is 5.95 percent right now. When we -- when we underwrite this, we're a little more conservative, and we underwrite it at a taxable rate, and we also add 50 basis points to whatever the current amount is, so we figure out that reserve based on that amount.

If I go to the next page, which is what would usually be a unit and rent mix, it's page 182, what you'll see is that they're five bedrooms, and that the regulatory agreement on a house like this because we have 501(c)(3) bonds, we -- our statutes would come into play, so we would require that one of the residents have an income at 50 percent or less of area median.

The regional centers will have a regulatory agreement on this property that requires that all five of the units be available for people with serious developmental disabilities who qualify -- who have the kind of disabilities that would necessitate that they live in a home that has -- that is licensed for people with chronic illnesses.

You will not see any rents on this page. None of our financing is predicated on the payment of rents by the residents. Although the residents may qualify for SSI disability, that -- we aren't figuring that into our calculations. That money is generally assigned to the regional centers. The regional centers may figure that back into their calculations, but we have not underwritten this in any way upon the rents.

The funding of the project, we're working with currently on this commitment two sources, a construction source, which is the Bank of America acting as the administrative agent for a consortium of other lenders, a syndicate of other lenders, and they provide 100 percent of the acquisition and construction financing.

Their interest rate on this is daily Libor plus

2.3 percent, and as they underwrite it and set up reserves, they require a cushion of 150 percent to deal with spiking during the -- interest rate spikes during the term of their loan. They are loaning -- their loan commitment is for -- their interest reserves are for -- basically for 11 months, which is an estimation of how long it will take to get through the acquisition, construction and bond sale process. It's actually estimated at eight months, but they have a three-month cushion built -- built into their interest calculations.

There -- I did an additional sheet, which I think was distributed to you, which is costs, and it's a little more concise than our sources and uses. And I just wanted to go through what the costs on the project are that make up that 200 -- $2,008,000 dollar's amount.

The purchase price was 925. There's something that's called the cost facility note for 30,000. And that -- that amount of 30,357, that was the legal fees and the bank commitment fee that we're -- that was charged to get the project through the cost facilities closing. That amount is being spread over the first 50 of the -- 57, I believe, of the projects in case -- from the bank's point of view, in case we didn't get to the full 71. And it's being charged per project, so that's -- that's fees and consultants, and it's something that we might see on other projects, although the legal fees to get us from here to there were quite high for the Bay Area Housing Plan.

The construction on this project, including the contractor's overhead and profit, is 378,000. The -- we have seen that roughly -- and there's a sheet. There's about a 14-page estimate that I included in your package which shows and itemizes every item that goes into the construction, that on most of these homes, to widen the doorways, add the sprinkler systems, create the ADA bathrooms and do the ramping that's necessary, the cost runs somewhere in the range of $200,000 for estimate -- for our estimating purposes, higher in the 962 homes.

The additional money over that is generally deferred maintenance on the buildings, so it's roofing, if the building is being purchased and it needs a roof. If the sewer system -- we do a sewer scope. If they find that it needs a new sewer system, that's done. If the wiring isn't up to grade, that's done. Every system in the building is looked at through sort of an exhaustive process of due diligence. And all of those items are estimated.

The Agency wanted to make sure that the property was in good condition as a security, and the regional centers have wanted to make sure that the properties that -- that they're holding onto, since they're holding onto it long-term, are in good condition.

We have seen -- generally I would say that the regional centers have been very thorough in their scope of work. Every building is tailored and every estimate is tailored to the residents who are going to be living there. So we'll see in some buildings the new track systems, in others they don't. We'll see different amenities required, what I'd call amenities or handicapped accessibility items required, depending on who's going to be living in the building.

But anyway, of that 378, I would estimate for this building you're somewhere between 200 and 250 for the disabilities-specific requirements.

The construction loan interest is $140,000 with the various reserves built into that in case the interest rates spike or the project continues for a longer time period. The -- there are some perm fees, and they're fairly minor. Title and recording, we've negotiated out those costs with First American Title. We have set costs for the acquisition phase and also the perm conversion for every project.

Taxes and insurance for the projects during construction before they're eligible for the welfare exemptions, those change. You'll see all the due diligence costs. There's two appraisals, all of the various studies. We share a construction inspector with Bank of America. He does a first feasibility study for us, which we -- the Agency uses to base its commitment and Bank of America uses to make sure that the construction dollars are adequate for the proposed construction. And then he reviews for us the -- the design as it's developed. He'll do the inspections for us and also do the end -- the end reports, which bring the project to stabilization when the Agency agrees that it's been built to the requirements that we had and we agree to buy the loan.

The other large costs are some contingency costs. The construction contingency is 10 percent of the -- of the cost of the construction. We have seen much larger contingencies for the new construction projects because the costs on those are not as defined for us yet because the plans aren't defined. And local permit and architectural engineering fees are included in this.

The subtotal before we get to developer

overhead and profit is 1,851. And the developer overhead is a million-five -- or I'm sorry 150 -- Chuck would like that -- 156,000, taking us to the 208.

When we first brought this to you in September of last year, I was looking at my naive estimate of a million-six. It's shown in the first column. I think we were on target in terms of land prices. In fact, the housing prices are a little lower than we thought they would be. We didn't have a good handle on what the improvement costs were going to be. And I think some of the other expenses really hadn't been defined until we began to first work with the first projects.

That $2-million commitment that the Agency makes is an agreement that we make with Bank of America that if the costs come in at that price and the project is built, that we will purchase. The bank actually requires a 10-percent contingency on top of that, so that if there were cost overruns that came to another $200,000 in the case of this project, we would be committed to purchase.

The -- in terms of where we anticipate our actual purchase to be, it is in the second to the last column, and that's on the additional page. And some of the costs we think will go down, although we're not sure. If the project is built on time and on schedule and there are not interest spikes, there would be a $50,000 savings roughly in interest costs. And there would also -- and we -- and we also have the regional centers coming in with the additional capital that they've agreed to come in with, the 11.1 million. That would spread roughly to $150,000 per house. And so the savings, and they're primarily interest savings, and the additional capital leaves a loan that I anticipate will be somewhere around a hundred -- or $1,750,000.

The other thing that will go down because this is a 501(c)(3) property, is that the Agency's reserve that is funded, the dollar amount of that will go down because the interest rate assumptions will be actual tax exempt interest rate assumptions, and it will be based on the loan amount. So if the loan amount does go down, the reserve will go down.

I don't know, in terms of this project I'm wondering if you have questions that I could answer on -- oh, I probably didn't go through how we fund this. That might be an important thing. Let me -- let me go to what we get as security for this project when we agree to make this commitment.

We -- what we get, at the point that the Agency agrees that we would purchase the loan from Bank of America, is we get a signed lease that's signed by

Hallmark Community Services as the owner leasing the property to the service provider. Inside of that lease is an agreement that the service provider will pay what's called debt service, or the property cost component of the lease, to the Agency for the term of the Agency's debt.

For this property, that's $224,000 a year. There's an agreement to pay that to us. That money comes from the regional centers, so we also get estoppels. We get -- the lease is signed by the regional center directors, but we also get an estoppel from the regional center directors that they will, in fact, pay that money to us on transfer.

And we look at the credentials and the ability of the service provider to sign. The regional centers have signed an agreement with us, and they're able to -- to defer the payment to the Agency, wire the payment to the Agency monthly and not give that payment to the service provider. That's also included in the lease, so that the service provider, to pay our debt, never sees that $224,000 a year, that comes directly to us.

The other thing that's paid in the property cost component for this property is another $45,000 a year that pays for the management fee that goes to the owner, the utilities. They pay for the insurance and taxes, and they pay for replacement reserves. So the regional center has also agreed that they will pay, as part of the lease payment, a payment that goes to the owner to pay for the upkeep of the building.

The general maintenance of the building is paid for by the service provider through the lease, and they're responsible for fixing a broken window, taking care of a toilet that goes out. They take care of not only the service needs of the residents and the staffing, but they also take care of the building when they lease the building.

That lease, in case the service provider doesn't perform, they have -- the service provider has no ability to leave the lease during the term of the lease, which is longer than our debt, the term of our debt. But the regional center has an unconditional ability to replace the service provider with another service provider in case they don't perform, and they have to accept the lease obligations in exactly the same manner that the original service provider does.

The Agency enters -- has no oversight of the service provider except to the extent that the property is a 501(c)(3) bond property and we then have the ability to approve the new service provider and they're bona fides to make sure that they are a legitimate 501(c)(3) so that it in no way endangers our bonds and would change them from tax exempt to taxable.

So we get those guarantees, and that means that our primary security for the property is the -- is the lease. We -- the Bank of America at the time that they fund the acquisition, they get a lease assurance agreement from all three regional centers that if something happens, all three regional centers, no matter whose catchment an area the property is in, agree to fund the lease for -- and to make Bank of America whole for lease payments.

When we purchase the loan from Bank of America at the completion of the property, we also get a lease assurance agreement from Bank of America -- or, I'm sorry, not from Bank of America. We get it from the regional centers. They assure our payments, and we get the assurance of all three regional centers.

What caveat is that in that security? The one caveat is that the money comes from the State of California. And the State of California, because of -- is not able to guarantee the debt for this transaction. If they did, they would -- we have to have an authorization of the voters. So we have language in all of our documents that we have a lease assurance agreement, we have a 15-year lease, we have a very steady stream of payments, but we do not have a guarantee that those payments will come every year. They're appropriated by the legislature.

So what we look for behind that is how secure is that stream of payments? And that stream of payments -- and Tom does this better than I do, but that stream of payments is really an entitlement in the state of California coming from the passage of the Landerman Act in the 1960s, which guarantees that every -- every person with developmental disabilities has the right to the services they need to be able to function and through a series of court interpretations that have made that an entitlement unless the legislature went back and repealed the Landerman Act.

And there are additional -- there was the Olmstead Decision, which gives people with disabilities the right to live in a community setting as opposed to living in an institution, and court decisions that say that the DDS's plan to do the community settings, which the Bay Area Housing Plan is part of, are appropriate implementations of the Olmstead Decision. So there's a series of court decisions, legislation and then legislative appropriations history that backs up that stream of payments.

CHAIRPERSON COURSON: Mr. Morris.

MR. MORRIS: I just have a kind of different kind of question unrelated to this project specifically, but as we contemplate an increase in our commitment to the Bay Area Housing Project. I don't want to change the subject, but I guess you're done with the presentation?

MS. WEREMIUK: Absolutely.

MR. MORRIS: What I'd like to do is to get a sense of, since we've started this program, how many individuals we are actually helping now and what the total project cost has been to get a kind of per capita number roughly of how we're doing.

MS. WEREMIUK: That's a harder question. Currently I believe we are assisting -- there's four -- let me go to the next slide. There are four of the buildings that were built in -- they were built in 2005. They're family teaching model homes. They're in Foothill -- Foothill Boulevard in Cupertino. And those four properties house three developmentally disabled persons each, and they are fully occupied, and people are being served.

MR. MORRIS: So we have a total of 12 people that are --

MS. WEREMIUK: We have a total of 12 people who have moved into the houses.

MR. MORRIS: And what is the total project cost for them?

MS. WEREMIUK: The total project cost of each of those projects at the point in time -- they're going to have to transfer through. We're going to have to add reserves. At the point in time they were completed, they were basically $1,270,000 each.

MR. GARDNER: Yeah, we had -- we purchased -- Chuck Gardner with the Hallmark Group.

We purchased three of those homes at a lesser rate than one of them. There was a common owner for three of the duplexes, and then there was another owner for the fourth, but the range is 1.27 to 1.3, and difference is that we paid less for three of them, so there's one that is in at 1.3 and there's three more that are in at 1.27.

MR. MORRIS: So we're around roughly 5 million total.

MR. SHINE: That's just acquisition.

MR. MORRIS: Right. I understand.

MR. GARDNER: That's not correct. That's completed project costs.

MR. MORRIS: I'm just trying to get a sense on a per capita basis where we are. So roughly 5 million?

MS. WEREMIUK: They're going to be roughly -- when the properties are completed, they'll be, I'm estimating, about a million-six each and they would -- the cost per capita for the residents would be about $533,000 per resident. That would be paid for through -- through a lease. And I'm adding into that the reserve costs and it's just an estimation.

MS. PARKER: Kathy, are some of these pages helpful for --

MS. WEREMIUK: Yeah, I think this -- there are some supplemental pages that I handed out, and I'm going to -- there's a chart called "Bay Area Housing Plan List of Properties and Current Status."

CHAIRPERSON COURSON: John, it's the legal --

MR. MORRIS: I've got it. I folded it over.

CHAIRPERSON COURSON: It was legal sized.

MS. WHITTALL-SCHERFEE: And this addresses the issue that Mr. Shine, I think you were a little confused during the Baywood presentation when they were talking about the appraised value of a million-two, it was on these Cupertino homes. They were talking about the value now on those homes.

MR. SHINE: Okay.

MS. PARKER: This essentially shows you that there's 21 projects that have come to staff to date, 21, and the various costs associated with those projects.

MS. WEREMIUK: And that's --

CHAIRPERSON COURSON: Let me --

MR. MORRIS: How many people --

CHAIRPERSON COURSON: Let me ask a --

MR. MORRIS: How many people of these 21 projects? I'm just trying to get a sense.

MS. WEREMIUK: It's going to be -- the projects will house somewhere between three and five -- three to five people each, so for the 21 --

MR. MORRIS: So maybe 60 to a hundred people.

MS. WEREMIUK: Sixty to a hundred people. And when we're --

MR. MORRIS: Okay.

MS. WEREMIUK: -- completed with the project, we anticipate it will be about 260 to 270 people who are currently residing in Agnew that will live in these 71 buildings. There -- I think there are a few more people in Agnew who will be transferred to other developmental facilities.

CHAIRPERSON COURSON: Okay. While we're on this sheet, let me -- let me talk back to the total project again. Excluding the -- these, I won't say preexisting, but these were in a different state than the rest of the properties we're really going to be dealing with in our commitment, these four; correct?

MS. WEREMIUK: Absolutely. We are going to commit to these four properties.

CHAIRPERSON COURSON: No, I understand that.

MS. WEREMIUK: But, yes, they're entirely different --

CHAIRPERSON COURSON: Right.

MS. WEREMIUK: -- because they were -- they were -- and we based some of our costs off of them, but they were --

CHAIRPERSON COURSON: Right.

MS. WEREMIUK: -- done early. They were done in 2005. They were done somewhat differently than this project. And they'll conform back to it later.

CHAIRPERSON COURSON: So -- so let me go back, and maybe I'm reading this wrong, likely I am. Of the projects -- and I'm looking at this schedule of properties. And it seems as though the projects that have been purchased so far, if I'm reading this correctly, construction has not started on any of those projects yet.

MS. WEREMIUK: That is the absolutely correct.

CHAIRPERSON COURSON: And that does beg the question, "Why and when will it start and what does that do to the anticipated completion date?"

MS. WEREMIUK: Yes.

Is that a question?

CHAIRPERSON COURSON: That was a -- yes. What does it do to -- well, I guess the -- look. We're sitting here and we've dealt, obviously properly so, we've dealt with this project at every Board meeting. We get updates. We've been buying houses. We keep increasing our commitment, and we own some houses, but we have started no construction. And I guess I would ask the question as to when -- when will it start and why hasn't it started and are the resources -- are the resources really there to deal?

Because once it starts, it looks like to me, we're going have a lot of construction, a lot of balls in the air at one time. And I guess the question is, are there resources there to move all those projects at the same time as -- because there's more coming in behind those.

MS. WEREMIUK: I'm delighted you asked that question, and I'm going to refer the question to our master developer, to Chuck Gardner, who --

MR. GARDNER: Yeah, I think that's my cue. So here's -- there's a couple things that you need that we're managing to. And so we're managing to a schedule that was created for the Department of Developmental Services really in late 2004.

So what we did is we made our best guess about the types of properties that would be available in the Bay Area, Greater Bay Area housing market. We also created our best guess estimate about how we -- and I mean it was a guess. It turned out to be a fairly educated guess, but we made our best guess about how we might actually start to acquire the duplexes, the four-bedroom homes and the five-bedroom homes and the three-bedroom homes, and then we made an educated guess about how long it might be for the construction durations.

DDS took that and budgeted to it, much to our chagrin, but that's what we've been held to, and that's what we're still managing to.

So what we've done is there's -- there's three things that we should be measured on here. One of them is the acquisition, which you guys are most familiar with. So we've gone back and reconciled to that early DDS estimate that we created. And so we've reconciled by acquisition.

And so what we've found is that in terms of that projection that we originally made, we're about two homes shy of where our purchase goal should have been. So by mix, in the San Andreas Regional Center, which is the South Bay, we've had a difficult time finding five-bedroom single-level homes, as you might expect. So we needed -- by our projection, we needed to have acquired five of those. In actuality, we've acquired two. So we're actually -- I called those the 962 models, but we're three 962 models behind on our acquisition. The SRH models, we're actually one ahead in the acquisition compared to the original DDS roll-out schedule. So overall for the South Bay, San Andreas Regional Center, we're two purchases behind schedule.

When you go to the Regional Center of the East Bay, which is Jim's regional center, we're right on track with our purchases. We're right where we projected we would be by type and by quantity.

And the same thing for Golden Gate Regional Center, which is the Greater San Francisco Area, so we're right on track with those.

So in terms of acquisition, you know, we started out slow with acquisition. You know, one thing I think that is difficult to appreciate is the process that's involved in this project, so I wouldn't call it, the delays that we've had, a construction delay. It's really a process delay.

It's a -- it's a brand-new process for all our players, and so we're having to not only do a huge volume of work, but we've having to create the process to do it at the same time, and so that's been difficult. But once we've got our process in place, just like with acquisition, once it got rolling, we streamlined the process, and I think the lenders that are here can testify on how much easier and how much quicker and more streamlined it is now that we have a process that everything falls into.

So that gets us to the construction side. So where we are on construction, we're about 60 days behind schedule from our original projected schedule. And I'll say that the reason for that delay is similar. It's a process delay.

To give you an idea of the magnitude of what we have to do to move this into construction is we have to take the design criteria that we committed to. We have to go and get stakeholder comments from the service providers and the regional centers.

We then have to take the comments from Bank of America's construction consultant, CalHFA's construction consultant, which fortunately is the same consultant, but we have to take their comments, and then we have to incorporate the termite report, the roof report, the structural report, the water pressure report -- what else is there --

MS. WEREMIUK: Sewer cam.

MR. GARDNER: Sewer cam report, thank you, I missed that one. And then we have a hazardous material report.

So we have to collect that, and then we have to coordinate that to now what are ten different agencies that are going to be in the approval process. So we have to coordinate all this information and then consolidate it to something that's manageable that we can hand over to our design builder in this case.

So it's really -- the delay has been creating a process so we can actually manage the process or manage the project when we get it under construction. We currently have at last count 12 architects that are working on this. And we're really not into construction yet, so there -- there really isn't a construction delay, it's just really just getting a process in place that we can manage.

And I think we're there. I mean, we're going to be picking up speed as we go. And the latter projects are going to go a lot faster than the ones that we're doing now, obviously. But when you reconcile that to the schedule which we're being held to, which is the delivery schedule that works for the Department of Developmental Services, the milestone that we're managing as an interim milestone -- and that's the one that we're late on -- which is June 30th of 2007.

DDS had a target of homes that they wanted to see us have completed, and so we're about -- we're at maybe two homes past that target date, and we're trying to bring that up so they have the number of homes that they had budgeted for that they have in place. So we're picking up time on that, and I think that, you know, we're conservative in our time lines now. I think we will pick that time up.

Overall, our close date is December 31st of next year, and so we're not projecting any delays past December 31st. So that's where we are schedule wise.

We think that we're going to get a -- we're getting a more favorable bid climate as we go. We're getting a more favorable construction market as we go because the housing market has softened.

And so we think we're going to get our favorable bid results back sometime at the end of November. In mid-December we should be into construction.

We're not doing these one at a time. We're actually batching them and doing them six at a time. So just like we're batching them for purposes of bond issuance, we're also batching them for the purposes of construction because we batch them by locality, which gives us better bid results, because we're not just bidding one home, we're bidding six as a bid package. And that's, I think, going to give us some additional cost savings.

CHAIRPERSON COURSON: Okay. And I assume that we're comfortable -- I mean, that's the resource I was talking about, too. You get six going at one time in these batches, which obviously I know you said you had 13 architects. Do you have the rest of the staffing or capabilities to deal with those multiple projects going on at one time?

MR. GARDNER: Yes. Here's -- the way this project looks is that it's kind of gone from you take something that's really simple, and we've blown it up and made it something that's really incredibly complex. And now you have to shrink it back down and make it something that's simple again. And so we're in the process of doing that. And we have to keep reminding our subcontractors and our general contractor, it's just a housing remodel. Don't over think it.

Because when you're really looking at this, you're doing six homes in the South Bay, six remodeling projects in the South Bay. You're going to be doing six in the East Bay and six in Golden Gate. And, you know, given the sub pool that's out there and given the favorable -- or more favorable labor market than we had when we started this, I don't think it's unrealistic to think that we're go to -- we going to hit our time lines.

CHAIRPERSON COURSON: Okay. And I guess the follow-up to that is who -- who monitors the progress that Hallmark makes? Is it -- is it CalHFA? Is it Jim? The Regional Centers?

MR. GARDNER: Yes, I think, is the answer.

CHAIRPERSON COURSON: All of the -- Bank of America, everybody.

MR. GARDNER: We were -- I was in the Department of Developmental Services yesterday meeting with the head of the Department, and we were having exactly the discussion around schedule, so they're --

MS. PARKER: I think if Julie were here she might add in maybe one thing that is helpful for the Board to understand. The uniqueness of this particular project is that the Department of Developmental Services has to move these individuals, these clients; out of Agnew State Hospital and that there are financial penalties for not moving in a timely fashion. So it's not just a matter of try to adequately house people, but there are some real downsides to the extent that -- that -- that these projects are not allowed to come on time. So there is that side of, you know, the need to move and have clients served, because those 200, 300 people need to be moved out of the developmental center.

CHAIRPERSON COURSON: But I guess the primary oversight would be the regional?

MR. BURTON: Yes.

CHAIRPERSON COURSON: Jim, with the regional center?

MR. BURTON: Yes. We have -- Jim Burton, Executive Director at Regional Center of the East Bay, and I'm here representing actually all of the regional centers. We have a steering committee that's composed of the three executive directors. We've not delegated that responsibility because the due diligence on this project, we think, is extremely important.

And so we meet on a weekly basis. We actually look at the total project from the first deposit and in each step. We have, again, another look at the project through each step of acquisition and through construction and again are meeting weekly -- we met the other night -- to make sure that this is carefully monitored. Our work is carefully monitored by the Department of Developmental Services, and so I think that's -- that would be our process.

MS. WEREMIUK: On the bank side, on the lender side, we share an inspector with Bank of America. Bank of America has the primary responsibility for monitoring the construction, but that inspector reports to both of us.

CHAIRPERSON COURSON: And I guess as long as I have the microphone, my last question, which may lead to another one, but I think my last question, obviously my interest was piqued with the topic on page 165 called "Additional Equity." And it indicates that the regional centers are, in fact, contributing an additional 11 million, a little over $11 million to the project.

Now, in my unpracticed, naive eye, that equals cost overrun. Because I don't see anything else being reduced by that figure, so my assumption is by $11 million coming in from the regional centers, that that is, in fact, cost overrun.

MR. BURTON: Actually, if I could explain the $11 million. This was our proposal at the regional centers and came about because in the process of putting together the Bay Area Housing Plan, we had 11 million -- $11.115 million allocated by the State of California as a result of AB2100, which -- which gave us the legal authority to do the Bay Area Housing Plan. That money was specifically allocated by law to be used for predevelopment expenses, deposits, a pretty clear but pretty exhaustive list of expenses.

In the course of our negotiations we agreed to essentially use those moneys as a security deposit which will come back to the State of California, which left us without the ability to spend those in the way really in which the legislature and the Governor intended them to be spent. So we worked hard to come up with a method by which we could -- we can make these deposits out of our operating expenses, not out of any other state-budgeted funds.

When -- when the terms are met, these funds will be returned to the regional centers as our operating expenses, and that will allow us to use the $11 million that was budgeted specifically for predevelopment expenses and help us address really both loan to value ratios and then some of the struggles we have had with costs.

A number of these are brand-new models of service, have never been put in place before, and so the costs were really unknown. Some of them were estimated two and three years ago, and so they are being updated on a regular basis. And the Department of Developmental Services will be updating these costs again in their next Governor's budget revision.

But it really was primarily again our -- our attempt to make sure that we bring these loan to value ratios down and also make sure that we use the funds in exactly the way that the legislature and Governor intended them to be spent.

CHAIRPERSON COURSON: And that $11 million is spread over the entire --

MR. BURTON: Yes.

CHAIRPERSON COURSON: -- project?

MR. BURTON: That's correct.

CHAIRPERSON COURSON: Other questions from Members of the Board?

Mr. Shine.

MR. SHINE: I just want to say thank you for this (indicating). I'm more of the bean counter than the esthetic kind of person, and so I look at this. And at the bottom line it all adds up, and it's very, very informative.

And also, I think this (indicating) is very informative, so, A, thank you.

B, I have a question, however. The regional centers are the ultimate source of repayment of the obligation from CalHFA, and you'd have to change law, according to what you said, in order to create a condition where the State could not fulfill it. Who holds title to the property?

MS. WEREMIUK: The property -- the title to the property currently is held by Hallmark Community Services, which is a nonprofit. At the point that we purchase it, it will be transferred to a nonprofit organization, one of three depending on which regional center's catchment area they are in. That nonprofit, I think it's fair to say, was created and nurtured by that particular regional center for the express purpose of developing, owning and holding property for the -- for the clients of that regional center.

Under the documents that we have, however, if the regional center is not satisfied with the performance of the nonprofit, if they ever fall short, at the end of the term of our loan -- we didn't want anything destabilized during the term of our loan, but at the end of the term, they can take that property and give it to another nonprofit who will perform the functions that they want to have performed. So the control of that house is ultimately with the regional center.

I think in the regional centers -- the regional centers preferred to have the responsibility and liability for the homeownership with a separate entity, which is what we normally see with affordable housing. So that the ownership is with the nonprofit, but the control is with the regional center.

MR. SHINE: So the answer is title is held in a nonprofit created by each of the regional centers.

MS. WEREMIUK: Yes.

MR. SHINE: And the loan we make is not in any way secured by an encumbrance on that property.

MS. WEREMIUK: Absolutely it is. What we have --

MR. SHINE: Hold on. Back up. We get a note secured by a deed of trust on the property --

MS. WEREMIUK: Yes.

MR. SHINE: -- to the extent of our 110 or 20 or 50 percent loan?

MS. WEREMIUK: Yes. We get three --

MR. SHINE: In the first position?

MS. WEREMIUK: We're in first position.

CHAIRPERSON COURSON: Other questions?

MR. HUGHES: We're buying the loan from Bank of America. We're buying the position that they already had.

MR. SHINE: Will we end up with a first trust deed as collateral security in additional to the obligation of the State? If for whatever reason, who knows, the State might not be able, willing or in a position to honor its commitment, we have a first trust deed on the house?

MR. HUGHES: The answer is yes.

MR. SHINE: Thank you.

CHAIRPERSON COURSON: Mr. Czuker.

MR. CZUKER: Yes, Mr. Chairman.

I was curious, given the slowdown in housing in general and new construction and the housing bubble, are you experiencing, or do you anticipate to experience in the future, the potential for cost savings in construction with the subcontractors who may be a little hungrier going forward, have less work going forward, and perhaps improving your price point to deliver and turnaround in the future?

MS. WEREMIUK: I'd let -- I think Chuck should answer that.

MR. GARDNER: Yes. The market has been kind to us since we started the project. The interest rates have not, however.

But when we started -- here's kind of the market condition that we found ourselves in initially when we started purchasing back in June is we found that we were one of four offers on a project that had just hit the market, and we were having to pay something, you know, 20 to 30 thousand dollars over the asking price by the seller.

The current market condition today -- and we were having to close within 14 days. Now what we're finding is we're the only offer, and we're offering sometimes $20,000 less than the asking price, and we're generally getting 30 days to perform our due diligence before we have to go nonrefundable with the escrow.

So we're starting to see not as significant as in, say, Sacramento, for example, but we are starting to see some softening in that market. And, you know, construction materials are not -- the cost of materials are not going down, but I think the labor market is starting to soften up a little bit, especially in the residential area.

MR. CZUKER: So between the combination of being able to purchase a little cheaper than you anticipated or below asking price and labor cost reductions, will that improve your budgets or your future need for capital or create a potential reserve that could hedge the execution going forward?

MR. GARDNER: Well, I think, if I could go back to I think the question that the Chairman asked, which was about the $11 million, I'd want to close that one off. It's not for budget overruns exclusively.

What we found is, is that like these five-bedroom 962 homes in the South Bay, what we really needed those $11 million of funds for was really to find acceptable properties for the acquisition side of that. We have some, I won't say significant, but not insignificant cost overrun. I mean, they're not bad.

We're -- we're projecting -- there's a lot of conservatism that's built into the numbers that comes before this Board. There's a conservatism that we put in our estimate. I'm expecting that my general contractor probably has some conservatism built into his number. B of A puts theirs on it. CalHFA puts theirs on it. And you see a pretty big number when you get here.

You know, the numbers that we track to, we went back and revised the budget for the Department of Developmental Services on March 15th of this year. And so every time we purchase a home, when we do a construction estimate on it, we go back and we reconcile to that target number that we handed to DDS in February. And so we're reconciling fairly close to that.

So it's -- what will happen -- now I'm answering your question -- is what will happen is if there are any costs savings, we'll actually just be buying down the overall cost of the project. So it will be in essence reducing the lease payment to the regional centers.

So that's how we'll -- that's how we'll see that savings, as a reduction. Because when it's all over and all the costs are in, we do a reconciliation to actual costs. And then whatever the cost is, that's what we reset the lease rate on. And at that point, there would just be a savings to the regional centers at that point.

MR. CZUKER: A follow-up question and that is given the difficulty in certain submarkets to find the five bedroom or even in some cases four bedroom, is there the flexibility or even the desire to possibly do a room addition and so that it's not just rehabbing, but it's actual, you know, addition of a new bedroom? Especially if you're going to be doing a new roof anyways, creating new square footage as an add-on might be a possibility.

MR. GARDNER: It's a possibility. It's not our preferred possibility. What we're starting to look at now is actually going into areas that are outside of the -- kind of the first -- the Choice A locations, which are closer to the City. So we're starting to look a little bit farther out to find those properties.

And the room addition is really close to not working on a budget basis and is really getting more difficult to work on a schedule basis, because it requires a different level of scrutiny when you go into permitting, rather than when you're just moving some interior walls. So we're trying not to go into that realm, and we're looking at other options first.

MS. WEREMIUK: What you will see here, though, is that two of the properties are new construction properties, Sunnyside and Flora, which I think are No. 18 and No. 19. So we are seeing some models where -- and they're not -- and they're the medical five-bedroom models where they're there looking at teardowns and rebuilds. And that's being tracked separately. So I think those are the two that we've seen as sort of reconfiguration and -- and complete building but not additions in what we've seen to date.

MR. GARDNER: That's correct.

CHAIRPERSON COURSON: Are there any other questions?

MR. CZUKER: Are you happy with what you're doing or with hindsight are you -- would you do things differently?

MR. GARDNER: You know, it's -- it's a lot of process, and so I think the next time it will go a lot smoother. You know, it's a huge volume of work just by itself. You know, in a typical construction project, it's a pretty known process that you walk into. And so you're just dealing with the volume of the work.

And so dealing with the volume of the work and dealing with the process, creating it as you go, and creating it with everybody, not just within your own team, that's challenging. I'm hopeful that we'll be able to do this again and maybe the State will see the value in looking at this as a viable model to house these individuals going forward. And it would be good for all the parties here because now we have the process. I think it would go much easier the second time around.

CHAIRPERSON COURSON: We're being asked to approve the resolution as on page 245 and carries over to page 247, which is approving up to an aggregate amount of $70 million, which is obviously $25 million additional over and above the 45 million we've previously approved.

MS. WEREMIUK: Correct.

CHAIRPERSON COURSON: Is there a motion to approve?

MR. CZUKER: Just a clarification. In the write-up it shows the initial commitment for the first mortgage being reduced from 75 million down to 50 million. Is that also part of this?

MS. WEREMIUK: No. What -- what we're really doing is converting some of the -- we had an initial commitment from the Board of up to 120 million, so some of the initial commitment, 25 of that is being converted into a permanent commitment. There's not a reduction. We still anticipate that at the completion of the project we will be asking you for a hundred -- a total of 120 million.

MR. SHINE: But this is 70.

MS. WEREMIUK: This is 70 permanent.

CHAIRPERSON COURSON: This resolution would move us to $70 million.

MS. WEREMIUK: Right. This would move you to 70 to date. It would take us through essentially a little more than half of the acquisitions or half of the project and would allow the developer to continue acquiring till they reach the Bank of America cap, at which point we'll see construction, and then we'll begin taking out loans, and then we'll be coming back for more authorization.

MR. SHINE: I'll move it.

MR. CZUKER: Second.

CHAIRPERSON COURSON: Okay. There's a motion.

MR. CZUKER: And a second.

CHAIRPERSON COURSON: Mr. Czuker seconds.

Any first discussion?

(No response.)

CHAIRPERSON COURSON: Is there any comment from the public?

(No response.)

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

MS. OJIMA: Thank you.

Mr. Pavao.

MR. PAVAO: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Yes.

MS. OJIMA: Mr. Davi.

MR. DAVI: 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 06-18 has been approved.

CHAIRPERSON COURSON: Thank you.

And, Jim, Chuck, thank you very much for being here and your work.

Kathy, as always, we appreciate all the effort everybody is going to. It's a significant project for us and for the State of California and the folks we're going to help. Thank you.

MR. GARDNER: Thank you very much.

CHAIRPERSON COURSON: I will yield to the wish of the Board. We can take a quick five-minute break, if you would like, or we -- and then we're going to move right into Mortgage-Backed Securities 101.

MR. SHINE: There's no such thing as a five-minute break the way the rest rooms are.

CHAIRPERSON COURSON: All right. Mr. Shine has now reminded me once again of the plumbing logistics for those of us of the male gender, so having noted that, you're on your own, and we will move right into the presentation of mortgage-backed securities.

The Chair will return very shortly.

MS. PARKER: What's the Board's pleasure?

MR. CZUKER: He wants us to keep going.

MS. PARKER: That's what I thought.

--oOo--

Item 6. Discussion, recommendation and possible action relative to adoption of resolution amending Resolution 06-03

MS. PARKER: If you're all ready, I will begin. I think that John didn't want us to wait for him, so I was going to -- and I -- he's -- I'm just going to do a brief overview anyway. I think his feeling was he's heard this. I'm going to just set the stage, and then my colleagues are here to really make the presentation.

I'm very excited about being able to present this resolution for you today, for us to be seeking a new bond indenture. I think I have told you throughout the year that the California Housing Finance Agency along with our sister state agency in Michigan -- excuse me, in Massachusetts, has been working with Fannie Mae to see if we could develop a partnership, an HFA-Fannie Mae partnership, for the benefit of the -- really our consumer stakeholder group, those people at lower levels of income that are significantly challenged and that Fannie Mae has also challenged to essentially recognize through their HUD requirements every year that are set for -- the GSEs to benefit.

We have worked for almost a year on this discussion and proposed program. We were able to essentially come to agreement and present this to our colleagues across the country at our meeting of the executive directors in July. And the Housing Finance Agency, though, in California has been looking at the proposed program to see whether it would fit in California. Our recommendation to you today, and we will be going through that, is that it has substantial benefit for our program, for our customers, and for the Agency in totality, given the reserve requirements that we have on the homeownership side.

So Bruce is going to walk you through it. There are the homeownership folks, both on the insurance side and the lending side that are very much impacted. It also impacts our loan servicing, our accounting shop. It really -- our IT shop, it is a -- an initiative that will really test all of the strong resources of the Housing Finance Agency, including our legal, which I would like to take one last moment and introduce, since I think I have told you all that we do have a new bond counsel.

The Agency is fortunate to have bond counsels on both the multifamily side and the single family side. You all know Stan Dirks very well. This is the first meeting of the managing partner from Hawkins Delafield, and I'd like to have Howard Zucker stand up and introduce himself. Howard is, as I've mentioned, is the managing partner on the housing side for Hawkins and is our new bond counsel on that side. So we think we have all the people in place, and we're ready to walk you through this exciting program.

I'm going to have -- introduce one other person who's going to take my place when I get up, and that's Carl Riedy. I have asked Carl -- he can state his affiliation with Fannie Mae. He works for Fannie Mae. He is a former housing finance agency, a strong supporter in that he ran an NCSHA for years, but I've asked -- I've also asked Carl to come and sit at the table and walk through this presentation.

MR. GILBERTSON: Thank you, Terri.

Resolution 06-19 is a request and authorization from the Board to really broaden the single family housing program of the Agency to include a mortgage-backed security program and, in connection with that, the approval of a new form of bond indenture that we would use to finance the underlying mortgage-backed securities.

But by way of background, since our very first issuance of single family bonds, now over 30 years ago, the Agency has administered a whole loan program. Today our single family whole loan program consists of conventionally insured fixed-rate loans of 30-year, 35-year and 40-year terms, as well as FHA insured and VA guaranteed fixed-rate loans with 30-year terms.

Under our whole loan program, Agency-approved lenders make loan reservations for specific borrowers and lock in our lending rate for a particular loan product. In addition, the lender submits those loan files to the Agency for conditional approval and ultimately our lenders directly fund escrows to enable our first-time homebuyers to purchase their home.

After close of escrow, lenders submit funded loans to the Agency for purchase. Using our warehouse facilities, loans are purchased from lenders and temporarily warehoused. On a monthly basis, these loans are assigned a specific bond series and purchased with unused bond proceeds or those principal prepayments that we've received from prior loans.

Resolution 06-19 requests authorization to broaden the single family housing program for purposes of creating a mortgage-backed security loan delivery system and the approval of a new form of indenture. Specifically this resolution amends the Single Family Bond and Program Reauthorization Resolution adopted at the January 12th, 2006 Board meeting. That prior resolution was Resolution 06-03.

The material changes include the approval of a new form of indenture, what we are referring to as the Residential Mortgage Revenue Bond Indenture. The resolution would authorize the form of residential mortgage revenue bond series indentures and authorize the execution of such series indentures in connection with the issuance of bonds, would further authorize the Agency to obtain guarantees of mortgage-backed securities or their underlying loans, as well as authorize the Agency to enter into other agreements for the purchase and sale of mortgage-backed securities, authorize the Agency to enter into a master servicing agreement for mortgage-backed security loan delivery structure, further authorize the Agency to enter into agreements with government sponsored enterprises such as Fannie Mae and other secondary market issuers or guarantors of mortgage-backed securities, and lastly, the Agency -- it would allow the Agency to enter into other program documents as may be needed to operate this mortgage-backed securities program.

In establishing a mortgage-backed securities program, the Agency's plans include, and fundamentally, contracting with a master servicer. It is anticipated that the master servicer's duties would include all of the following: The purchase of funded loans from Agency-approved lenders after appropriate loan reservation and conditional approval has been received by the Agency and the Agency's staff.

The master servicer would aggregate similar loans and pool those mortgage loans into securities and ultimately obtain the guarantee from a Fannie Mae, Federal Home Loan Mortgage Corporation or other guarantor through the issuance of the security.

The master servicer would sell the mortgage-backed security that was created to the Agency's bond trustee, in this case the trustee for the residential mortgage revenue bond indenture.

And lastly, the master servicer would serve as the primarily loan servicer in servicing each of the underlying loans in dealing with each of our first-time homebuyers.

Once established, the mortgage-backed security program will change the manner in which certain of the Agency's loans are purchased, financed and serviced. Our initial thoughts are to securitize only the conforming 35-year Interest Only Plus loans. These loans arguably carry the greatest risk to the Agency due to the longer term and the interest only payment period. We plan to finance the purchase of these MBSes with proceeds from the residential mortgage revenue bond indenture.

At the same time, we plan and will continue to administer a whole loan program. The whole loan program will consist of all of our government loans, the FHA insured loans and the VA guaranteed loans. In addition it would include the conventionally insured 30-year and 40-year fixed-rate loans, and, lastly, all nonconforming 35-year Interest Only Plus loans.

The financing of those whole loans will continue to be done under the existing single family bond indenture, our home mortgage revenue bond indenture.

Let's take a look at the economic benefits of creating a new program. There are really five economic benefits that the Agency will realize from an MBS program. The first benefit, and perhaps the most significant to the Agency, is to reduce bond rating agency capital requirements.

As you know, over the past several years we have gone from a predominantly FHA loan program to one that is now 85-percent conventionally insured loan products, and conventionally insured whole loans typically require a 6-percent to 8-percent set-aside of unrestricted CalHFA capital for potential losses not covered by mortgage insurance and/or hazard insurance.

These potential losses include default risk, exceeding mortgage insurance coverage, and losses resulting from natural catastrophes such as an earthquake. In addition, alternative loan products, such as our IOP program, and loans with high loan to value ratios are viewed as having a much higher foreclosure frequency by the rating agencies and require a greater commitment of capital.

We will also benefit by eliminating the need to fund bond reserves. It is anticipated that the residential mortgage revenue bond indenture will not need to have funded bond reserves. And by contrast, a typical bond reserve requirement may exceed 3 percent of outstanding bonds or the requirement may be 3 percent of outstanding loan balances.

The second benefit stems from the higher credit rating of an MBS-backed bond indenture. We expect the residential mortgage revenue bond indenture to receive Triple-A ratings from both Moody's and S and P. In today's market, we believe the credit spread between Triple-A rated bonds and Double-A rated bonds to be between two to four basis points. The bond rating of our existing single family indenture, the home mortgage revenue bond indenture, is currently rated in the Double-A category.

Another benefit is received by reducing risk; both credit risk and real estate risk. Holders of mortgage-backed securities, which the Agency would be in this case since we would acquire the securities created, are guaranteed the full payment of principal and interest from the underlying loans. In addition, mortgage insurance coverage provided by the Agency's insurance fund is limited in this case to no more than 20 percent of the loan amount.

This will serve to lower the amount of insurance in force and risk in force to the Agency's insurance fund, but at the same time reduce the mortgage insurance premium received from borrowers. By contrast, mortgage insurance for our whole loan program, which consists of both primary insurance and gap coverage, aggregates to 50 percent of the loan amount.

The fourth economic benefit relates to reduced loan servicing fees. As we have considered the implementation of an MBS program, we plan to lower loan servicing fees from 30 basis points, which we have paid historically for conventionally insured loans, to 25 basis points. Twenty-five basis points is an industry standard paid for loan servicers, or in our case a master servicer, for conventionally insured mortgage-backed securities programs.

And finally, our first-time homebuyers will benefit by having a lower monthly payment obligation. Our borrowers will benefit from a lower mortgage insurance premium due to the reduced coverage requirements I just discussed. And at this point we would expect premium reductions would average between 15 and 20 basis points.

The mortgage insurance premium reduction is large enough to more than offset the entire guarantee fee that we would be assessed from a GSA or otherwise, and we would intend to pass that guarantee fee on along to our borrower as a part of the mortgage loan interest rate. The borrower may also benefit from the five basis point savings resulting from the lower loan servicing fees.

Last slide, we're almost through this. But I thought we'd highlight some of the flexible features of this new form of bond indenture that we're calling the residential mortgage revenue bond indenture. It's drafted for flexibility and allows for the following: The ability to finance whole loans as well as mortgage-backed securities, although initially that is certainly not our intent.

The indenture allows for financing of a variety of loan types, including first mortgages as well as subordinate lien mortgages. Again, we initially plan to limit this to first lien mortgages.

The indenture will allow for the issuance of fixed-rate and variable-rate bonds. As you all know, we've been very active issuers of variable-rate bonds over the last six or seven years.

And the indenture contemplates that the Agency would enter into qualified hedges or interest rate swap contracts as a part of a variable-rate bond issuance strategy, and it further provides that net settlement payments that are made to swap counterparties on a periodic basis would be paid on a parity with bondholders interest payment obligations. Other forms of credit enhancement and liquidity may also be used in connection with the bonds issued under this indenture.

And finally, the indenture provides for flexible debt service payment dates. We can select dates that might be monthly, quarterly, or semiannually.

With that, I would open it up to questions. And I'm sure that this esteemed group sitting at the table would be responsive to all of your questions or concerns.

CHAIRPERSON COURSON: Questions from the Board?

Oh, it can't be that easy.

MR. GILBERTSON: I think I bored them to tears.

CHAIRPERSON COURSON: It really is a big step for us. And I think it's a wonderful opportunity working with the GSEs and obviously with Fannie Mae initially to be able to really leverage off of our capital without going, you know -- getting into our bonded indebtedness and leverage up off of the resources we've got by partnering and still providing the service.

I think the -- the economics of being able to drive that five basis points down to the borrowers through negotiating with Fannie Mae and a group of HFAs -- because there are a whole host of FHAs that are doing this with Fannie Mae -- allows us to negotiate pricing with Fannie Mae that we can pass on to our borrowers, and I think that's a big advantage for us. This is a win-win all the way around --

MR. GILBERTSON: Absolutely.

CHAIRPERSON COURSON: -- as far as I can see, and frankly has, as down the road we're starting with our interest plus product, but has ramifications of other projects that come along that we can make a decision whether we, in fact, want to hold them ourselves in portfolio and issue our bonds or expand our activities into the MBS world.

Carl and I have known each other a long time. Carl, if you want to make a few comments or --

MR. RIEDY: Thank you, John.

I would be remiss if I didn't say at least one thing, which would be thank you to CalHFA and to this Board and recognize, if you don't already know it, which I'm sure you do, the incredible leadership and sophistication you have on this team. Terri and I have been working on this now, along with her leadership, for almost a year. I think the first time we met in Sacramento was in October or November of last year.

I've been in -- I've been in different parts of this business for 30 years, and it's not easy to look at success, challenge success, and then with an operation as deep and as broad and sophisticated as this, suggest change to it. And it's a real pleasure for me to be able, on behalf of Fannie Mae, to bring enough business case here, a strong enough economic case, to in a sense to allow this team, you, the Board, and your entire team to challenge itself on this front.

Obviously we're very, very pleased that it looks like we're moving toward a successful and new partnership. Fannie Mae has had a long history with HFAs. I've been on both sides of it. It has not always been a positive one, to say the least. So in a lot of ways, this is a new day with us with NCSHA, with all the HFAs and with CalHFA specifically.

And again, the most important point though is you have a heck of a team here that knows their business inside and out. They have challenged us. We have learned from them. And a special thanks to you, John, to Terri, and to the Board for this opportunity.

CHAIRPERSON COURSON: I think the Board's -- we've talked about the opportunities of leveraging, doing public-private vertical integration, if you will, my favorite term. We never thought about it on the multifamily side, but here we are on the single family side really putting something together that does allow us to partner with the private market and meet the needs of the citizens. So I applaud everybody who's had any -- a hand in this.

Are there any questions?

(No response.)

CHAIRPERSON COURSON: We're -- the resolution we're dealing with is on page 251 in your Board book. And if there are no questions, a motion to approve would be in order.

MR. CAREY: So moved.

CHAIRPERSON COURSON: Mr. Carey moves.

MS. JACOBS: Second.

CHAIRPERSON COURSON: And Ms. Jacobs seconds.

Are there any further discussions?

(No response.)

CHAIRPERSON COURSON: Are there any comments from the public?

(No response.)

CHAIRPERSON COURSON: If not, we will call the roll.

MS. OJIMA: Thank you.

Mr. Pavao.

MR. PAVAO: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

(No response).

MS. OJIMA: Ms. Jacobs.

MS. JACOBS: Yes.
MS. OJIMA: Mr. Davi.
MR. DAVI: Yes.
MS. OJIMA: Mr. Morris.
MR. MORRIS: Yes.
MS. OJIMA: Mr. Shine.
MR. SHINE: Yes.
MS. OJIMA: Mr. Courson.
CHAIRPERSON COURSON: Yes.
And here comes Mr. Czuker.
Mr. Czuker, we've had a motion to approve the resolution for the indenture in the MBS and --
MR. CZUKER: I agree.
MS. OJIMA: Thank you --
CHAIRPERSON COURSON: Mr. Czuker votes yes.
MS. OJIMA: -- Mr. Czuker.
Resolution 06-19 has been approved.
CHAIRPERSON COURSON: Thank you all. Mr. Riedy, thank you very much for coming from Washington. We really appreciate you participating in our meeting.
MS. PARKER: Mr. Chairman, I would make one mention, and that is that NCSHA and the executive directors of the housing finance agencies see this as one of the first opportunities in what we hope will be a continued set of opportunities to partner with Fannie

in other product development areas. And some of my colleagues are even now forming a team to look at ways that partnerships could be developed in such products as multifamily. So we will hope to be bringing you more of these opportunities, to have Carl come and visit us again with some of those opportunities in the future.

--o0o--

Item 7. Report of the Audit Committee Chairman regarding the meeting of CalHFA's Board of Directors' Audit Committee

CHAIRPERSON COURSON: Okay. The next item on our agenda, as you, I think, saw on our agenda today, our audit committee met this morning and under the capable leadership of Chairman Shine. And I think Dennis Meidinger is going report on that committee.

MR. MEIDINGER: Thank you, Mr. Chairman. Good afternoon, Members of the Board and Audit Committee.

At 8:00 o'clock this morning, we did have our audit committee meeting.

CHAIRPERSON COURSON: Duly noted.

MR. MEIDINGER: Besides myself as the comptroller of the Agency, I also had my accounting administrator, Susan Goodison. And in addition to that, I introduced a couple of our auditors who were in charge of this year's audit from Deloitte.

Then I went over an overview of the June 30th financials, comparing them to last year's 2005 financials. In a nutshell, last year's financials, we pretty much hit a low of only $21 million net income, but because of rebounding interest rates and the slowing down of prepayments, the Agency earned an additional $16 million. And so this year, this year's net income hit 37 million.

Also, our homeownership portfolio, which had lost over 6,000 loans in the past three years, also rebounded. And so this was kind of a rebounding year.

After that, I turned it over to the -- our auditors. Our auditors pretty much started with their opinion, opinion letter, in which they discussed the combined financials. And in their opinion, our financial statements present fairly in all material respects the financial position of the fund, and they're in conformity with accounting principles generally accepted in the United States.

Next they went over a SAS 61 letter. That's a Statement of Auditing Standards letter that kind of talks about their audit, their responsibilities, the internal control audits that they have to perform and then if they had any trouble with the Agency. They pretty much went over if they had any auditing adjustments, if there was any accounting -- or significant accounting changes, if they had any disagreements with management and/or any difficulties in working with the Agency, in which all the answers were no. As a matter of fact, they made note that our Agency takes very seriously our responsibilities in preparing our financials, and they also said that we are the most professional accounting group that they audit in the state.

After that, they went over a management comment letter which did bring up additional comments in which they're recommending some additional procedures be in place, but they're pretty much nonmaterial items.

And that is my report. Any questions?

CHAIRPERSON COURSON: Any questions of Dennis or Jack on the audit?

We have copies of the annual report on -- in front of each of us. Do you have any questions?

(No response.)

CHAIRPERSON COURSON: Dennis, thank you.

MR. MEIDINGER: Okay. Thank you.

CHAIRPERSON COURSON: The -- following the 8:00 o'clock meeting, we had a more leisurely 9:00 o'clock compensation committee meeting.

MR. CAREY: Do we need to accept that? I'm just wondering if we need to accept the report on it?

MR. HUGHES: The agenda is not set up for an action item. Actually when we talked about it internally, we didn't think any action by the Board to accept or not accept it. We thought it was simply a report as to the status, the primary function of the audit committee, being to be a direct vehicle for the Board receive comments directly from the auditors. So we viewed it as a non-action item.

MS. PARKER: There's no action. If there were, then we would have proposed it.

MR. SHINE: The only thing that's going on is that we're now going to go out with a request for proposal in the next couple of weeks because we have a March 1st deadline to resolve the new auditing or auditor contract. We've been with Deloitte for 12 years, so we're going to take a look around and see what that means.

CHAIRPERSON COURSON: Okay. Other questions?

(No response.)

--o0o--

Item 8. Report of the Compensation Committee Chairman

regarding the meeting of CalHFA's Board of Directors' Compensation Committee

CHAIRPERSON COURSON: The compensation committee met. And at your seat, each Director should have a packet of information that the top of which is a time line of the compensation committee. As you know, that committee was appointed at the last Board meeting, and Mr. Morris and Mr. Czuker and myself, we met this morning.

The status -- as chair I'll report the status is that clearly we're aware of the legislation that we've discussed in terms of the compensation survey and the compensation levels of our senior staff and executive director was passed, signed by the Governor.

We have retained Wattson Wyatt to undertake the initial first step of putting together a comprehensive salary survey. And you'll see in your packet of materials that we've segmented the population of which they're seeking information being other housing finance agencies, the not for profit, other state agencies, CalSTERS and PERS. And what you don't see on there but in addition to that is also the private market, other mortgage lenders, because part of this is to try to take a look at the value of the positions as we recruit new positions or evaluate current positions. And clearly one of those where we draw from new hires is in the private market. So the other piece here, which they have data on, is in the private market. So they're in the process of doing that information and survey gathering.

As you recall, the legislation required that we share with DPA, Department of Personnel Administration, the methodology. And you'll see also in your packet a letter to them and the information that we shared. Terri and Pat Meehan and others met with them and so they now have, as required, on their desk the methodology that we are using with Watson Wyatt to go forth and obtain this information.

And also included in that and in your packet is a job -- brief job description of each of the positions that's covered by the new legislation. So that process is ongoing. You'll see by the time line that our target is to receive by the first of -- part of November the Wattson Wyatt study and survey.

The compensation committee today agreed that we will meet as a committee in open forum to discuss that survey. We'll have Wattson Wyatt there, probably between the dates of sometime between December the 8th and the 20th, which will give us a chance to look at the methodology, really accept to make sure it's on point because -- and then having done that, move to the next step, which is to do specific evaluations and -- of the positions and of the executive director, preparing to come to the Board in the January meeting to make a recommendation of each of the positions and the commensurate salary.

That -- having said that, the Act itself and the salaries themselves would be effective January 1, but even though we're doing this at the January Board meeting, we can make them, by our action, effective on the 1st of January.

So we -- we felt as a compensation committee that obviously this is a very, very important first step. It's the first time, it's the first methodology, it's the first benchmark, it's the first process, and we've got to get the first time right, because from this, we'll build future reviews and compensation. So we want to make sure that we're not pressed up against a Board meeting or any other activity. We're going to take our time, do a thoughtful process and meeting and then come to the Board in January with our recommendation.

Terri, I don't know if you have anything else to add, but --

MS. PARKER: No, Mr. Chairman. I'm just here as from staff standpoint to answer if there are questions that any of you have.

We expect that the meeting would probably be held in Los Angeles. Clearly, you know, it would be a public meeting. We will let any of the other Board members know if they wish to sit in and attend also or wait for the final recommendations.

CHAIRPERSON COURSON: Okay. Mr. Morris.

MR. MORRIS: I have a question when we're done with the compensation committee.

CHAIRPERSON COURSON: Oh, okay.

Anything else on the compensation committee?

(No response.)

CHAIRPERSON COURSON: Okay.

MR. MORRIS: I had a question on the audit committee. I just had a quick question. The annual report that we received doesn't include any financials. Why doesn't the annual report have financials in it?

MS. PARKER: It will. We just -- I think that that's -- there's usually two reports that are done.

MR. MORRIS: Is this a draft?

MS. PARKER: Well, that one just got printed. I presume that we don't have the financials printed. They're coming.

MR. GIEBEL: They'll all be mailed. They came off the press at 8:00 o'clock at night. They'll all be mailed next week. You'll have the statistical supplement and all the financials.

CHAIRPERSON COURSON: As I recall, and correct me if I'm wrong, last -- what we really receive, we receive two --

MS. PARKER: Usually two documents.

CHAIRPERSON COURSON: -- documents. One is this one, which is the pretty, feel-good document that explains --

MR. MORRIS: It's not really an annual report.

CHAIRPERSON COURSON: No.

MR. MORRIS: It's a brochure.

CHAIRPERSON COURSON: Correct.

And then we get -- the second one will have the financials statements, the balance sheet, the operating statements and so on in detail. And it's available not only in hard copy but also electronically.

MR. MORRIS: Okay. All right.

MR. CAREY: It was in a CD last year, wasn't it?

MS. PARKER: Yes.

CHAIRPERSON COURSON: And I assume we'll put it out in a CD this year.

MR. GIEBEL: Yes. It will be in the back page.

CHAIRPERSON COURSON: Right. Yeah.

MS. PARKER: We wanted to get --

CHAIRPERSON COURSON: Because, Mr. Morris, what happens is on the back page of this, the CD that has the financials gets folded in.

MR. MORRIS: Okay.

CHAIRPERSON COURSON: And then you hand it out, it's got the whole thing.

MS. PARKER: We wanted to at least get this to you. This was, given the printing deadlines, the best we could get. But we are required by statute to be submitting an annual report that has all of the statistical and financial information. So we use this also as a marketing tool. So you've got the marketing piece. The financials will be coming shortly.

MR. MORRIS: Right. Right. I understand. So this is really more of a marketing piece.

MS. PARKER: Correct.

CHAIRPERSON COURSON: Okay. Any other questions?

(No response.)

--oOo--

Item 10. Discussion of other Board matters

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

(No response.)

--o0o--

Item 11. Public testimony

CHAIRPERSON COURSON: We have at this point an opportunity for anybody from the public that is here who wants to bring a matter before the Board or have any discussion with the Board.

Gentlemen, please. If you would identify yourself.

MR. OWEN: Yes. I am Brent Owen, and with me is John Dunlap. We reside in Redding. We have a CHFA project in Weed, California.

I don't recognize any of you. I was here in front of you 24 years ago with a project, and I don't recognize a single face.

We had -- CHFA came to us in 1982, and we were low income housing developers, had been involved in low income housing for many, many years. And they had a Section 8 -- fully funded Section 8 project that was expiring. Ronald Reagan would not extend it, and it was going to go away, and CHFA said we have 45 days in which to put a 50-unit project together.

And we stopped everything we did, and we secured the land, we secured plans, we secured everything. We came to this Board with our hat in hand with CHFA staff saying we don't have a hundred percent of this thing put together, but we're asking you for financial commitment because these fully funded Section 8s are going away unless you do it this Board meeting.

And the Board wasn't particularly happy about that, but they did it. And we have had a very successful partnership from 1982 until now. And the problem is not a -- created by CHFA. The problem is created by HUD actually.

Our December 31st, 2005 audit statement has this really nasty thing in it. It says:

> "The project has negative cash flows in the past previous three years. The project has a negative cash flow for 2006. Because of these uncertainties surrounding the ability to satisfy its creditors on a timely basis, there is substantial doubt about the project's ability to continue as an ongoing concern."

That's 100-percent accurate. We have had request after request into CHFA. We've had them into HUD. We've not been able to resolve this. It's a very serious problem, and we're here to simply ask for some help.

I am blown away that we could spend $24 million on 50 units, but it is Marin County. Our project is 48 units, and its original financial commitment from CHFA was 2.1 million. Our current mortgage amount is less than a million.

And the problem is this, is that these are very large square footage units. That's what CHFA wanted at the time. It's family units. Most of them are two bedrooms and three bedrooms, and consequently they were expensive for the time. And interest rates were very high. Our bond went out at 12.1 percent in '82. And so we had very high rents.

And we got our annual adjustment factor every year, and the project worked exactly as it was designed. There was adequate cash. As a matter of fact, some years there were surplus cash calculations that money flowed back to CHFA. I think that happened twice to us in the last 24 years.

Then HUD said if your market rates are above more than 120 percent, then you no longer are eligible for your annual adjustment factor. And we go, well, you know, we can't do anything about that. We went for eight years without a single rent increase from CHFA, eight years.

Four items, utilities alone -- utilities and insurance went up $24,000 in that period, but there was no new income, and so people should not be surprised that this project is failing. It shouldn't come as a surprise.

So the solution is really pretty easy. You take your income up, which HUD says they will not do and CHFA says we cannot do, or you take your expenses down. And the only place that expenses can come down is in the mortgage rate.

Now, it might surprise you that a prudent business person would sit there and accept a mortgage rate of 9.125 percent today. That's what we're paying, 9.125. How can that be? We have asked HUD to refinance it. We've asked CHFA to refinance it. We said we have to bring this interest rate to market rate and the thing works.

The answer that we are -- get from CHFA and HUD is that, "Well, you have money in the replacement reserve. Take the money out of the replacement reserve and everything will be wonderful."

Well, deficit financing might work for the federal government, but it doesn't work for a housing project. And I think your staff will tell you that this is one of the best maintained projects that you have. And the reason we have it that way is because we spend the money and replacement reserves on replacement reserves.

The solution that CHFA has proposed, which we rejected, was that we refinance the project for 26 years. I know I'm young looking, but I don't think my body can handle another 26 years of low income housing management. I don't think I can do it. And I know that I have no benefit from the mortgage at the end of 26 years.

There's only six years left on this thing, and all we're asking -- and it seems so simple to us when you look at the complexity of what you're doing today, which is a truly, truly far-out project that you guys are doing, all we want to do is take our $950,000 existing mortgage and have a reduced interest rate. And we don't care whether you do it. We don't care if we do it. We don't care if a private bank does it. But for some reason, this is an impossible task to accomplish.

And so we know that there's no way this Board can take action on a specific item because it's not on the agenda. We understand those rules. What we are asking for the help on is to direct staff to find a solution to the problem or in the next meeting, please let us out of the contract. We could go to fair market rent, easy. We could get rid of the Section 8 contract. There's -- all of them are ugly scenarios. Every scenario we have is -- is not a pleasant one, other than refinancing and getting a lower interest rate and making the thing balance.

We're willing to take money out of the replacement reserves. We have -- I'm making this number up, but it's about $26,000 of unpaid -- unpaid bills right now that are up to 90 days old. That's the crisis level we're in, and we just simply haven't gotten anybody's attention enough to realize that this problem needs attention today, not -- not next week or next month, it needs attention today.

And so we're just asking for help. And we're asking you to treat us like a partner like we thought we were getting into. And it has been a wonderful relationship for 24 years. We've not had -- I don't recall a single conflict in 24 years with this organization. But I do know the project is not working.

CHAIRPERSON COURSON: Okay. Mr. Owen, I thank you. I think that obviously your request on a specific project leads the staff in likely coming to the Board to a bigger issue in terms of our policy on dealing with these issues because obviously I would suspicion, although I don't have firsthand knowledge, we've had similar requests on projects that are in the age group and at the interest rate that you've had and asking for refinancing or relief and so on.

So I think that clearly you have done a very good job of explaining your project, and I think we will -- in fact, I'll tell you -- take it under advisement. I ask the staff to do that and report back to the Board.

At the same time, I have to say that it may well be an issue that is not just specific to yours, although I understand that's your personal interest, but may lead us to look at other projects and a bigger policy question as opposed to the specific of the Boles Creek Project.

MR. OWEN: Well, Mr. Chairman, perhaps you could explain. I don't understand this inequity, and I've asked this of staff, and they have not been able to explain it. They tell me, and I specifically asked them, "I'm going to repeat this to the Board. I want to make sure this is accurate."

And they said, "Yes, your understanding is accurate."

If I was to buy John's position or he was to buy mine and I came to CHFA, your policy allows you to refinance that. If we sell the project to a nonprofit, the Agency allows us to refinance it. If it's somebody new, we can do what you're requesting. But because you're not new, our policy doesn't allow us to do that. Why would you punish your partners? Why would you reward new partners but punish old partners? That part, I -- I'm baffled as to how that -- if that policy is, and I'm told that's what it is, how could that be?

CHAIRPERSON COURSON: I think, as chair and for the Board that would be part -- we would ask the staff to give us a better background to be able to respond to that. I don't have any personal knowledge that that's accurate or inaccurate. I'm not suggesting that it is or it is not.

MR. OWEN: Oh, I'm not -- I'm just going with what they tell me, and I'm sure they're telling me the truth.

CHAIRPERSON COURSON: Counsel.

MR. HUGHES: I'm not familiar with the details, so I can't specifically address this project, but one thing that I can say is that when we issue tax exempt bonds, we're subject to federal tax law, which generally doesn't allow us to put new money into a project unless it's been sold to a new owner and there's rehabilitation. So I don't know whether your particular case is an application of federal tax law that we don't have control about or whether it's a policy issue, but we can clearly look at all of these.

MR. OWEN: Well, what I'm asking for, and I would like this on the next Board, I would specifically ask for you to let us prepay the mortgage. If I can't -- if I can't come up a solution to the problem, then I specifically am going to ask, and you obviously have the right to do that or reject it, and we need to know that information.

And -- and I think another easy solution, in my mind, that was rejected by CHFA staff was take this. You baby-sit this project for HUD. You cost a percent a half to do that. Transfer it back to HUD. Say, "We're done." And we can pick up a percent and a half and let them manage the project. Now, your income goes down, but the project stays alive.

Otherwise we're going to be in default, and I assume once we're in default, we have the right to cure default, and all these contracts go away. We end up with just a tremendous relocation problem that nobody wants to face, and we recognize that as well.

CHAIRPERSON COURSON: Well, we will, and I would say to our executive director that we would like to -- we will take a look at it.

MR. OWEN: I appreciate that.

CHAIRPERSON COURSON: We will, I can assure you, get the information, the facts, both from a policy standpoint, a legal tax standpoint, and your specific project and discuss it and be prepared to give you a response. Okay?

MR. OWEN: I appreciate that.

Do you have anything that you want to say, John?

(No response.)

Thank you very much.

MS. PARKER: Mr. Owen, can I ask you one question?

MR. OWEN: Sure. You can ask me anything you want.

MS. PARKER: Have you asked the staff about the prepayment proposal, and have you received anything back from them one way or the other?

MR. OWEN: Yeah. The answer was -- we have asked, and the answer is that the chances of that are very, very low.

MS. PARKER: I mean I wondered if they had given you something back in writing --

MR. OWEN: No.

MS. PARKER: -- because this is a question that we are asked all the time, and we usually have a response that essentially lays out, you know, the policy issues. And so I wondered if they had shared that with you or not.

MR. OWEN: No.

MS. PARKER: Okay.

MR. OWEN: No. We have asked -- meetings with HUD. The part -- the part that is another thing that's very mystifying is now why HUD -- HUD has the right to force you to reissue new bonds under the Section 8 contracts, and they've done that once before. They did that in 1992. And actually it was in -- it was effective '92. I think they did it in '90. Why their -- because that just takes the cost of these rents up for their -- and the HAP contract is very, very expensive for HUD with these high interest rates, and I don't know why HUD is willing to pay all that money when they have the ability to force CHFA to redo that.

And I don't know the answer to that question. And that's another -- that's another avenue, I suppose. And I don't know if you have a lot in your portfolio that have these high interest rates, but, you know, from my perspective, it's offensive that you would protect -- you know, I'm not challenging at all, but it's offensive to me you protect the bondholder more than you protect the project and the affordability of the housing. I don't -- it just doesn't seem right to me.

But anyway, I've said enough.

CHAIRPERSON COURSON: But we do appreciate you coming and --

MR. OWEN: Thank you.

CHAIRPERSON COURSON: -- taking the opportunity to share with us. And we will -- I assure you we will follow up.

MR. OWEN: Oh, I'm positive you will.

CHAIRPERSON COURSON: Thank you.

Any other public testimony?

(No response.)

CHAIRPERSON COURSON: Seeing none, our next meeting is January the 18th at the Westin at the San Francisco airport. And if there's no other business, we will stand adjourned.

(The meeting concluded at 12:26 p.m.)

--o0o--

REPORTER'S CERTIFICATE

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

In witness whereof, I have hereunto set my hand this 16th day of November, 2006.

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

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Diamond Aisle Apartments
Anaheim (Orange County), CA
CalHFA # 06-084-C/S

This is a Final Commitment request for a $5,400,000 construction loan, a $770,000 permanent loan, and a $1,250,000 Bridge Loan. Security for the loan will be a leasehold mortgage interest on a proposed 25 unit special needs residential community to be located at 1232 West Diamond Street in the City of Anaheim. Diamond Aisle L.P., a California limited partnership (the "Borrower") will own the property. The managing general partner will be Jamboree Housing Corporation, a 501(c)(3) public benefit corporation.

Diamond Aisle Apartments is a proposed 3-story garden style apartment structure containing 24 rental units and one manager's unit, and situated on an assemblage parcel of approximately 0.85 acres. The project will be rented to a target population of chronically homeless and severely mentally ill, with a household income not exceeding 30% of Area Median Income ("AMI"). In addition Diamond Aisle Apartments will have HUD Section 8 Project Based Vouchers rental assistance by the Anaheim Housing Authority for a minimum of 24 rental units.

LOAN TERMS

Construction

Leasehold Mortgage (1st lien)	$5,400,000
Interest Rate	1month LIBOR + 125 bps, adjusted monthly
Term	24 months (interest only)
Financing	Tax-exempt mortgage revenue bonds

Permanent

Leasehold Mortgage (1st lien)	$770,000
Interest Rate	1.00 %
Term	10-year fixed, fully amortized
Financing	Tax-exempt mortgage revenue bonds

Bridge Loan

Bridge Loan	$1,250,000
Interest Rate	4.75 %
Term	1 year (principal and accrued interest due at maturity)
Financing	Tax-exempt mortgage revenue bonds

SPECIAL NEEDS LOAN TERMS

The interest rate on the permanent loan will be reduced from 5.70% to 1.00%. The commitment for permanent financing will be conditioned upon the Agency's receipt and acceptance of the following prior to the closing of the construction loan:

- A Supportive Service Plan approved by the Department of Mental Health, which plan will also be adopted by the Department of Housing and Community Development ("HCD") in conjunction with Governor's Homeless Initiative (GHI-PROP) funding.
- An executed Annual Housing Assistance Program ("AHAP") Contract between the Borrower and the Anaheim Housing Authority ("AHA") for a minimum 24 rental units at permanent loan close.
- An executed Memorandum of Understanding ("MOU") between the Borrower, the Property Manager and the Supportive Service Provider outlining roles and responsibilities, acceptable to the CalHFA.
- A description of the wait-list process from the Anaheim Housing Authority ("AHA").
- A Memorandum of Understanding b/b the County of Orange Health Care Agency ("COCHCA"), Jamboree Housing Corporation, H.O.M.E.S., Inc, which also defines each participants role and responsibilities.
- An updated first year service funding budget at permanent loan closing.

OTHER FINANCING

The Anaheim Redevelopment Agency ("AHA") acquired the site from the Orange County Transportation Authority as part of a portfolio of vacant, blighted remnant parcels remaining after the widening of Interstate 5. The property has been valued at $2,200,000. The property will be leased to the borrower for a term of 65 years. Payments for the ground lease will be from residual receipts.

The AHA ground lease and regulatory agreement have not been drafted. The terms and conditions of said documents shall be subject to the review and approval of the California Housing Finance Agency ("CalHFA"). The CalHFA Regulatory Agreement shall be in a priority position with respect to all regulatory constraints. In addition CalHFA may require that their Regulatory Agreement be recorded in a priority position against both the leasehold and the fee.

Construction Financing *					
Source	**Type**	**Loan Amount**	**Term**	**Interest Rate**	**Repayment**
Anaheim Housing Authority Ground Lease	Ground Lease	$2,200,000	65 yrs		Residual Receipts
AHP (US Bank)	Loan	$100,960	55 yrs	0%	

*Additional construction period funding will be from tax credit equity and deferred developer's fees.

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

Permanent Financing*					
Source	**Type**	**Loan Amount**	**Term**	**Interest Rate**	**Repayment**
Anaheim Housing Authority Ground Lease	Ground Lease	$2,200,000	65 yrs		Residual Receipts
MHP / GHI	Loan	$3,180,732	55	3%	.42% $13,359
AHP (US Bank)	Loan	$100,960	55 yrs	0%	
GHI-PROP 46 Capitalized Rent Subsidy**	Grant	$180,000	N/a	N/a	N/a

* Additional construction period funding will be from a capitalized rent subsidy, tax credit equity, deferred developers fees, and a General Partner contribution.

** The capitalized Rent subsidy will be held by the project sponsor for the benefit of the property.

HAP CONTRACT AND OTHER SUBSIDY SOURCES

In August 2004, the Anaheim Housing Authority ("AHA") of the City of Anaheim approved Section 8 Project Based Vouchers ("PBV") for the Diamond Aisle Apartments. Final approval of the PBV is subject to the Subsidy Layering Review process by the Department of Housing and Urban Development ("HUD"). The commitment, if approved by HUD, is for a total of 15 years in rent subsidies. The rent subsidies will be based on the applicable Fair market Rents/Payment Standard at time of approval (the Payment Standards as of October 1, 2006 were $929 for 1-bedroom units and $1,014 for 2-bedroom units). However the PBV is contingent upon annual appropriations funding.

The County of Orange Health Care Agency ("COCHCA") has committed to provide a guarantee for on-going rental or operating subsidies currently estimated at $276,804 annually. These funds shall be made available to the project in the event that funding for the HUD Section 8 program is terminated.

CONDITIONS PRECEDENT TO CONSTRUCTION LOAN CLOSING

Prior to construction loan closing all other sources of construction period and permanent loan financing, grants, developers equity and other financing and subsidy sources: all mental health commitments, agreements, service contracts and funding sources; as well as the Anaheim Housing Authority Affordable agreement (including ground lease and regulatory agreement) must be fully committed and enforceable upon terms acceptable to CalHFA. The CalHFA Regulatory Agreement shall be in a priority position with respect to all regulatory constraints and may be recorded against the fee.

The Annual Housing Assistance Payment contract ("AHAP") shall be in place prior to the first funding of the construction loan. The Housing Assistance payment Contract ("HAP") shall be in place prior to permanent loan closing.

PROJECT DESCRIPTION

Project Location

- The project is located at the northeast corner of Wilshire Avenue and Pearl in north central Anaheim. The address for this project will be 1232 West Diamond Street, Anaheim, California 92801.
- The site is less than one block east of the Santa Ana Freeway (I-5), and one block north of Lincoln Avenue. Freeway noise is mitigated by a sound wall that runs the length of the freeway in the area.
- The subject site is located in a mixed development area. Small 4 to 20 unit apartment properties are located to the east. A large apartment project is located to the west and a vacant parcel is across Wilshire Avenue to the south. Several commercial buildings are located along Lincoln Avenue to the southeast. Single family homes are located farther north of the subject.
- The recently remodeled and expanded Anaheim Plaza is located approximately one quarter mile northwest of the subject. This shopping center is anchored by a Wal-Mart and a Ross Dress for Less. Euclid Street, a major north/south commercial arterial is approximately 4 blocks to the west
- The Anaheim memorial hospital and Medical Center is located approximately one half mile to the northeast. Six public schools are within a mile of the site. Public bus service is available along Lincoln Avenue one block to the south.

Site

- The site of the proposed development is an assemblage of three parcels currently owned by the City of Anaheim Housing Authority. The sites are remnant parcels resulting from the Interstate 5 freeway expansion.
- The site is irregular in shape and contains approximately 36,962 square feet, or 0.85 acres. It is zoned RM-4 (medium density multifamily residential land use).
- The site is currently vacant.

Improvements

- The project will consist of 25 residential living units in a three level apartment building with 15 tuck-under parking spaces and 16 additional open surface parking spaces. The project will include a 2,500 square foot residence services center, two common use washrooms, an elevator, tot lot, common area laundry room, and project offices.
- The unit mix will consist of fifteen (15) one-bedroom units and ten (10) two-bedroom units. One of the two-bedroom units will be the managers unit.

SCOPE OF WORK

- The total development cost is currently estimated to be approximately $9,600,000 or $384,000 per unit.
- Construction is anticipated to commence in July 2007.
- CalHFA will monitor the project during course of construction

Relocation

- The site is vacant and requires no relocation

SPECIAL NEEDS SERVICES

- The project will be rented to a target population of chronically homeless and severely mentally ill, with a household income not exceeding 30% of Area median Income and is comprised of an adult or other adult member eligible for services under the Mental health Services Act ("MHSA").
- Supportive Services available to tenants will include: personal service coordination/case management; assistance with living/independently; money management; educational assistance; supportive employment; linkage to health care; mental health services; assistance with meaningful use of time; assistance with developing supportive relationships; and "whatever it takes" to keep residences housed safely and successfully. The exact support services to be delivered to each tenant will be determined by the Full Service Partner Telecare Corporation ("Telecare") and will be tailored to meet the specific needs of each individual tenant based on their specific disability. Telecare Corporation will provide these services pursuant to a contractual agreement with the County of Orange County health Care Agency.
- Supportive Services Funding Source In September 2006 the County of Orange Health Care Agency ("COCHCA") has committed to provide Mental Health Services Act ("MHSA") funding for supportive services for the duration of the 55 year HCD loan. The amount of funds committed annually is currently $412,658.
- Social Services will be provided by "Housing with Heart" ("HwH") a 501(c)(3) corporation and an affiliate of Jamboree Housing Corporation. The HwH on-site staff will assess the social service needs of the tenant population and provide programs based on input from the Full Service partner and the residents. HwH has established relationships with a variety of referral agencies, some of which have agreed to provide particular classes/programs/services on site on a regular basis, such as consumer credit counseling, emergency food, ESL, parenting classes, pre-employment counseling, and youth counseling.
- Services will be provided on-site in the community room and at off-site locations.

MARKET

Market Overview

- An estimated 35,000 are homeless in Orange County each year. These persons consist of 10,469 unaccompanied individuals and 24,429 persons in family units. It is estimated that 16,285 of the family members are children (with 8,144 adults). On any given night between 5,800 and 11,600 persons are homeless in Orange County.
- Persons who are chronically homeless are defined as an individual with a disabling condition (physical or mental disability, depression, alcohol or drug use, or chronic health conditions) who has continually homeless for one year or more, or who has experiences four or more episodes of homelessness within the past three years.
- An estimated 500 homeless persons annually would qualify for tenancy at the project.

Housing Supply and Demand

- There is only one small 29 unit facility that exists in Orange County that is the targeted to the same tenant pool as the subject project.
- There are no other projects currently in development in Orange County which are intended to serve the chronically homeless or the chronically homeless mentally ill.

PROJECT FEASIBILITY

Estimated Lease-up Period

The project is expected to be at least 95% occupied within one month of completion.

ENVIRONMENTAL

- A current Phase I Environmental Site Assessment is pending. A Phase I Environmental Assessment report was completed in March 2003 for the Anaheim Redevelopment Agency. No adverse environmental conditions warranting further investigation or remedial action were identified in the report.
- An acoustic study is also pending.

DEVELOPMENT TEAM

Borrower/Developer

Diamond Aisle, L.P. a California limited partnership

JHC-Diamond Aisle, a California limited liability company, is the managing general partner, and H.O.M.E.S., Inc is a co-general partner. Jamboree Housing Corporation is the sole member of the LLC.

Jamboree Housing Corporation ("JHC") was incorporated in 1990 as a 501 (c)(3) public benefit non-profit housing development corporation to expand housing opportunities for low-income households. JHC has an ownership interest in over 30 residential properties totaling 3,517 units of affordable housing ranging from multi-family residential to senior communities to work force housing. JHC currently has 14 communities under construction/rehabilitation containing an additional 1,356 units. Development experience has included new construction, acquisition-rehabilitation, preservation of at-risk projects, and mobile home parks.

H.O.M.E.S., Inc. is a small community-based 501(c)(3) nonprofit organization in Orange County that, for the past 20 years, has operated houses and support systems for adults with persistent mental disabilities

Service Provider

Telecare Corporation

Telecare specializes in providing services and support for individuals with serious mental illness and has over 2,000 employees and more than 50 programs in California, Texas, Nebraska, Oregon and North Carolina. Telecare provides a full spectrum of services, including inpatient and community-based care, case management, assertive community treatment, and residential, crisis and administrative services. Telecare serves individuals with the following co-occurring issues: substance abuse, developmental disabilities, homelessness, aging, and forensic challenges.

Housing with Heart

Housing with Heart is a 501(c)(30 organization and an affiliate of Jamboree Housing Corporation. Services offered include health and safety classes; social activities; computer learning centers with internet access; after-school tutoring; budgeting and parenting skills; classes; home buying seminars; referral to local agencies. Services to residences of senior communities include transportation to appointments and off-site events, as well as assistance with daily living. Currently Housing with Heart programs and services are offered at 22 JHC communities.

Management Agent

The John 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, home to over 65,000 California residents.

Architect

KTGY GROUP, Inc.

KTGY Group, Inc. provides planning and architectural design services for residential communities, retail developments and related specialty projects throughout the western United States.

Contractor

To Be Determined

PROJECT SUMMARY — PROJECT NUMBER: 06-084-C/S

Final Commitment

Project:	**Diamond Aisle Apts.**			
Location:	1232 W. Diamond St.	***Developer:***	**Jamboree Housing Corp.**	
City:	Anaheim	***Partner:***	H.O.M.E.S., Inc.	
County:	Orange	***Investor:***	Enterprise Community Investment, Inc.	
Zip Code:	92801-5917			
		No. of Buildings:	1	
Project Type:	New Construction	*No. of Stories:*	3	
Occupancy:	Family	*Residential Space*	19,125	sq. ft.
Total Units:	25	*Office Space*	2,500	sq. ft.
Style Units:	Flats	*Commercial Space*	6,108	sq. ft.
Elevators:	Yes	*Gross Area*	27,733	sq. ft.
Total Parking	31	*Land Area*	36,962	sq. ft.
Covered	15	*Units per acre*	29	

CalHFA Construction Financing	Amount	Rate	Term (Mths)
CalHFA Construction Financing	$5,400,000	6.75%	18

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	**$770,000**	**1.00%**	**10**
CalHFA Bridge Loan	**$1,250,000**	**4.75%**	**1**
CalHFA Second Mortgage	**$0**	**0.00%**	**0**
MHP	$3,180,732	3.00%	55
City of Anaheim	$2,200,000	0.00%	65
AHP	$100,960	0.00%	55
CRS	$180,000	0.00%	0
Source 6	$0	0.00%	0
Source 7	$0	0.00%	0
Source 8	$0	0.00%	0
Source 9	$0	0.00%	0
Source 10	$0	0.00%	0
Source 11	$0	0.00%	0
Source 12	$0	0.00%	0
Income from Operations	$0		
Developer Contribution	$15,000		
Deferred Dev. Fee	$58,903		
Tax Credit Equity	$3,087,560		

Construction Valuation		Appraisal		Value Upon Completion	
Investment Value	$5,620,000	**Appraisal Date:**	**20-Nov-06**	**Restricted Value**	$1,790,000
Loan / Cost	59%	**Cap Rate:**	**8.00%**	**Perm. Loan / Cost**	8%
Loan / Value	96%			**Perm. Loan / Value**	43%

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	**Amount**	**Required Reserves**	**Amount**
CalHFA Construction Loan Fee	$40,500	Rent Subsidy Reserve	$180,000
CalHFA Permanent Loan Fees	$3,850	Replacement Resv. Initial Deposit	$0
Bridge Loan Fee	$6,250	Repl. Reserve - Per Unit/ Per Yr	$500
Construction Loan - Guarantees and Fees		CalHFA Operating Expense Reserve	$0
Completion Guarantee Fee	$4,443,919	Rent Up Reserve	$0
Contractors Payment Bond	$4,443,919	Capitalized Operating Reserve-Other	$59,000
Contractors Performance Bond	$4,443,919	Tax-Exempt Bond Test (Min. 50%)	57.84%

Date: 1/3/2007 **Senior Staff Date:** 12/22/2006

UNIT MIX AND RENT SUMMARY — Diamond Aisle Apts.

06-084-C/S

Total Unit Mix

# of Units	Unit Type	# of Baths	Average Sq. Ft.
15	1 Bedroom Flat	1	732
9	2 Bedroom Flat	1	875
	2 Bedroom Townhome	1.5	
	2 Bedroom Townhome	2	
	3 Bedroom Townhome	2	
	4 Bedroom Townhome	2.5	
24			

Number of Regulated Units By Agency

Agency	30%	45%	50%	60%	80%	Unrestricted	Total
CalHFA	5						5
Tax Credits	24						24
Locality	24						24
HCD							
AHP							
Zoning							
Other							

Restricted Rents Compared to Average Market Rents

Median Income Rent Levels	Units Restricted	Restricted Rents	Avg. Market Rate Rents	Dollars Difference	% of Market
One Bedroom			$984		
30%	15	$439		$545	45%
45%	0	$0		$0	0%
50%	0	$0		$0	0%
60%	0	$0		$0	0%
80%	0	$0		$0	0%
Two Bedroom			$1,206		
30%	9	$524		$682	43%
45%	0	$0		$0	0%
50%	0	$0		$0	0%
60%	0	$0		$0	0%
80%	0	$0		$0	0%
Three Bedroom			$0		
30%	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		
30%	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 — Diamond Aisle Apts.

06-084-C/S
Final Commitment

SOURCES OF FUNDS:	Funds in during Construction ($)	Funds in at Permanent ($)	Total Development Sources: Total Sources of Funds ($)	Sources per Unit	%
CalHFA Construction Financing	5,400,000				
Construction Only Source 2	-				
Construction Only Source 3	-				
CalHFA First Mortgage		770,000	770,000	30,800	8%
CalHFA Second Mortgage		-	-	-	0%
MHP	-	3,180,732	3,180,732	127,229	33%
City of Anaheim	2,200,000	-	2,200,000	88,000	23%
AHP	100,960	-	100,960	4,038	1%
CRS	-	180,000	180,000	7,200	2%
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	-	15,000	15,000	600	0%
Deferred Developer Fee		58,903	58,903	2,356	1%
Tax Credit Equity	1,458,173	1,629,387	3,087,560	123,502	32%
Total Sources	9,159,133	5,834,022	9,593,155	383,726	100%
(Gap)/Surplus	-	-	-		

USES OF FUNDS:	Construction ($)	Permanent ($)	Total Development Costs: Total Uses of Funds ($)	Cost per Unit	%
LOAN PAYOFFS & ROLLOVERS					
Construction Loan payoffs		**$5,400,000**			
ACQUISITION					
Lesser of Land Cost or Value	2,200,000	-	2,200,000	88,000	23%
Demolition			-	-	0%
Legal - Acquisition Related Fees	-	-	-	-	0%
Subtotal - Land Cost / Value	2,200,000	-	2,200,000		
Existing Improvements Value	-	-	-	-	0%
Off-Site Improvements	-	-	-	-	0%
Other	-	-	-	-	0%
Total Acquisition	**2,200,000**	**-**	**2,200,000**	**88,000**	**23%**
REHABILITATION					
Site Work	-	-	-	-	0%
Rehab to Structures	-	-	-	-	0%
General Requirements	-	-	-	-	0%
Contractors Overhead	-	-	-	-	0%
Contractors Profit	-	-	-	-	0%
Contractor's Bond	-	-	-	-	0%
General Liability Insurance	-	-	-	-	0%
Environmental Mitigation Expense	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Rehabilitation	**-**	**-**	**-**	**-**	**0%**
RELOCATION EXPENSES					
Relocation Expense	-	-	-	-	0%
Relocation Compliance Monitoring	-	-	-	-	0%
Total Relocation	**-**	**-**	**-**	**-**	**0%**

(Continued on Next 2 Pages)

USES OF FUNDS (Cont'd):	Construction ($)	Permanent ($)	Total Development Costs: Total Uses of Funds ($)	Cost per Unit per Unit	%
NEW CONSTRUCTION					
Site Work	716,477	-	716,477	28,659	7%
Structures (Hard Costs)	3,181,707	-	3,181,707	127,268	33%
General Requirements	258,459	-	258,459	10,338	3%
Contractors Overhead	57,455	-	57,455	2,298	1%
Contractors Profit	229,821	-	229,821	9,193	2%
Contractor's Perf. & Pymt Bond	-	-	-	-	0%
General Liability Insurance	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total New Construction	**4,443,919**	**-**	**4,443,919**	**177,757**	**46%**
ARCHITECTURAL & ENGINEERING					
Architectural Design	266,635	-	266,635	10,665	3%
Architect's Supv during Construction	-	-		-	0%
Total Architectural	**266,635**	**-**	**266,635**	**10,665**	**3%**
Engineering Expense	177,060	-	177,060	7,082	2%
Engineers Supv. during Construction	-	-	-	-	0%
ALTA Survey	-	-	-	-	0%
Total Engineering & Survey	**177,060**	**-**	**177,060**	**7,082**	**2%**
CONSTRUCTION LOAN COSTS					
Construction Loan Interest	359,172		359,172	14,367	4%
CalHFA Construction Loan Fee	40,500		40,500	1,620	0%
Other Construction Loan Fees	-		-	-	0%
CalHFA Outside Legal Counsel Fees	20,000		20,000	800	0%
Other Lender Req'd Legal Fees	-		-	-	0%
Title and Recording fees	-		-	-	0%
CalHFA Req'd Inspection Fees	27,000		27,000	1,080	0%
Other Req'd Inspection Fees	-		-	-	0%
Prevailing Wage Monitoring Expense	-		-	-	0%
Taxes & Insurance during construction	64,807		64,807	2,592	1%
Predevelopment Interest	-		-	-	0%
Cost for Completion Guarantee	-		-	-	0%
Other	-		-	-	0%
Total Construction Loan Expense	**511,479**	**-**	**511,479**	**20,459**	**5%**
PERMANENT LOAN COSTS					
CalHFA Perm Loan Fees	10,100	-	10,100	404	0%
CalHFA Bridge Loan Fees	6,250	-	6,250	250	0%
CalHFA Loan Application Fee	500	-	500	20	0%
Other Lender Perm. Loan Fees	-	-	-	-	0%
Title and Recording	-	-	-	-	0%
Perm. Bridge Loan Interest Expense	-	-	-	-	0%
Bond Origination Guarantee Fee	-	-	-	-	0%
Tax Exempt Bond Allocation Fee	600	-	600	24	0%
Other -Perm. financing costs??				-	0%
Total Permanent Loan Expense	**17,450**	**-**	**17,450**	**698**	**0%**
LEGAL FEES					
Borrower Legal Fee	75,380	-	75,380	3,015	1%
Other	-	-	-	-	0%
Total Attorney Expense	**75,380**	**-**	**75,380**	**3,015**	**1%**

USES OF FUNDS (Cont'd):	Construction ($)	Permanent ($)	Total Development Costs Permanent of Funds ($)	Per Unit per Unit	%
CONTRACT / REPORT COSTS					
Appraisal	6,500	-	6,500	260	0%
Market Study	6,500	-	6,500	260	0%
Physical Needs Assessment	-	-	-	-	0%
HUD Risk Share Environ. Review	-	-	-	-	0%
CalHFA EQ Waiver Seismic Review Fee	12,000	-	12,000	480	0%
Environmental Phase I / II Reports	5,000	-	5,000	200	0%
Soils / Geotech Reports	-	-	-	-	0%
Asbestos / Lead-based Paint Report	-	-	-	-	0%
Noise/Acoustical/Traffic Study Report	-	-	-	-	0%
Other		-		-	0%
Other	65,000	-	65,000	2,600	1%
Total Contract Costs	**95,000**	**-**	**95,000**	**3,800**	**1%**
CONTINGENCY					
Hard Cost Contingency	477,106	-	477,106	19,084	5%
Soft Cost Contingency	16,000	-	16,000	640	0%
Total Contingency	**493,106**	**-**	**493,106**	**19,724**	**5%**
RESERVES					
CalHFA Operating Expense Reserve	-	-	-	-	0%
Construction Defects Reserve	-	-		-	0%
Rent-Up Reserve	-	-	-	-	0%
Capitalized Operating Reserve-Other	-	59,000	59,000	2,360	1%
Rent Subsidy Reserve	-	180,000	180,000	7,200	2%
Total Reserves	**-**	**239,000**	**239,000**	**9,560**	**2%**
OTHER					
CTCAC App/Alloc/Monitor Fees	15,191	-	15,191	608	0%
Local Permit Fees	75,000	-	75,000	3,000	1%
Local Development Impact Fees	350,790	-	350,790	14,032	4%
Other Local Fees	-	-	-	-	0%
Advertising & Marketing Expenses	20,000	-	20,000	800	0%
1st Year Taxes & Insurance	-	-	-	-	0%
Furnishings	100,000	-	100,000	4,000	1%
Final Cost Audit Expense	15,000	-	15,000	600	0%
Miscellaneous Admin Fees	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Other Expenses	**575,981**	**-**	**575,981**	**23,039**	**6%**
SUBTOTAL PROJECT COSTS	**8,856,010**	**5,639,000**	**9,095,010**	**363,800**	**95%**
DEVELOPER COSTS					
Developer Overhead/Profit (5% Acq.)	268,123	195,022	463,145	18,526	5%
Developer Profit payable from Operations					
Developer Overhead/Profit (NC/Rehab)	-	-		-	0%
Consultant / Processing Agent	35,000	-	35,000	1,400	0%
Project Administration	-	-	-	-	0%
Broker Fees to a related party	-	-	-	-	0%
Construction Mgmt. Oversight	-	-	-	-	0%
Other	-	-	-	-	0%
Total Developer Fee / Costs	**303,123**	**195,022**	**498,145**	**19,926**	**5%**
Total Costs	**9,159,133**	**5,834,022**	**9,593,155**	**383726.2**	**100%**

Annual Operating Budget | **Diamond Aisle Apts.**

Final Commitment

INCOME:	$ Amount	Per Unit	% of Total
Total Rental Income	$276,804	$11,072	99.35%
Laundry	$1,800	$72	0.65%
Other Income	$0	$0	0.00%
Gross Potential Income (GPI)	**$278,604**	**$11,144**	100.00%
Less:			
Vacancy Loss	$13,930	$557	5.26%
Effective Gross Income	**$264,674**	**$10,587**	

EXPENSES:	Total Cost	Per Unit	% of Total
Payroll	$43,490	$1,740	27.41%
Administrative	$16,260	$650	10.25%
Management fee	$14,280	$571	9.00%
Utilities	$19,065	$763	12.02%
Operating and Maintenance	$13,900	$556	8.76%
Insurance and Business Taxes	$16,650	$666	10.49%
Locality Compliance Monitoring Fee	$0	$0	0.00%
Other	$0	$0	0.00%
Subtotal Expenses	**$123,645**	$4,946	77.93%
Replacement Reserves	$12,500	$500	7.88%
Operating Reserves II Deposit (HCD)	$21,150		
Taxes & Assessments	$1,375	$55	0.87%
Total Expenses	$158,670	$5,501	86.67%
Financial Expenses			
CalHFA First Mortgage	$80,946	$3,238	
CalHFA Second Mortgage	$0	$0	
Other Required Debt Service	$13,359	$534	
NET OPERATING INCOME	**$11,699**	**$468**	

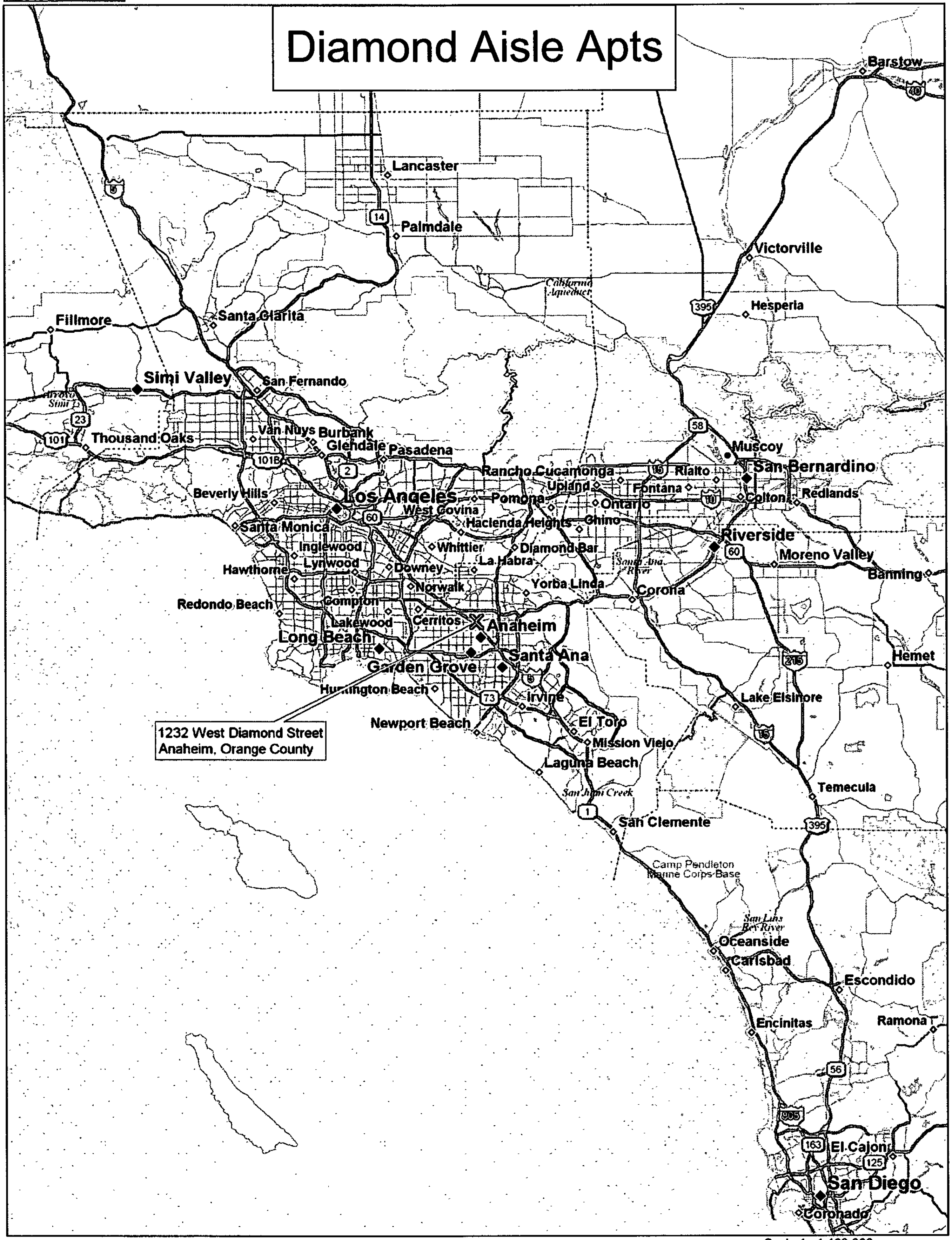
Cash Flow | **Final Commitment** | **CalHFA Project Number: 06-084-C/S** | **Diamond Aisle Apts.**

RENTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Affordable Rents	135,612	138,324	141,091	143,913	146,791	149,727	152,721	155,776	158,891	162,069
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	141,192	144,016	146,896	149,834	152,831	155,887	159,005	162,185	165,429	168,738
Rental Subsidy Increases	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Market Rate Units	0	0	0	0	0	0	0	0	0	0
Unrestricted/Market Unit Increases	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
TOTAL RENTAL INCOME	276,804	282,340	287,987	293,747	299,622	305,614	311,726	317,961	324,320	330,806
OTHER INCOME										
Laundry	1,800	1,836	1,873	1,910	1,948	1,987	2,027	2,068	2,109	2,151
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	1,800	1,836	1,873	1,910	1,948	1,987	2,027	2,068	2,109	2,151
GROSS POTENTIAL INCOME	278,604	284,176	289,860	295,657	301,570	307,601	313,753	320,028	326,429	332,958
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 / Market Rate Units	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Laundry & Other Income	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
LESS: VACANCY LOSS	13,930	14,209	14,493	14,783	15,078	15,380	15,688	16,001	16,321	16,648
EFFECTIVE GROSS INCOME	264,674	269,967	275,367	280,874	286,491	292,221	298,066	304,027	310,108	316,310
OPERATING EXPENSES										
Expenses	144,795	149,139	153,613	158,221	162,968	167,857	172,893	178,080	183,422	188,925
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	1,375	1,403	1,431	1,459	1,488	1,518	1,548	1,579	1,611	1,643
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	12,500	12,500	12,500	12,500	12,500	12,500	13,125	13,125	13,125	13,125
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	158,670	163,041	167,544	172,181	176,956	181,875	187,566	192,784	198,158	203,693
NET OPERATING INCOME	106,004	106,926	107,823	108,693	109,535	110,346	110,499	111,243	111,950	112,617
DEBT SERVICE										
CalHFA - 1st Mortgage	80,946	80,946	80,946	80,946	80,946	80,946	80,946	80,946	80,946	80,946
CalHFA - Bridge Loan	0	0	0	0	0					
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
MHP	13,359	13,359	13,359	13,359	13,359	13,359	13,359	13,359	13,359	13,359
None	0	0	0	0	0	0	0	0	0	0
Sum of all req'd debt service	94,305	94,305	94,305	94,305	94,305	94,305	94,305	94,305	94,305	94,305
Cash flow after CalHFA debt service	25,058	25,980	26,877	27,747	28,589	29,400	29,553	30,297	31,003	31,671
DCR for just CalHFA loans	1.31	1.32	1.33	1.34	1.35	1.36	1.37	1.37	1.38	1.39
CASH FLOW after all debt service	11,699	12,621	13,518	14,388	15,230	16,041	16,194	16,938	17,644	18,312
DEBT COVERAGE RATIO	1.12	1.13	1.14	1.15	1.16	1.17	1.17	1.18	1.19	1.19

THIS PAGE
INTENTIONALLY
LEFT BLANK

DeLORME

Street Atlas USA® 2006 Plus



TN
MN (12.9°E)

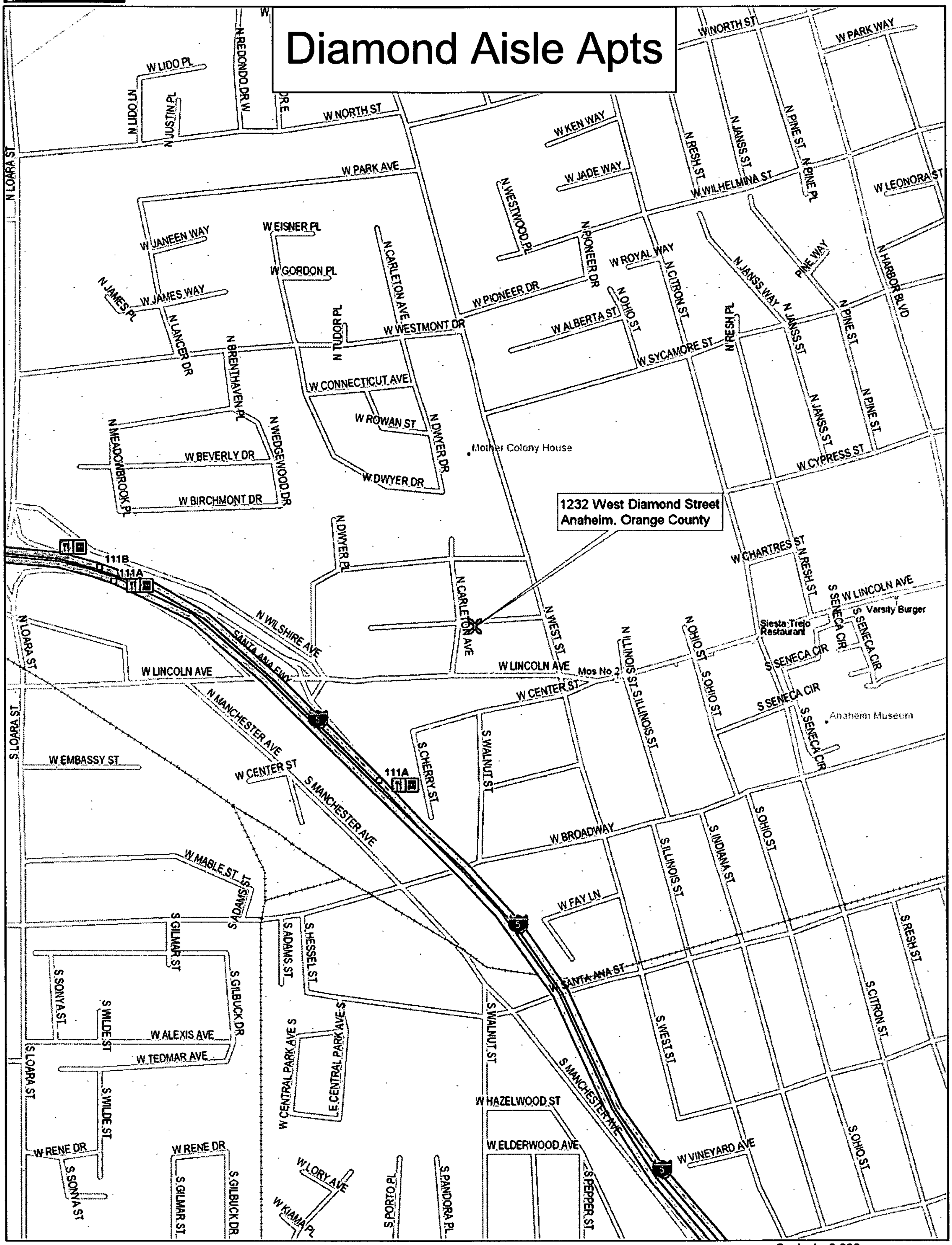
Scale 1 : 1,100,000

1" = 17.36 mi

Data Zoom 7-5

THIS PAGE INTENTIONALLY LEFT BLANK

DeLORME Street Atlas USA® 2006 Plus



Data use subject to license.

www.delorme.com

TN MN (12.9°E)

Scale 1 : 8,800

1" = 733.3 ft Data Zoom 14-5

THIS PAGE INTENTIONALLY LEFT BLANK

RESOLUTION 07-01

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Diamond Aisle LP, 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 Anaheim, Orange County, California, to be known as Diamond Aisle Apartments (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which prepared a report presented to the Board on the meeting date recited below (the "Staff Report"), recommending Board approval subject to certain recommended terms and conditions; and

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

WHEREAS, on December 22, 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, in a form acceptable to the Agency, and subject to recommended terms and conditions set forth in the Staff Report, in relation to the Development described above and as follows:

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNT
06-084-C/S	Diamond Aisle Apartments Anaheim, Orange County, California	25	$5,400,000 Construction $ 770,000 Permanent $1,250,000 Bridge

Resolution 07-01
Page 2

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

I hereby certify that this is a true and correct copy of Resolution 07-01 adopted at a duly constituted meeting of the Board of the Agency held on January 18, 2007 at Millbrae, California.

ATTEST:____________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Modified Final Commitment
Coyote Run Apartments, Phase II
Palm Springs, Riverside County, CA
CalHFA # 03-023-C/S

SUMMARY

On September 18, 2003 the CalHFA Board of Directors approved a tax-exempt construction loan in the amount of Six Million Eight Hundred Seventy Thousand Dollars, ($6,870,000) and a tax-exempt permanent loan in the amount of One Million Six Hundred Thousand Dollars ($1,600,000) for the Coyote Run Apartments, Phase II project.

This loan modification is to request an increase of Four Hundred Thousand Dollars, ($400,000) in the tax-exempt permanent financing to Two Million Dollars, ($2,000,000). This approval results in a 10.2% increase of the originally Board approved loan amounts. Security for each loan will be the newly-constructed family apartment project consisting of 66 units. The property is owned by Hacienda Sunset Affordable Housing Associates, a not-for-profit, limited partnership, whose general partner is Coachella Valley Housing Coalition (CVHC), a California non-profit corporation.

The Coyote Run Apartments, Phase II development is providing 66 units of newly constructed affordable housing in Riverside County. Phase II is the second phase of a pre-existing project by the same name with 140 units in Palm Springs.

LOAN TERMS

Construction	Original Board Approval September 2003	Modified Approval June 2004	Current Request December 2006
First Mortgage	$6,450,000	$6,870,000	
Interest Rate	variable	variable	
Term	18 Months, interest only	18 Months, interest only	
Financing	Tax-exempt	$6,450,000, tax-exempt $ 420,000, taxable	

Permanent	Original Board Approval	Modified Approval	Current Request
First Mortgage	$1,600,000	$1,750,000	$2,000,000
Interest Rate	5.50%	5.25%	5.25%
Term	30 year fixed, fully amortized	30 year fixed	30 year fixed
Financing	Tax-exempt	Tax-exempt	Tax-exempt
Insurance	Not Applicable	Not Applicable	Not Applicable

Reason for Loan Increase Request:

Project costs have increased. The bulk of cost increases were construction cost increases, mainly in lumber and steel, in addition to change orders. Construction costs are approximately $810,000 higher than were estimated at Board approval. Architecture and engineering increased by approximately $148,000. Construction loan interest increased by approximately $120,000. In order to pay for increased costs during construction the sponsor, CVHC, has drawn on their line of credit to keep the contractor payments current. A portion of the CalHFA permanent financing will be used to make equity funds available to paydown CVHC's out-of-pocket line of credit expenses. Currently CVHC has a balance of $480,000 on their line of credit which has been used exclusively to fund overages on the Coyote Run II project.

Other cost revisions since Board approval include the following: Required capitalized reserves have increased by approximately $44,000. Local Impact and processing fees have increased by approximately $64,000. Land costs decreased by $700,000 since Board approval. The total permanent sources and uses have increased by approximately $760,000 since Board approval.

Revisions in sources of financing since Board approval include the following: The City of Palm Springs contribution went down by $350,000, due to the land cost decrease. Equity from NEF Assignment Corporation, the tax credit syndicator, was increased by approximately $600,000. The final deferred developer fee has been increased by approximately $120,000, (with general partner equity remaining the same at approximately $665,000).

The CalHFA permanent loan will be increased by a total of $400,000 from the original approval by the Board of Directors in September 2003. The project is able to support the increased loan request

Current status:
The project is 100% complete and 100% occupied. Conversion is expected in late January 2007 after the January 2007 Board meeting.

Project Summary

	Original Board Approval 9/03	Conversion Request 12/06	% Change
Perm	$1,600,000	$2,000,000	25.00%
Construction	$6,450,000	$6,870,000	6.51%
Total	**$8,050,000**	**$8,870,000**	**10.19%**

Date: 12/22/2006

Project Profile:

Project : Coyote Run II
Location: San Rafael and N. Sunrise Way
Palm Springs
County: Riverside
Borrower: Hacienda Sunset Afford. Hsg. Assc.
GP: CVHC
GP:
LP: CEF
Program: Tax-Exempt
CalHFA # : 03-023-C/S

Appraisal:
Cap Rate: 7.50%
Final Value: $4,675,000
Construction $10,400,000

LTC/LTV:	Constructior	Permanent
Loan/Cost	62%	16%
Loan/Value	66%	43%

Project Description:

Units	66
Handicap Units	4
Bldge Type	New Const.
Buildings	17
Stories	1 and 2
Gross Sq Ft	0
Land Sq Ft	337,590
Units/Acre	9
Total Parking	143
Covered Parking	75

Financing Summary:	Amount	Per Unit	Rate	Term
CalHFA First Mortgage	$2,000,000	$30,303	5.25%	30
HCD - MHP	$2,428,834	$36,801	3.00%	55
HOME funds	$2,115,601	$32,055	3.00%	55
City of Palm Springs	$1,350,000	$20,455	3.00%	55
HOME funds- interest	$40,811	$618	0.00%	-
FHLB-AHP	$300,000	$4,545	0.00%	32
Deferred Developer Fee	$134,159	$2,033		-
General Partner Equity	$665,699	$10,086		-
Tax Credit Equity	$3,645,842	$55,240		
CalHFA Construction Loan	$6,870,000	$104,091	variable	18 months
Tax-exempt portion	$6,450,000	$97,727	variable	
Taxable portion	$420,000	$6,364	variable	-

Unit Mix:

Type	Manager		30% SMI		50% AMI		60% AMI		Market		Total
	number	rent	number	rent	number	rent	number	rent	number	rent*	
1 bedroom			2	301	2	488	4	596	0	0	8
2 bedroom			8	357	5	582	7	712	0	0	20
3 bedroom	1	0	12	409	7	668	10	818	0	0	30
4 bedroom			2	443	2	732	4	899	0	0	8
subtotal	1		24		16		25		0		
											66

Fees, Escrows, and Reserves:

Permanent		Basis of Requirements	Amount	Security
Fees	CalHFA Permanent Loan	0.50% Total Loans	$10,000	Cash
Escrows	Construction Defect	2.50% of Hard Costs	$204,295	Letter of Credit
Reserves	Operating Expense Reserve	10.00% of Gross Income	$46,502	Cash
	Initial Deposit to Replacement Reserve	0.00% of Gross Income	$0	Cash
	Annual Replacement Reserve Deposit	$350 per unit	$23,100	Operations

Construction		Basis of Requirements	Amount	Security
Fees	CalHFA Construction Loan	1.00% of Total Loans	$68,700	Cash
	Inspection fee	$1,500 x months of construction	$21,000	Cash
Guarantees	Bond Origination Guaranty	1.00%	$68,700	Letter of Credit
	Completion Guaranty--Borrower	5.00%	$343,500	Letter of Credit or Cash Escrow
	Performance Bond--Contractor	100.00%	$6,870,000	Bond
	Payment Bond--Contractor	100.00%	$6,870,000	Bond
Reserves	Rent-up Reserve	0.25 Year Operating Expense	$48,268	Cash

SOURCES AND USES WORKSHEET

Coyote Run II
03-023-C/S

SOURCES:

	Permanent Dollars	Perm. Bridge	Construction	Interest Rate
CalHFA First Mortgage	2,000,000			5.25%
CalHFA Construction Loan			6,870,000	3.11%
HCD - MHP	2,428,834			3.00%
HOME funds	2,115,601		2,115,601	3.00%
City of Palm Springs	1,350,000		1,350,000	3.00%
HOME funds- interest	40,811		40,811	0.00%
FHLB-AHP	300,000		300,000	0.00%
Deferred Developer Fee	134,159		-	
General Partner Equity	665,699		324,114	
Tax Credit Equity	3,645,842		445,000	
Total Sources	12,680,946		11,445,526	
(Gap)/Surplus	0			

USES:

	Total Cost	**per unit**	**pct of total**
ACQUISITION			
Total Land Cost or Value	250,000	3,788	2%
Legal/Broker Fees	-	-	0%
Utility Relocation & Easement Removals	94,760	1,436	1%
Off-Site Improvements	222,857	3,377	2%
Existing Improvements Value	-	-	0%
Other		-	0%
Total Acquisition Cost	567,617	8,600	4%
NEW CONSTRUCTION			
Site Work	2,027,513	30,720	16%
Structures	5,921,442	89,719	47%
General Requirements	-	-	0%
Contractor Overhead	239,807	3,633	2%
Contractor Profit	159,871	2,422	1%
Personal property	74,597	1,130	1%
Bond Premium	66,122	1,002	1%
Total New Const. Costs	8,489,352	128,627	67%
ARCHITECTURAL FEES			
Original arch and engineering budget	430,465	6,522	3%
Increase in arch and engineering	100,557	1,524	1%
Total Architectural & Engineering Costs	531,022	8,046	4%
SURVEY & ENGINEERING	40,968	621	0%
CONST. INTEREST & FEES			
Const. Loan Interest	345,138	5,229	3%
Construction Loan Fee	68,700	1,041	1%
Legal	15,000	227	0%
6/06 and 10/06 Extention fees	27,762		
Taxes	1,168	18	0%
Insurance	114,708	1,738	1%
Title and Recording	38,699	586	0%
Application Fee	500	8	0%
Construction Inspection Fee	21,000	318	0%
Total Const. Interest & Fees	632,675	9,586	5%

PERMANENT FINANCING			
Original and Modification Commitment Fees	10,000	152	0%
Application Fee	500	8	0%
Title and Recording	5,000	76	0%
Bridge Loan Interest	-	-	0%
Legal	5,000	76	0%
Total Perm. Financing Costs	20,500	311	0%
LEGAL FEES			
Investor Legal Fee	45,000	682	0%
	-	-	0%
Borrower- Construction loan close	5,580	85	0%
Total Attorney Costs	50,580	766	0%
RESERVES			
CEF exit tax reserves	20,000	303	0%
HOME required Operating Expense Reserve	93,566	1,418	1%
Total Reserve Costs	113,566	1,721	1%
CONTRACT COSTS			
Appraisal & Market Study	7,444	113	0%
Feasibility Study	2,500	38	0%
Labor compliance monitoring	17,875	271	0%
Eq Ins. Waiver/Seismic Review	10,000	152	0%
Environmental Review	2,500	38	0%
Total Contract Costs	40,319	611	0%
CONTINGENCY			
Hard Cost Contingency	-	-	0%
Soft Cost Contingency	-	-	0%
Total Contingency Costs	-	-	0%
OTHER			
TCAC App/Alloc/Monitor Fees	32,101	486	0%
Environmental Audit & Soil Report	4,430	67	0%
Construction period interest on HOME loan	40,811	618	0%
Sponsor's loan interest	22,057	334	0%
Impact Fees	527,763	7,996	4%
Permit Processing Fees	89,810	1,361	1%
Audit	7,600	115	0%
Marketing Budget	29,076	441	0%
Furnishings	20,000	303	0%
Syndication costs	-	-	0%
Total Other Costs	773,648	11,722	6%
PROJECT COSTS	11,260,247	170,610	89%
DEVELOPER COSTS			
Developer Overhead/Profit	1,385,699	20,995	11%
Consultant/Processing Agent	35,000	530	0%
Project Administration	-	-	0%
Total Developer Costs	1,420,699	21,526	11%
TOTAL PROJECT COST	12,680,946	192,136	100%

Annual Operating Budget

Coyote Run II

		$ per unit
INCOME:		
Total Rental Income	461,064	6,986
Laundry	3,960	60
Other Income	0	-
Commercial/Retail	0	-
Gross Potential Income (GPI)	**465,024**	**7,046**
Less:		
Vacancy Loss	23,251	352
Total Net Revenue	**441,773**	**6,694**
EXPENSES:		
Payroll	63,261	959
Administrative	45,495	689
Utilities	37,450	567
Operating and Maintenance	83,564	1,266
Insurance and Business Taxes	26,100	395
Taxes and Assessments	6,500	98
Reserve for Replacement Deposits	23,100	350
Subtotal Operating Expenses	**285,470**	**4,325**
Financial Expenses		
Mortgage Payments (1st loan)	132,529	2,008
Total Financial	**132,529**	**2,008**
Net Operating Income	**23,774**	**360**

Cash Flow

Coyote Run II — **CalHFA Project Number: 03-023-C/S**

RENTAL INCOME		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Market Rent Increase		*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Market Rents		0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents		461,064	472,591	484,405	496,515	508,928	521,652	534,693	548,060	561,762	575,806
TOTAL RENTAL INCOME		**461,064**	**472,591**	**484,405**	**496,515**	**508,928**	**521,652**	**534,693**	**548,060**	**561,762**	**575,806**
OTHER INCOME											
Other Income Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry		3,960	4,059	4,160	4,264	4,371	4,480	4,592	4,707	4,825	4,945
Other Income		0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME		**3,960**	**4,059**	**4,160**	**4,264**	**4,371**	**4,480**	**4,592**	**4,707**	**4,825**	**4,945**
GROSS INCOME		**465,024**	**476,650**	**488,566**	**500,780**	**513,299**	**526,132**	**539,285**	**552,767**	**566,587**	**580,751**
Vacancy Rate : Market		*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Vacancy Rate : Affordable		*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss		23,251	23,832	24,428	25,039	25,665	26,307	26,964	27,638	28,329	29,038
EFFECTIVE GROSS INCOME		**441,773**	**452,817**	**464,138**	**475,741**	**487,635**	**499,825**	**512,321**	**525,129**	**538,257**	**551,714**
OPERATING EXPENSES											
Annual Expense Increase		*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Expenses		250,870	259,650	268,738	278,144	287,879	297,955	308,383	319,177	330,348	341,910
Replacement Reserve		23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100
Other Reserves - Exit tax	2.00%	5,000	5,100	5,202	5,306	5,412	5,520	5,631	5,743	5,858	5,975
Annual Tax Increase		*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments		6,500	6,630	6,763	6,898	7,036	7,177	7,320	7,466	7,616	7,768
TOTAL EXPENSES		**285,470**	**294,480**	**303,803**	**313,448**	**323,427**	**333,752**	**344,434**	**355,487**	**366,922**	**378,754**
NET OPERATING INCOME		**156,303**	**158,337**	**160,335**	**162,293**	**164,207**	**166,074**	**167,887**	**169,642**	**171,335**	**172,960**
DEBT SERVICE											
CalHFA - 1st Mortgage		132,529	132,529	132,529	132,529	132,529	132,529	132,529	132,529	132,529	132,529
CASH FLOW after debt service		**23,774**	**25,808**	**27,806**	**29,764**	**31,679**	**33,545**	**35,358**	**37,114**	**38,806**	**40,431**
DEBT COVERAGE RATIO		**1.18**	**1.19**	**1.21**	**1.22**	**1.24**	**1.25**	**1.27**	**1.28**	**1.29**	**1.31**
MHP Payment	**2,428,834**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**
DEBT COVERAGE RATIO WITH MHP		**1.10**	**1.11**	**1.12**	**1.14**	**1.15**	**1.16**	**1.18**	**1.19**	**1.20**	**1.21**
Remaining Cash flow		**13,573**	**15,607**	**17,605**	**19,563**	**21,477**	**23,344**	**25,157**	**26,912**	**28,605**	**30,230**

Cash Flow

RENTAL INCOME		Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Market Rent Increase		*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Market Rents		0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents		590,201	604,956	620,080	635,582	651,471	667,758	684,452	701,563	719,102	737,080
TOTAL RENTAL INCOME		**590,201**	**604,956**	**620,080**	**635,582**	**651,471**	**667,758**	**684,452**	**701,563**	**719,102**	**737,080**
OTHER INCOME											
Other Income Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry		5,069	5,196	5,326	5,459	5,595	5,735	5,879	6,026	6,176	6,331
Other Income		0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME		**5,069**	**5,196**	**5,326**	**5,459**	**5,595**	**5,735**	**5,879**	**6,026**	**6,176**	**6,331**
GROSS INCOME		**595,270**	**610,152**	**625,406**	**641,041**	**657,067**	**673,493**	**690,331**	**707,589**	**725,279**	**743,411**
Vacancy Rate : Market		*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Vacancy Rate : Affordable		*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss		29,764	30,508	31,270	32,052	32,853	33,675	34,517	35,379	36,264	37,171
EFFECTIVE GROSS INCOME		**565,507**	**579,644**	**594,135**	**608,989**	**624,213**	**639,819**	**655,814**	**672,210**	**689,015**	**706,240**
OPERATING EXPENSES											
Annual Expense Increase		*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Expenses		353,877	366,263	379,082	392,350	406,082	420,295	435,005	450,230	465,988	482,298
Replacement Reserve		23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100
Other Reserves - Exit tax	2.00%	6,095	6,217	6,341	6,468	6,597	0	0	0	0	0
Annual Tax Increase		*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments		7,923	8,082	8,244	8,408	8,577	8,748	8,923	9,102	9,284	9,469
TOTAL EXPENSES		**390,995**	**403,661**	**416,767**	**430,326**	**444,356**	**452,143**	**467,028**	**482,432**	**498,372**	**514,867**
NET OPERATING INCOME		**174,511**	**175,983**	**177,369**	**178,663**	**179,858**	**187,676**	**188,786**	**189,778**	**190,643**	**191,373**
DEBT SERVICE											
CalHFA - 1st Mortgage		132,529	132,529	132,529	132,529	132,529	132,529	132,529	132,529	132,529	132,529
CASH FLOW after debt service		**41,982**	**43,454**	**44,840**	**46,134**	**47,329**	**55,147**	**56,257**	**57,249**	**58,114**	**58,844**
DEBT COVERAGE RATIO		**1.32**	**1.33**	**1.34**	**1.35**	**1.36**	**1.42**	**1.42**	**1.43**	**1.44**	**1.44**
MHP Payment	**2,428,834**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**
DEBT COVERAGE RATIO WITH MHP		**1.22**	**1.23**	**1.24**	**1.25**	**1.26**	**1.31**	**1.32**	**1.33**	**1.34**	**1.34**
Remaining Cash flow		**31,781**	**33,253**	**34,639**	**35,933**	**37,128**	**44,946**	**46,056**	**47,048**	**47,913**	**48,643**

Cash Flow

RENTAL INCOME		Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Market Rent Increase		*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Market Rents		0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents		755,507	774,395	793,755	813,598	833,938	854,787	876,157	898,060	920,512	943,525
TOTAL RENTAL INCOME		**755,507**	**774,395**	**793,755**	**813,598**	**833,938**	**854,787**	**876,157**	**898,060**	**920,512**	**943,525**
OTHER INCOME											
Other Income Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry		6,489	6,651	6,817	6,988	7,163	7,342	7,525	7,713	7,906	8,104
Other Income		0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME		**6,489**	**6,651**	**6,817**	**6,988**	**7,163**	**7,342**	**7,525**	**7,713**	**7,906**	**8,104**
GROSS INCOME		**761,996**	**781,046**	**800,572**	**820,586**	**841,101**	**862,129**	**883,682**	**905,774**	**928,418**	**951,629**
Vacancy Rate : Market		*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Vacancy Rate : Affordable		*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss		38,100	39,052	40,029	41,029	42,055	43,106	44,184	45,289	46,421	47,581
EFFECTIVE GROSS INCOME		**723,896**	**741,994**	**760,543**	**779,557**	**799,046**	**819,022**	**839,498**	**860,485**	**881,997**	**904,047**
OPERATING EXPENSES											
Annual Expense Increase		*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Expenses		499,178	516,650	534,732	553,448	572,819	592,867	613,618	635,094	657,323	680,329
Replacement Reserve		23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100
Other Reserves - Exit tax	2.00%	0	0	0	0	0	0	0	0	0	0
Annual Tax Increase		*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments		9,659	9,852	10,049	10,250	10,455	10,664	10,877	11,095	11,317	11,543
TOTAL EXPENSES		**531,937**	**549,601**	**567,881**	**586,798**	**606,373**	**626,631**	**647,595**	**669,289**	**691,739**	**714,972**
NET OPERATING INCOME		**191,959**	**192,392**	**192,662**	**192,759**	**192,672**	**192,391**	**191,903**	**191,196**	**190,258**	**189,075**
DEBT SERVICE											
CalHFA - 1st Mortgage		132,529	132,529	132,529	132,529	132,529	132,529	132,529	132,529	132,529	132,529
CASH FLOW after debt service		**59,430**	**59,863**	**60,133**	**60,230**	**60,144**	**59,862**	**59,374**	**58,667**	**57,729**	**56,546**
DEBT COVERAGE RATIO		**1.45**	**1.45**	**1.45**	**1.45**	**1.45**	**1.45**	**1.45**	**1.44**	**1.44**	**1.43**
MHP Payment	**2,428,834**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**
DEBT COVERAGE RATIO WITH MHP		**1.34**	**1.35**	**1.35**	**1.35**	**1.35**	**1.35**	**1.34**	**1.34**	**1.33**	**1.32**
Remaining Cash flow		**49,229**	**49,662**	**49,932**	**50,029**	**49,942**	**49,661**	**49,173**	**48,466**	**47,528**	**46,345**

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Coyote Run Apartments, Phase II
Palm Springs, Riverside County, CA
CalHFA # 03-023-C/S

SUMMARY

This is a final commitment request for tax-exempt permanent loan financing in the amount of One Million Six Hundred Thousand Dollars, ($1,600,000), and construction loan financing in the amount of Six Million Four Hundred Fifty Thousand Dollars, ($6,450,000). Security for the loans will be a newly-constructed family apartment project consisting of 66 units. The property will be owned by Hacienda Sunset Affordable Housing Associates, a not-for-profit, limited partnership, whose general partner is Coachella Valley Housing Coalition.

The Coyote Run Apartments, Phase Two, (Phase II), development will provide 66 units of newly constructed affordable housing in Riverside. Phase II is the second phase of a pre-existing project by the same name with 140 units in Palm Springs.

LOAN TERMS

Construction

First Mortgage	$6,450,000
Interest Rate	3.00%, 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	5.50%
Term	30 year fixed, fully amortized
Financing	Tax-exempt,
Insurance	Not Applicable

LOCALITY INVOLVEMENT

According to the Disposition and Development Agreement dated July 15, 2002, the Community Redevelopment Agency of the City of Palm Springs (Redevelopment Agency) will be making a land donation to the partnership which has been valued at $700,000.

The Redevelopment Agency will also be making a permanent loan to the project in the amount of $1,000,000. The note will be for a term of 55 years, at 3% simple interest with deferred interest and principal for the term of the loan.

OTHER FINANCING

Coachella Valley Housing Coalition (CVHC) has received loan approval from the State of California Department of Housing and Community Development's Multi-Family Housing Program (MHP) in the amount of $2,428,834. The expected loan term for the MHP funds is 55 years with a 3% interest rate. There will be a required 0.42% payment, which is shown in the project cashflow.

CVHC has also received loan approval from the State of California Department of Housing and Community Development's HOME Program in the amount of $2,115,601. The loan term for the HOME funds is 55 years, with a 3% interest rate, and no required payments.

Additionally, CVHC will be applying for a loan in the amount of $350,000 from the Federal Home Loan Bank's Affordable Housing Program (AHP). These funds are expected to be awarded in November 2003. The expected loan term for the AHP funds is 32 years with a 0% interest rate, and no required payments.

The Redevelopment Agency, MHP, HOME and AHP financing will all be subordinate to the CalHFA regulatory agreement, deeds of trust and first liens during the construction and permanent phases.

PROJECT DESCRIPTION

Project Location

Coyote Run Apartments, Phase II will be a newly-constructed project adjacent to and connected with the existing award-winning Coyote Run Apartments, Phase I, developed by the Coachella Valley Housing Coalition in 1993. The proposed 66-unit addition will be located at the northwest corner of North Sunrise Way and San Rafael Road in the northwestern section of the City of Palm Springs. The site is located south of Interstate 10 and the Indio Hills, north of Highway 111 and the San Jacinto Mountains, and about two miles northwest of the Palm Springs Airport.

The uses surrounding Phase II are: Coyote Run Apartments, Phase I to the north, an established single family neighborhood to the south, vacant land and a mobile home park to the west, and vacant land across Sunrise Way to the east. The project will be contiguous to a new city park, scheduled for construction concurrently with this project.

Bus stops are located to the north and south of the site, both within 500 feet of the project. Grocery stores, a pharmacy, a medical clinic, restaurants, shopping, and employment opportunities are located within one mile of the site. In addition to the Headstart and pre-school on site, there is an elementary and middle school within two miles and a high school within three miles. The Palm Springs Public Library, City Youth Center, Palm Springs Community Center, and the Boys and Girls Club are all also within three miles of the site.

Site

The site is a vacant, undeveloped land totaling 6.78 acres. The L-shaped site is relatively flat, open desert adjacent to Coyote Run, Phase I along Sunrise Way. The project will have two driveway entrances from Sunrise Way. One will be an open, non-gated entrance and exit, and the other will be a locked, gated, emergency-only access. Another emergency vehicle entrance will be located at the south of the development along with a pedestrian path and open gate area.

Improvements

The design and character of the new 66-unit project will be similar to the existing 140-unit project. Each unit will have Energy Star-rated appliances including dishwashers, garbage disposals, gas ranges, refrigerators, and water heaters. Units will have forced air gas heat and electric air conditioning.

The development will contain 17 residential buildings and one community building. The building style will be a combination of garden and townhouse design with all units designed to front or open to landscaped common areas. Buildings will be either one- or two-story wood frame construction with slab on grade foundations. Exteriors will be stucco painted in desert colors with various complimentary accent colors. The roof will be a gable design covered with concrete tiles. The development will utilize drought-tolerant landscaping to minimize water usage and provide a desert-appropriate, attractive environment. Landscaped areas will contain community barbeque areas, scattered benches, shade trees, a children's play area, and a swimming pool. Ample open space with free flowing paths will provide opportunities for informal social interactions. There will be 75 carports and 68 open spaces on site. The 2,300 square foot community building will house the management office, laundry room, public restrooms, a kitchen and a meeting room for community events.

The Palm Springs Unified School District operates a Head Start and State Pre-school program out of the Early Childhood Development Center on site at the existing Coyote Run Apartments. All services will be available to residents of both phases of the project.

Unit Mix:

No. of Units	No. of Bedrooms	No. of Bathrooms	Unit Square Footage
8	1	1	650
20	2	1	950
30	3	2	1,228
8	4	2	1,376

Off-site Improvements

Off-site improvements of $132,367 consist mainly of street re-alignment and construction of traffic "knuckles" on Garnet Road southwest of the site at the adjoining single family neighborhood. Also included in off-site improvements will be about 600 feet of sidewalk in the same area. In addition, some demolition and replacement of the sidewalk to accommodate ingress and egress at the entrance on Sunrise is required.

MARKET

Market Overview

The project is located in the City of Palm Springs, which is south of Interstate 10, between the San Bernardino National Forest and the Whitewater River. The current population of Palm Springs is estimated at 43,451, including the Agua Caliente Indian Reservation.

In the market study completed by Laurin Associates dated July 2003, the project's Market Area was defined as the City of Palm Springs and a portion of the surrounding unincorporated area of the City of Palm Springs. The estimated population of the market area is 80,260.

In the City of Palm Springs households grew by 4.4% between 1990 and 2000, and are expected to grow another 1.5% by 2005. In the Market Area households grew by 13.3% between 1990 and 2000, and are expected to grow another 5.3% by 2005. As of 2003 median income in Palm Springs was $45,387, whereas median income in Market Area was $47,331.

The California Employment Development Department estimates that there were 745,400 employed persons in Riverside County in 2002. Unemployment in Riverside County averaged 6.1% in 2002, up from 5.2% in 2001. As of 2003, services accounted for the largest employment sector in the Market Area with 41.9% of the employed population. Trade is the second largest industry with 17.6 of employed persons, and mining and construction is the third largest employment sector with 11.7% of the Market Area's population. The largest employers in the City of Palm Springs are La Quinta Hotel, the Palm Springs Unified School District, and the Desert Regional Medical Center.

Housing Demand and Supply

In the Market Area 62.7% of the households own their homes and 37.3% of the population rent. According the 2000 Census, 52.8% of the housing units in Palm Springs were single family and 40% (or 12,392 units) were multifamily. The majority of the housing stock in the Market Area is less than 30 years old with 13.3% of the housing built between 1990 and 2002; 30.6% built between 1980 and 1990, and another 24.6% built between 1970 and 1979. According to the project appraisal, overall vacancy rates in the Palm Springs area increased to 5.2% in 2003, from 4.1% in 2002.

According to the City of Palm Springs Planning Department, there are no pending or proposed affordable multi-family housing developments in the Market Area. The five tax-credit projects in the area, totaling 583 units, are competitive projects. These restricted projects have a vacancy rate of less than 1% with over one year long waiting lists. The wait list for Coyote Run Apartments, Phase I includes 215 names as of July 2003.

According the market study, there is currently a total estimated demand for 1,359 family rental units targeting households in the Market Area with incomes at 30% of State Median Income (SMI), and for 2,385 rental units targeting household with incomes between 50% and 60% of the Area Median Income, (AMI). Given this demand, the project would need to capture 1.8% of the 30% SMI population, and 1.7% of the 50 to 60% AMI population.

PROJECT FEASIBILITY

For the purposes of this analysis, the appraisal rents were chosen because the rent analysis in the appraisal is more in-depth than in the market study. The rents in the table below are from the appraisal completed in July 2003 by Pacific Real Estate Appraisal.

Rent Differentials (Market versus Restricted)

Unit Type	Subject	Market Rate Average	$ Difference	% Market
One Bedroom		**$ 750**		
30%	$ 271		$ 479	36%
50%	$ 410		$340	55%
60%	$ 505		$ 245	67%
Two Bedroom		**$ 900**		
30%	$ 318		$ 582	35%
50%	$ 484		$ 416	54%
60%	$ 599		$ 301	67%
Three Bedroom		**$ 1,100**		
30%	$ 361		$ 739	33%
50%	$ 554		$ 546	50%
60%	$ 686		$ 414	62%
Four Bedroom		**$ 1,250**		
30%	$ 386		$ 864	31%
50%	$ 601		$ 649	48%
60%	$ 749		$ 501	60%

Estimated Lease-up Period

The Market Study estimates that the project's units will be absorbed within three months of construction completion. There is a provision for a three month rent-up reserve in construction loan, however, the adjacent Coyote Run Phase I project has a waiting list of 215 qualified applicants, so it is not expected to take three months to fill Phase II once it is completed.

OCCUPANCY RESTRICTIONS

CalHFA	20% of the units (13) will be restricted at 50% or less of AMI The CalHFA Regulatory Agreement will be for a term of 32 years.
Redevelop. Agency	25% of the units (16) will be restricted at 50% or less of AMI 25% of the units (16) will be restricted at 60% or less of AMI
HCD – MHP	37% of the units (24) will be restricted at 30% or less of SMI 12% of the units (8) will be restricted at 60% or less of AMI
HCD - HOME	5% of the units (3) will be restricted at 50% or less of AMI 17% of the units (11) will be restricted at 60% or less of AMI
AHP	60% of the units (39) will be restricted at 50% or less of AMI
TCAC	100% of the units (65) will be restricted at 60% or less AMI

ENVIRONMENTAL

A Phase I Environmental Assessment report was completed on March 11, 2003 by R.M. Environmental. The site consists of open undeveloped land located northwest of the intersection of San Raphael Drive and Sunrise Way. No existing or former structures were identified on the site. The surrounding properties are Sunrise Way and undeveloped land across Sunrise Way to the east, residential properties to the north, undeveloped land, residential properties and a mobile home park to the west, and residential properties to the south. Municipal water wells are present to the southeast and northeast corners of the site. The report concludes that the likelihood of hazardous materials and/or petroleum contamination existing on or migrating into the site from off-site sources is low. No additional environmental investigation is recommended for the project site.

A geotechnical investigation by Southland Geotechnical dated April 2003, reports that undocumented fill was found on the south and north sides of the site. Southland recommends removal of all undocumented fill during rough grading operations. CalHFA may require additional testing of this fill. Southland concluded that they did not encounter soil conditions that would preclude development of the site for its intended use provided the recommendations contained in their report are implemented in the design and construction of the project.

As a condition of closing the construction loan, an update to the Phase I report is required. If additional remedial action is recommended, the work will be required to be completed during the course 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 and cash flow projections for the Project.

ARTICLE XXXIV

An opinion letter from the law offices of Gubb & Barshay LLP has been received. The opinion letter is subject to review and approval by CalHFA's legal department.

DEVELOPMENT TEAM

Borrower

Hacienda Sunset Affordable Housing Associates, L.P.

The property will be owned by Hacienda Sunset Affordable Housing Associates, a not-for-profit, limited partnership, whose general partner is Coachella Valley Housing Coalition (CVHC). The limited partner of the partnership is currently unidentified.

CVHC was incorporated in 1982 and currently consists of a team of 40 experienced staff members, with a Board of thirteen Directors. CVHC has developed nearly 2300 units in Riverside County, including 900 homes through their Mutual Self-Help Program and approximately 1400 apartment units for families, farmworkers and those with special needs. CVHC has also implemented six child care centers with three partners including the Palm Springs Unified School District. In addition, CVHC has created and operated several after-school tutoring and computer learning centers in Indio and Palm Springs, and offers educational programs for adults including English as a Second Language and Citizenship classes. CVHC has recently received the "Non-Profit Developer of the Year" award from SCANPH in 2001, the "Best in America Living" award from the National Association of Home Builder in 2000, in addition to HUD's "Award of Excellence", also in 2000.

CVHC has developed one multi-family project in 1993 that was financed with CalHFA funds, Las Casas, Phase III, which consists of 78 units in Coachella. CVHC has also developed several single family self help projects that were financed with CalHFA funds.

Construction Security required from the borrower is shown as a letter of credit. Subject to review and approval of the financial information provided by the borrower and compliance with the Agency's underwriting standards, staff may approve a corporate completion and repayment guarantee from the general partner's parent corporation in lieu of a letter of credit.

Management Agent

Hyder & Company (H&C)

H&C, founded in 1963, is a professional property management firm with 40 years of experience managing projects in New Mexico, Texas, Colorado, Arizona and California. H&C specializes in the management and operation of affordable housing apartments, and manages 34 projects in California with over 2000 units.

H&C has been managing CVHC properties since March 1992, and currently manages eighteen projects for CVHC with 1276 units, including Phase I of Coyote Run. H&C also manages two CalHFA-financed projects including: Montecito Village in Ramona (a non CVHC project), and Las Casas III in Coachella (a CVHC project).

Architect

Interactive Design Corporation (IDC)

The architectural firm of Interactive Design Corporation was incorporated in 1981. The Principal Architect, Reuel Yong, has been an architect in Palm Springs for 21 years. IDC has relationships of over ten years with the Cities of Desert Hot Springs, Palm Springs, Cathedral City and Palm Desert, with Marriott Corporation, and with Coachella Valley Housing Coalition.

Since 1993, IDC has designed twelve projects in Riverside County, totaling 694 units, including eight affordable housing developments, three single family homes and an interim recovery housing project. Over the past ten year period IDC has designed eight projects for CVHC, totaling 466 units, including Coyote Run, Phase I.

Contractor

Wm. C. Buster, Inc. (WCB)

WCB was incorporated in 1959 and presently specializes in affordable residential construction, including HUD, HCD, and Farmers Home Administration projects. William C. Buster is the founder and president and is still active in current operations. His sons, William R. Buster, Secretary and Treasurer, and Mark W. Buster, Vice-President, have been active in the company for over twenty years.

WCB currently has four projects under construction totaling 154 units, two of which are owned by CVHC. WCB has worked with CVHC since 1992, and has completed 17 affordable housing projects and two day care centers for CVHC, totaling nearly 1000 units. Included in this total is the 140 unit Phase I of Coyote Run Apartments. In addition, WCB completed two CalHFA-financed projects in the early 1980's, Rancho Apartments and Silsby Garden Apartments, totaling 106 units.

WCB is posting a 100% performance and payment bond for this project, at approximately 1% of the contract price. WCB has the ability to bond up to twenty million per job and approximately 80% of their work is bonded.

Project Summary

235 Date: 25-Aug-03

Project Profile:

Project:	Coyote Run II			
Location:	San Rafael and N. Sunrise Way	**Appraisal:**		
	Palm Springs	Cap Rate:	7.50%	
County:	Riverside	Final Value:	$4,675,000	
Borrower:	Hacienda Sunset Afford. Hsg. Assc.	Construction:	$10,400,000	
GP:	CVHC			
GP:				
LP:	not yet determined	**LTC/LTV:**	**Construction**	**Permanent**
Program:	Tax-Exempt	Loan/Cost	59%	13%
CalHFA #:	03-023-C/S	Loan/Value	62%	34%

Project Description:

Units	66
Handicap Units	4
Bldge Type	New Const.
Buildings	17
Stories	1 and 2
Gross Sq Ft	0
Land Sq Ft	337,590
Units/Acre	9
Total Parking	143
Covered Parking	75

Financing Summary:

Financing Summary:	Amount	Per Unit	Rate	Term
CalHFA First Mortgage	$1,600,000	$24,242	5.50%	30
HCD - MHP	$2,428,834	$36,801	3.00%	55
HOME funds	$2,115,601	$32,055	3.00%	55
City of Palm Springs	$1,000,000	$15,152	3.00%	55
City of Palm Springs Land Donation	$700,000	$10,606	0.00%	-
FHLB-AHP	$350,000	$5,303	0.00%	32
Borrower Contribution	$13,816	$209		-
Deferred Developer Equity	$665,699	$10,086		-
Tax Credit Equity	$3,046,365	$46,157		
CalHFA Bridge	$0	$0	0.00%	-
CalHFA Construction Loan	$6,450,000	$97,727	3.00%	18 months
CalHFA HAT	$0	$0	0.00%	-

Unit Mix:

Type	Manager		30% SMI		50% AMI		60% AMI		Market		Total
	number	rent	number	rent	number	rent	number	rent	number	rent*	
1 bedroom			2	271	2	410	4	505	0	0	8
2 bedroom			8	318	5	484	7	599	0	0	20
3 bedroom	1	0	12	361	7	554	10	686	0	0	30
4 bedroom			2	386	2	601	4	749	0	0	8
subtotal	1		24		16		25		0		
											66

Fees, Escrows, and Reserves:

Permanent		**Basis of Requirements**		**Amount**	**Security**
Fees	CalHFA Permanent Loan	0.50%	Total Loans	$8,000	Cash
Escrows	Construction Defect	2.50%	of Hard Costs	$157,583	Letter of Credit
Reserves	Operating Expense Reserve	10.00%	of Gross Income	$39,491	Letter of Credit
	Initial Deposit to Replacement Reserve	0.00%	of Gross Income	$0	Cash
	Annual Replacement Reserve Deposit	$350	per unit	$23,100	Operations

Construction		**Basis of Requirements**		**Amount**	**Security**
Fees	CalHFA Construction Loan	1.00%	of Total Loans	$64,500	Cash
	Inspection fee	$1,500	x months of construction	$21,000	Cash
Guarantees	Bond Origination Guaranty	1.00%		$64,500	Letter of Credit
	Completion Guaranty--Borrower	5.00%		$322,500	Letter of Credit or Cash Escrow
	Performance Bond--Contractor	100.00%		$6,450,000	Bond
	Payment Bond--Contractor	100.00%		$6,450,000	Bond
Reserves	Rent-up Reserve	0.25	Year Operating Expense	$29,189	Cash

Sources and Uses — Coyote Run II

SOURCES:

Name of Lender / Source	Amount	$ per unit	% of Sources
CalHFA First Mortgage	1,600,000	24,242	13%
HCD - MHP	2,428,834	36,801	20%
HOME funds	2,115,601	32,055	18%
City of Palm Springs	1,000,000	15,152	8%
FHLB-AHP	350,000	5,303	3%
Total Institutional Financing	**7,494,435**	**113,552**	**63%**
Equity Financing			
Tax Credits	3,046,365	46,157	26%
Deferred Developer Equity	679,515	10,296	6%
City of Palm Springs Land Donation	700,000	10,606	6%
Total Equity Financing	**4,425,880**	**67,059**	**37%**
TOTAL SOURCES	**11,920,315**	**180,611**	**100%**

USES:

	Amount	$ per unit	% of Uses
Acquisition	1,092,367	16,551	9%
Rehabilitation	0	0	0%
New Construction	7,075,472	107,204	59%
Architectual Fees	383,851	5,816	3%
Survey and Engineering	15,000	227	0%
Const. Loan Interest & Fees	459,820	6,967	4%
Permanent Financing	18,500	280	0%
Legal Fees	15,000	227	0%
Reserves	69,041	1,046	1%
Contract Costs	37,100	562	0%
Construction Contingency	736,791	11,164	6%
Impact and Permit Processing Fees	553,896	8,392	5%
TCAC Fees	32,778	497	0%
Other Costs	45,000	682	0%
PROJECT COSTS	**10,534,616**	**159,615**	**88%**
Developer Overhead/Profit	1,385,699	20,995	12%
Consultant/Processing Agent	0	0	0%
TOTAL USES	**11,920,315**	**180,611**	**100%**

CONST. SOURCES AND USES	Coyote Run II		
SOURCES:			
Name of Lender / Source	**Amount**	**$ per unit**	**% of Sources**
CalHFA	6,450,000	97,727	59%
Palm Springs	1,000,000	15,152	9%
HOME funds	2,115,601	32,055	19%
FHLB-AHP	350,000	5,303	3%
Total Institutional Financing	**9,915,601**	**150,236**	**91%**
Equity Financing			
Tax Credit Equity	304,714	4,617	3%
Land Donation	700,000	10,606	6%
Total Equity Financing	**1,004,714**	**15,223**	**9%**
TOTAL SOURCES	**10,920,315**	**165,459**	**100%**
USES:			
	Amount	**$ per unit**	**% of Uses**
Acquisition	1,092,367	16,551	10%
Rehabilitation	0	0	0%
New Construction	7,075,472	107,204	65%
Architectual Fees	383,851	5,816	4%
Survey and Engineering	15,000	227	0%
Const. Loan Interest & Fees	459,820	6,967	4%
Permanent Financing	18,500	280	0%
Legal Fees	15,000	227	0%
Reserves	69,041	1,046	1%
Contract Costs	37,100	562	0%
Construction Contingency	736,791	11,164	7%
Local Fees	110,000	1,667	1%
TCAC/Other Costs	521,674	7,904	5%
PROJECT COSTS	10,534,616	159,615	96%
Developer Overhead/Profit	385,699	5,844	4%
Consultant/Processing Agent	0	0	0%
TOTAL USES	**10,920,315**	**165,459**	**100%**

Annual Operating Budget — Coyote Run II

		$ per unit
INCOME:		
Total Rental Income	390,948	5,923
Laundry	3,960	60
Other Income	0	-
Commercial/Retail	0	-
Gross Potential Income (GPI)	**394,908**	**5,983**
Less:		
Vacancy Loss	19,745	299
Total Net Revenue	**375,163**	**5,684**
EXPENSES:		
Payroll	52,180	791
Administrative	41,900	635
Utilities	35,604	539
Operating and Maintenance	60,100	911
Insurance and Business Taxes	13,790	209
Taxes and Assessments	4,504	68
Reserve for Replacement Deposits	30,440	461
Subtotal Operating Expenses	**238,518**	**3,614**
Financial Expenses		
Mortgage Payments (1st loan)	109,015	1,652
Total Financial	**109,015**	**1,652**
Total Project Expenses	**347,534**	**5,266**

Cash Flow — Coyote Run II — CalHFA Development Number: 03-023-C/S

RENTAL INCOME		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Market Rent Increase		*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Market Rents		0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents		390,948	400,722	410,740	421,008	431,533	442,322	453,380	464,714	476,332	488,240
TOTAL RENTAL INCOME		**390,948**	**400,722**	**410,740**	**421,008**	**431,533**	**442,322**	**453,380**	**464,714**	**476,332**	**488,240**
OTHER INCOME											
Other Income Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry		3,960	4,059	4,160	4,264	4,371	4,480	4,592	4,707	4,825	4,945
Other Income		0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME		**3,960**	**4,059**	**4,160**	**4,264**	**4,371**	**4,480**	**4,592**	**4,707**	**4,825**	**4,945**
GROSS INCOME		**394,908**	**404,781**	**414,900**	**425,273**	**435,905**	**446,802**	**457,972**	**469,422**	**481,157**	**493,186**
Vacancy Rate : Market		*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Vacancy Rate : Affordable		*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss		19,745	20,239	20,745	21,264	21,795	22,340	22,899	23,471	24,058	24,659
EFFECTIVE GROSS INCOME		**375,163**	**384,542**	**394,155**	**404,009**	**414,109**	**424,462**	**435,074**	**445,950**	**457,099**	**468,527**
OPERATING EXPENSES											
Annual Expense Increase		*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses		198,817	206,769	215,040	223,642	232,587	241,891	251,567	261,629	272,094	282,978
Replacement Reserve		27,694	27,694	27,694	27,694	27,694	29,079	29,079	29,079	29,079	29,079
Operating Reserve - 2% of EGI		7,503	7,691	7,883	8,080	8,282	8,489	8,701	8,919	9,142	9,371
Annual Tax Increase		*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments		4,504	4,594	4,686	4,780	4,875	4,973	5,072	5,174	5,277	5,383
TOTAL EXPENSES		**238,518**	**246,749**	**255,303**	**264,196**	**273,439**	**284,432**	**294,419**	**304,801**	**315,593**	**326,810**
NET OPERATING INCOME		**136,644**	**137,793**	**138,852**	**139,813**	**140,670**	**140,030**	**140,654**	**141,150**	**141,507**	**141,716**
DEBT SERVICE											
CalHFA - 1st Mortgage		109,015	109,015	109,015	109,015	109,015	109,015	109,015	109,015	109,015	109,015
CASH FLOW after debt service		**27,629**	**28,778**	**29,836**	**30,798**	**31,655**	**31,015**	**31,639**	**32,134**	**32,491**	**32,701**
DEBT COVERAGE RATIO		**1.25**	**1.26**	**1.27**	**1.28**	**1.29**	**1.28**	**1.29**	**1.29**	**1.30**	**1.30**
MHP Payment	**2,428,834**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**
DEBT COVERAGE RATIO WITH MHP		**1.15**	**1.16**	**1.16**	**1.17**	**1.18**	**1.17**	**1.18**	**1.18**	**1.19**	**1.19**

Cash Flow

RENTAL INCOME		Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Market Rent Increase		*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Market Rents		0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents		500,446	512,958	525,782	538,926	552,399	566,209	580,365	594,874	609,745	624,989
TOTAL RENTAL INCOME		**500,446**	**512,958**	**525,782**	**538,926**	**552,399**	**566,209**	**580,365**	**594,874**	**609,745**	**624,989**
OTHER INCOME											
Other Income Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry		5,069	5,196	5,326	5,459	5,595	5,735	5,879	6,026	6,176	6,331
Other Income		0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME		**5,069**	**5,196**	**5,326**	**5,459**	**5,595**	**5,735**	**5,879**	**6,026**	**6,176**	**6,331**
GROSS INCOME		**505,516**	**518,154**	**531,107**	**544,385**	**557,995**	**571,945**	**586,243**	**600,899**	**615,922**	**631,320**
Vacancy Rate : Market		*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Vacancy Rate : Affordable		*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss		25,276	25,908	26,555	27,219	27,900	28,597	29,312	30,045	30,796	31,566
EFFECTIVE GROSS INCOME		**480,240**	**492,246**	**504,552**	**517,166**	**530,095**	**543,347**	**556,931**	**570,854**	**585,126**	**599,754**
OPERATING EXPENSES											
Annual Expense Increase		*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses		294,297	306,069	318,312	331,044	344,286	358,058	372,380	387,275	402,766	418,877
Replacement Reserve		30,533	30,533	30,533	30,533	30,533	32,060	32,060	32,060	32,060	32,060
Operating Reserve - 2% of EGI		9,605	9,845	10,091	10,343	10,602	10,867	11,139	11,417	11,703	11,995
Annual Tax Increase		*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments		5,490	5,600	5,712	5,826	5,943	6,062	6,183	6,307	6,433	6,561
TOTAL EXPENSES		**339,925**	**352,047**	**364,648**	**377,747**	**391,364**	**407,046**	**421,761**	**437,059**	**452,961**	**469,493**
NET OPERATING INCOME		**140,314**	**140,199**	**139,904**	**139,419**	**138,731**	**136,301**	**135,170**	**133,796**	**132,165**	**130,261**
DEBT SERVICE											
CalHFA - 1st Mortgage		109,015	109,015	109,015	109,015	109,015	109,015	109,015	109,015	109,015	109,015
CASH FLOW after debt service		**31,299**	**31,183**	**30,888**	**30,403**	**29,715**	**27,286**	**26,154**	**24,780**	**23,149**	**21,245**
DEBT COVERAGE RATIO		**1.29**	**1.29**	**1.28**	**1.28**	**1.27**	**1.25**	**1.24**	**1.23**	**1.21**	**1.19**
MHP Payment	**2,428,834**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**
DEBT COVERAGE RATIO WITH MHP		**1.18**	**1.18**	**1.17**	**1.17**	**1.16**	**1.14**	**1.13**	**1.12**	**1.11**	**1.09**

Cash Flow

RENTAL INCOME		Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Market Rent Increase		*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Market Rents		0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents		640,614	656,629	673,045	689,871	707,118	724,796	742,916	761,489	780,526	800,039
TOTAL RENTAL INCOME		**640,614**	**656,629**	**673,045**	**689,871**	**707,118**	**724,796**	**742,916**	**761,489**	**780,526**	**800,039**
OTHER INCOME											
Other Income Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry		6,489	6,651	6,817	6,988	7,163	7,342	7,525	7,713	7,906	8,104
Other Income		0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME		**6,489**	**6,651**	**6,817**	**6,988**	**7,163**	**7,342**	**7,525**	**7,713**	**7,906**	**8,104**
GROSS INCOME		**647,103**	**663,280**	**679,862**	**696,859**	**714,280**	**732,137**	**750,441**	**769,202**	**788,432**	**808,143**
Vacancy Rate : Market		*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Vacancy Rate : Affordable		*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss		32,355	33,164	33,993	34,843	35,714	36,607	37,522	38,460	39,422	40,407
EFFECTIVE GROSS INCOME		**614,748**	**630,116**	**645,869**	**662,016**	**678,566**	**695,530**	**712,919**	**730,742**	**749,010**	**767,736**
OPERATING EXPENSES											
Annual Expense Increase		*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses		435,632	453,057	471,180	490,027	509,628	530,013	551,213	573,262	596,192	620,040
Replacement Reserve		33,663	33,663	33,663	33,663	33,663	35,346	35,346	35,346	35,346	35,346
Operating Reserve - 2% of EGI		12,295	12,602	12,917	13,240	13,571	13,911	14,258	14,615	14,980	15,355
Annual Tax Increase		*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments		6,693	6,827	6,963	7,102	7,244	7,389	7,537	7,688	7,842	7,998
TOTAL EXPENSES		**488,282**	**506,149**	**524,723**	**544,032**	**564,106**	**586,658**	**608,355**	**630,910**	**654,360**	**678,739**
NET OPERATING INCOME		**126,465**	**123,968**	**121,147**	**117,984**	**114,460**	**108,872**	**104,564**	**99,831**	**94,650**	**88,997**
DEBT SERVICE											
CalHFA - 1st Mortgage		109,015	109,015	109,015	109,015	109,015	109,015	109,015	109,015	109,015	109,015
CASH FLOW after debt service		**17,450**	**14,952**	**12,131**	**8,969**	**5,445**	**(143)**	**(4,451)**	**(9,184)**	**(14,365)**	**(20,019)**
DEBT COVERAGE RATIO		**1.16**	**1.14**	**1.11**	**1.08**	**1.05**	**1.00**	**0.96**	**0.92**	**0.87**	**0.82**
MHP Payment	**2,428,834**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**
DEBT COVERAGE RATIO WITH MHP		**1.06**	**1.04**	**1.02**	**0.99**	**0.96**	**0.91**	**0.88**	**0.84**	**0.79**	**0.75**

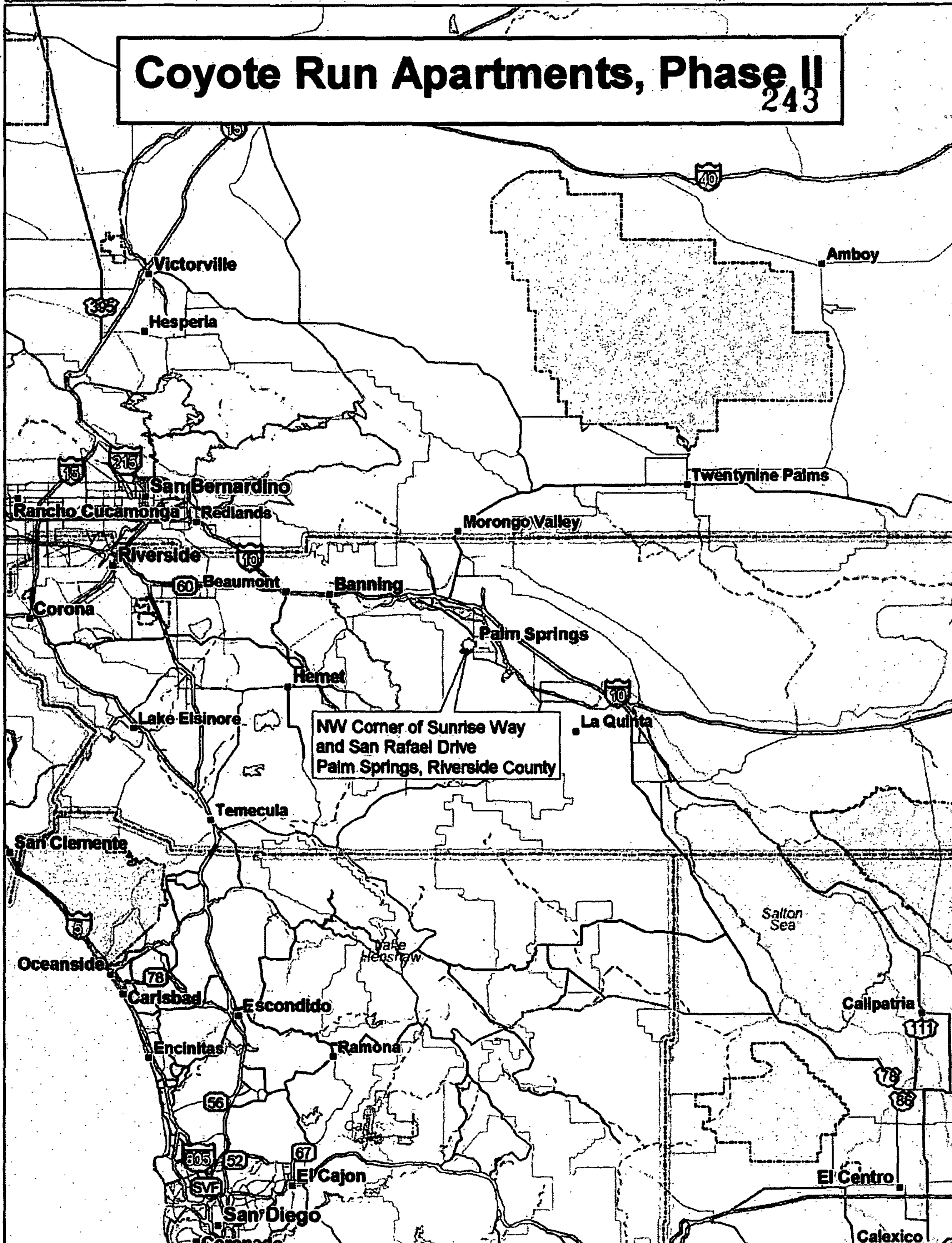
THIS PAGE
INTENTIONALLY
LEFT BLANK

THIS PAGE INTENTIONALLY LEFT BLANK

DeLORME Street Atlas USA® 2003

Coyote Run Apartments, Phase II

243



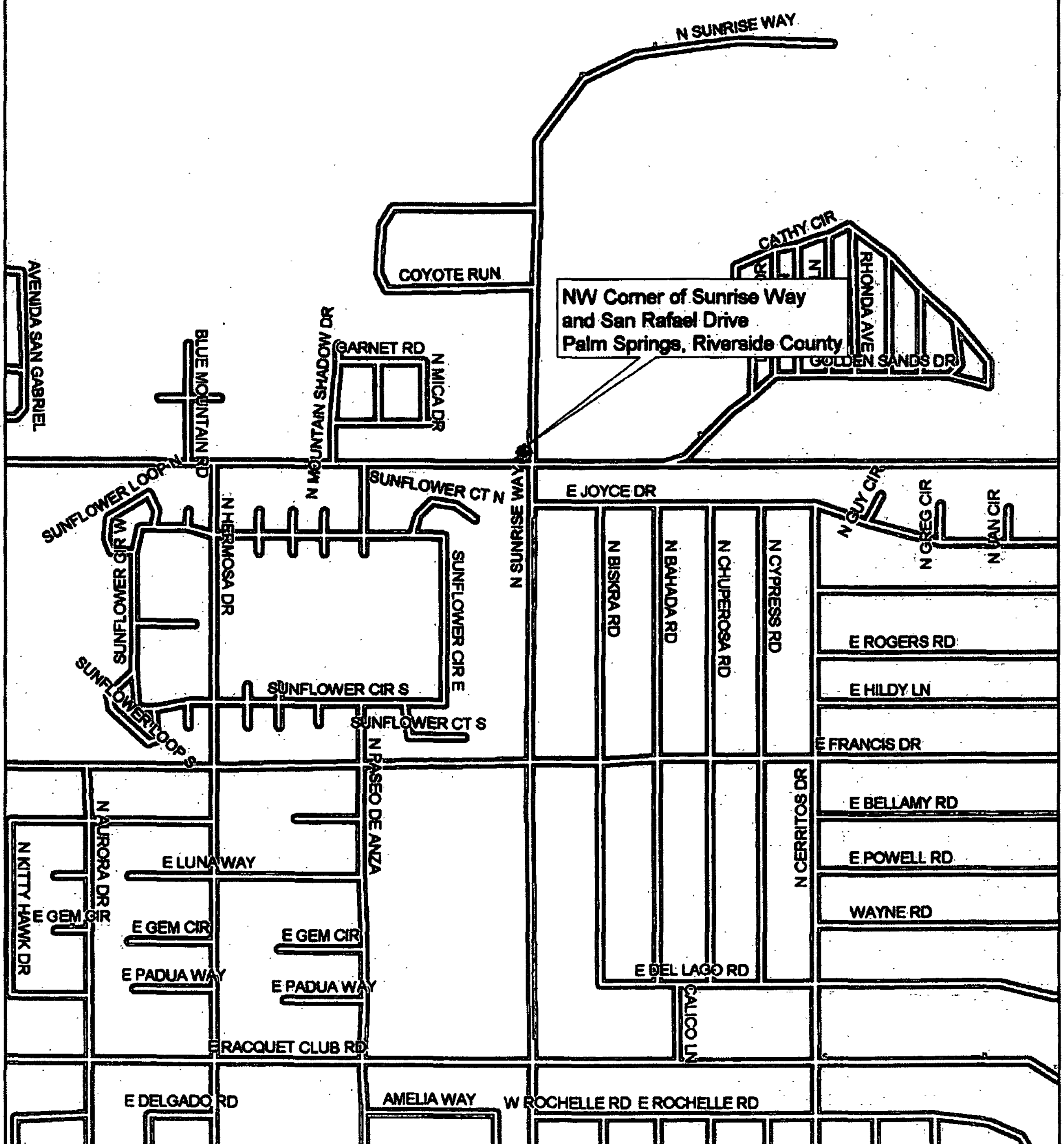
Scale 1 : 1,100,000

1" = 17.4 mi

THIS PAGE INTENTIONALLY LEFT BLANK

Coyote Run Apartments, Phase II

245



Scale 1 : 8,000

1" = 667 ft

THIS PAGE INTENTIONALLY LEFT BLANK

RESOLUTION 03-43

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Hacienda Sunset Affordable Housing Associates, L.P., a not-for-profit, limited partnership (the "Borrower"), seeking a loan commitment under the Agency's Tax-Exempt Loan Program in the mortgage amounts described herein, the proceeds of which are to be used to provide construction and permanent mortgage loans on a 66-unit multifamily housing development located in the City of Palm Springs to be known as Coyote Run Apartments, Phase II (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which has prepared its report dated August 25, 2003 (the "Staff Report") recommending Board approval subject to certain recommended terms and conditions; and

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

WHEREAS, on July 11, 2003, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

NOW, THEREFORE, BE IT RESOLVED by the Board:

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

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	NUMBER OF UNITS	MORTGAGE AMOUNT
03-023-C/S	Coyote Run Apartments, Phase II Palms Springs/Riverside	66	
		Construction First Mortgage:	$6,450,000
		Permanent First Mortgage:	$1,600,000

Resolution 03-43
Page 2

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

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

I hereby certify that this is a true and correct copy of Resolution 03-43 adopted at a duly constituted meeting of the Board of the Agency held on September 18, 2003, at Burbank, California.

ATTEST: ______________________
Secretary

State of California

CalHFA California Housing Finance Agency

MEMORANDUM

Date: June 17, 2003
To: Linn Warren
Through: Jim Liska
From: Tina Ilvonen
Subject: Final Commitment Modification Approval, CalHFA # 03-023-C/S
Coyote Run Apartments, Phase II, Palm Springs, Riverside County, CA;

This is a final commitment modification approval request for tax-exempt permanent loan financing in the amount of One Million Seven Hundred Fifty Thousand Dollars, ($1,750,000), and construction loan financing in the amount of Six Million Eight Hundred Seventy Thousand Dollars, ($6,870,000). Security for the loans will be a newly-constructed family apartment project consisting of 66 units. The property will be owned by Hacienda Sunset Affordable Housing Associates, a not-for-profit, limited partnership, whose general partner is Coachella Valley Housing Coalition.

The Coyote Run Apartments, Phase Two, (Phase II), development will provide 66 units of newly constructed affordable housing in Riverside. Phase II is the second phase of a pre-existing project by the same name with 140 units in Palm Springs.

LOAN TERMS

Construction	**Original Board Approval**	**Modified Approval**
First Mortgage	$6,450,000	$6,870,000
Interest Rate	3.00%, variable	3.00%, variable
Term	18 Months, interest only	18 Months, interest only
Financing	Tax-exempt	$6,450,000, tax-exempt
		$ 420,000, taxable

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

Permanent	**Original Board Approval**	**Modified Approval**
First Mortgage	$1,600,000	$1,750,000
Interest Rate	5.50%	5.25%
Term	30 year fixed, fully amortized	30 year fixed, fully amortized
Financing	Tax-exempt	Tax-exempt
Insurance	Not Applicable	Not Applicable

State of California

CalHFA California Housing Finance Agency

Reason for Loan Increase Request:
Construction cost increases, mainly in lumber and steel. In addition FHLB, AHP funds in the requested amount of $350,000 were not awarded.

Attachments:

To illustrate the changes in the project budget since Board approval in September 2003 attached is a revised project summary, sources and uses, rents, operating budget, cashflow and construction sources and uses, dated June 28, 2004.

The operating budget and cashflow have changed slightly since Board approval. There have been no changes in the rent structure, however the rents now reflect the new 2004 rent levels. Current expenses per unit not including reserves are $3,409, compared to expenses per unit of $3,153 not including reserves, in the original Board approval. The interest rate has been decreased from 5.50% to 5.25% because bonds were sold at a lower than expected rate.

The loan to value ratios have increased for the permanent financing from 34% to 37%, and for the construction financing from 62% to 66%.

The original Board approved narrative and workbook is also attached.

Recommendation:
Approval of the requested $570,000 loan increase; which consists of a $150,000 permanent loan increase request, and a $420,000 construction loan increase request. This approval equates to a 7% increase of the originally approved loan amounts.

Approved by:

/S/
Linn Warren by Jim Liska

Dated: June 30, 2003

▷ Sacramento Headquarters
1121 L Street, Seventh Floor
Sacramento, CA 95814-3974
(916) 322-3991

▷ Los Angeles Office
100 Corporate Pointe, Ste. 250
Culver City, CA 90230-7641
(310) 342-1250

www.calhfa.ca.gov

Project Summary

Original Board Approval	Perm	$1,600,000	increase	$150,000	% change	9%	
	Construct	$6,450,000	increase	$420,000	% change	7%	Date: 28-Jun-04
	Total	**$8,050,000**	**increase**	**$570,000**	**% change**	**7%**	

Project Profile:

Project :	Coyote Run II			
Location:	San Rafael and N. Sunrise Way	**Appraisal:**		
	Palm Springs	Cap Rate:	7.50%	
County:	Riverside	Final Value:	$4,675,000	
Borrower:	Hacienda Sunset Afford. Hsg. Assc.	Construction:	$10,400,000	
GP:	CVHC			
GP:				
LP:	CEF	**LTC/LTV:**	**Construction**	**Permanent**
Program:	Tax-Exempt	Loan/Cost	64%	14%
CalHFA # :	03-023-C/S	Loan/Value	66%	37%

Project Description:

Units	66
Handicap Units	4
Bldge Type	New Const.
Buildings	17
Stories	1 and 2
Gross Sq Ft	0
Land Sq Ft	337,590
Units/Acre	9
Total Parking	143
Covered Parking	75

Financing Summary:

Financing Summary:		Amount	Per Unit	Rate	Term
CalHFA First Mortgage		$1,750,000	$26,515	5.25%	30
HCD - MHP		$2,428,834	$36,801	3.00%	55
HOME funds		$2,115,601	$32,055	3.00%	55
City of Palm Springs		$1,100,000	$16,667	3.00%	55
City of Palm Springs Land Donation		$250,000	$3,788	0.00%	-
FHLB-AHP		$0	$0	0.00%	32
Deferred Developer Fee		$215,795	$3,270		-
General Partner Equity		$665,699	$10,086		-
Tax Credit Equity		$3,599,020	$54,531		
CalHFA Construction Loan		$6,870,000	$104,091	2.75%	-
Tax-exempt portion	50% test 54.96%	$6,450,000	$97,727	2.75%	18 months
Taxable portion		$420,000	$6,364	2.75%	-

Unit Mix:

Type	Manager		30% SMI		50% AMI		60% AMI		Market		Total
	number	rent	number	rent	number	rent	number	rent	number	rent*	
1 bedroom			2	284	2	440	4	542	0	0	8
2 bedroom			8	333	5	522	7	644	0	0	20
3 bedroom	1	0	12	379	7	596	10	737	0	0	30
4 bedroom			2	405	2	648	4	806	0	0	8
subtotal	1		24		16		25		0		
											66

Fees, Escrows, and Reserves:

Permanent		**Basis of Requirements**	**Amount**	**Security**
Fees	CalHFA Permanent Loan	0.50% Total Loans	$8,750	Cash
Escrows	Construction Defect	2.50% of Hard Costs	$183,422	Letter of Credit
Reserves	Operating Expense Reserve	10.00% of Gross Income	$42,178	Cash
	Initial Deposit to Replacement Reserve	0.00% of Gross Income	$0	Cash
	Annual Replacement Reserve Deposit	$350 per unit	$23,100	Operations

Construction		**Basis of Requirements**	**Amount**	**Security**
Fees	CalHFA Construction Loan	1.00% of Total Loans	$68,700	Cash
	Inspection fee	$1,500 x months of construction	$21,000	Cash
Guarantees	Bond Origination Guaranty	1.00%	$68,700	Letter of Credit
	Completion Guaranty--Borrower	5.00%	$343,500	Letter of Credit or Cash Escrow
	Performance Bond--Contractor	100.00%	$6,870,000	Bond
	Payment Bond--Contractor	100.00%	$6,870,000	Bond
Reserves	Rent-up Reserve	0.25 Year Operating Expense	$38,925	Cash

SOURCES:

	Permanent Dollars	Perm. Bridge	Construction	Percent of Total Sources	Interest Rate
CalHFA First Mortgage	1,750,000			14.4%	5.25%
CalHFA Construction Loan			6,870,000		2.75%
HCD - MHP	2,428,834			20.0%	3.00%
HOME funds	2,115,601		2,115,601	17.4%	3.00%
City of Palm Springs	1,100,000		1,100,000	9.1%	3.00%
City of Palm Springs Land Donatic	250,000		250,000	2.1%	0.00%
FHLB-AHP	-		-	0.0%	0.00%
Deferred Developer Fee	215,795		-	1.8%	
General Partner Equity	665,699		-	5.5%	
Tax Credit Equity	3,599,020		345,000	29.7%	
Total Sources	12,124,949		10,680,601	100.0%	
(Gap)/Surplus	0				

	Total Cost	**per unit**	**pct of total**	9%	4%
ACQUISITION					
Total Land Cost or Value	250,000	3,788	2%	XXXXXXXX	XXXXXXXX
Legal/Broker Fees	10,000	152	0%	XXXXXXXX	XXXXXXXX
Demolition	-	-	0%	XXXXXXXX	XXXXXXXX
Off-Site Improvements	126,728	1,920	1%	XXXXXXXX	126,728
Existing Improvements Value	-	-	0%	XXXXXXXX	-
Other	-	-	0%	-	-
Total Acquisition Cost	386,728	5,860	3%	-	-
REHABILITATION					
Site Work		-	0%	-	-
Structures		-	0%	-	-
General Requirements		-	0%	-	-
Contractor Overhead		-	0%	-	-
Contractor Profit		-	0%	-	-
Other	-	-	0%	-	-
Other	-	-	0%	-	-
Total Rehab. Costs	-	-	0%	-	-
NEW CONSTRUCTION					
Site Work	1,878,633	28,464	15%	1,878,633	1,878,633
Structures	5,331,532	80,781	44%	5,331,532	5,331,532
General Requirements	351,785	5,330	3%	351,785	351,785
Contractor Overhead	92,000	1,394	1%	92,000	92,000
Contractor Profit	380,000	5,758	3%	380,000	380,000
Personal property		-	0%	-	-
Bond Premium	66,122	1,002	1%	66,122	66,122
Total New Const. Costs	8,100,072	122,728	67%	8,100,072	8,100,072
ARCHITECTURAL FEES					
Design	370,206	5,609	3%	370,206	370,206
Supervision	41,134	623	0%	41,134	41,134
Total Architectural Costs	411,340	6,232	3%	411,340	411,340
SURVEY & ENGINEERING	15,000	227	0%	15,000	15,000
CONST. INTEREST & FEES					
Const. Loan Interest	220,000	3,333	2%	220,000	220,000
Construction Loan Fee	68,700	1,041	1%	68,700	68,700
Legal	10,000	152	0%	10,000	10,000
Taxes	1,500	23	0%	1,500	1,500
Insurance	70,000	1,061	1%	70,000	70,000
Title and Recording	15,000	227	0%	15,000	15,000
Application Fee	-	-	0%	-	-
Construction Inspection Fee	21,000	318	0%	21,000	21,000
Total Const. Interest & Fees	406,200	6,155	3%	406,200	406,200

PERMANENT FINANCING					
Commitment Fee		-	0%	XXXXXXXX	XXXXXXXX
Finance Fee	8,750	133	0%	XXXXXXXX	XXXXXXXX
Application Fee	500	8	0%	XXXXXXXX	XXXXXXXX
Title and Recording	5,000	76	0%	XXXXXXXX	XXXXXXXX
Bridge Loan Interest	-	-	0%	XXXXXXXX	XXXXXXXX
HAT Bridge Loan	-	-	0%	XXXXXXXX	XXXXXXXX
HUD Environ. Review	-	-	0%	XXXXXXXX	XXXXXXXX
Legal	5,000	76	0%	XXXXXXXX	XXXXXXXX
Total Perm. Financing Costs	19,250	292	0%	XXXXXXXX	XXXXXXXX
LEGAL FEES					
Investor Legal Fee	20,000	303	0%	20,000	20,000
Legal	5,500	83	0%	5,500	5,500
Borrower- Construction loan close	15,000	227	0%	15,000	15,000
Total Attorney Costs	40,500	614	0%	40,500	40,500
RESERVES					
CEF exit tax reserves	20,000	303	0%	XXXXXXXX	XXXXXXXX
Operating Expense Reserve	93,000	1,409	1%	XXXXXXXX	XXXXXXXX
Bond Origination Guarantee	-	-	0%	XXXXXXXX	XXXXXXXX
Letter of Credit Costs	9,200	139	0%	XXXXXXXX	XXXXXXXX
CalHFA Rent-up Reserve	-	-	0%	XXXXXXXX	XXXXXXXX
Total Reserve Costs	122,200	1,852	1%	XXXXXXXX	XXXXXXXX
CONTRACT COSTS					
Appraisal	15,000	227	0%	15,000	15,000
Market Study	9,600	145	0%	9,600	9,600
PNA		-	0%	-	-
Eq Ins. Waiver/Seismic Review	10,000	152	0%	10,000	10,000
Environmental Review	2,500	38	0%	2,500	2,500
Total Contract Costs	37,100	562	0%	37,100	37,100
CONTINGENCY					
Hard Cost Contingency	408,034	6,182	3%	408,034	408,034
Soft Cost Contingency	85,000	1,288	1%	85,000	85,000
Total Contingency Costs	493,034	7,470	4%	493,034	493,034
OTHER					
TCAC App/Alloc/Monitor Fees	31,930	484	0%	XXXXXXXX	XXXXXXXX
Environmental Audit and Soil Report	10,000	152	0%	10,000	10,000
Soils Report Expense	-	-	0%	-	-
Asbestos/Lead-based Paint Report	-	-	0%	-	-
Permit Processing Fees	110,000	1,667	1%	110,000	110,000
Local Impact Fees	443,896	6,726	4%	443,896	443,896
Audit	7,000	106	0%	7,000	7,000
Marketing Budget	15,000	227	0%	XXXXXXXX	XXXXXXXX
Furnishings	20,000	303	0%	20,000	20,000
Syndication costs	70,000	1,061	1%	70,000	70,000
Total Other Costs	707,826	10,725	6%	660,896	660,896
PROJECT COSTS	10,739,250	162,716	89%		
DEVELOPER COSTS					
Developer Overhead/Profit	1,385,699	20,995	11%	1,385,699	1,385,699
Consultant/Processing Agent	-	-	0%	-	-
Project Administration	-	-	0%	-	-
Total Developer Costs	1,385,699	20,995	11%	1,385,699	1,385,699
TOTAL PROJECT COST	12,124,949	183,711	100%		
Total Eligible Basis				11,527,741	11,527,741

Annual Operating Budget Worksheet — Coyote Run II

Budget Line Item	Amount	Pct. of Total	$ per Unit
INCOME			
Total Rental Income	417,816	99.1%	6,331
Laundry	3,960	0.9%	60
Other Income	0	0.0%	-
Gross Potential Income (GPI)	**421,776**	**100.0%**	**6,391**
Less:			
Vacancy Loss	21,089	5.0%	320
Effective Gross Income	**400,687**	**95.0%**	**6,071**
EXPENSES			
Payroll			
On-Site Manager	27,040	7.4%	410
Maintenance	17,680	4.9%	268
Other	0	0.0%	-
Other	0	0.0%	-
Subtotal Payroll	**44,720**	12.3%	678
Payroll Taxes/Workers Comp.	12,062	3.3%	183
Employee Benefits	10,875	3.0%	165
Total Payroll	**67,657**	**18.6%**	**1,025**
Administrative Expenses			
Renting Expense	1,500	0.4%	23
Office Supplies/Minor Equipment	4,000	1.1%	61
Management Fee	27,720	7.6%	420
Legal	750	0.2%	11
Audit Expenses (Project Only)	5,000	1.4%	76
Accounting /Bookkeeping		0.0%	-
Telephone	2,500	0.7%	38
Other	1,873	0.5%	28
Total Administrative	**43,343**	**11.9%**	**657**
Utilities			
Electricity	11,000	3.0%	167
Water	14,000	3.8%	212
Gas	2,100	0.6%	32
Sewer	8,600	2.4%	130
Total Utilities	**35,700**	**9.8%**	**541**

Operating and Maintenance			
Maintenance Supplies	1,000	0.3%	15
Maintenance and Repair Services	6,000	1.6%	91
Grounds Contract and Services	20,000	5.5%	303
Grounds Supplies	2,000	0.5%	30
Janitorial Supplies	1,500	0.4%	23
Security Services	0	0.0%	-
Elevator Maintenance	0	0.0%	-
Extermination / Pest Control	2,500	0.7%	38
Trash Removal	16,000	4.4%	242
Heating & A/C Services	3,000	0.8%	45
Interior Painting & Decorating Expenses	2,500	0.7%	38
Swimming pool maintenance	4,500	1.2%	68
Total Operating and Maintenance	**59,000**	**16.2%**	**894**
Insurance and Taxes			
Property Insurance Impound	13,700	3.8%	208
5/13 Additional expenses		0.0%	-
5/13 exit tax reserves - below line now	0	0.0%	-
Business Tax	150	0.0%	2
License, permits, franachise tax	950	0.3%	14
Property Tax Impound	4,500	1.2%	68
Special assessments	0	0.0%	-
Replacement Reserve	23,100	6.3%	350
Addl HOME req. replace reserves - none now	0	0.0%	-
Addl HOME req. operating exp. res. - none nc	0	0.0%	-
Total Insurance and Other Taxes	**42,400**	**11.6%**	**642**
Subtotal Operating Expenses	**248,100**	**68.1%**	**3,759**
Financial Expenses			
Mortgage Payments (1st loan)	115,963	31.9%	1,757
Total Financial	**115,963**	**31.9%**	**1,757**
TOTAL PROJECT EXPENSES	**364,063**	**100.0%**	**5,516**
Net Revenue or (Deficit)	**36,624**	**10.1%**	**555**
Operating Expenses % of EGI	**61.9%**		

3,409 current exp per unit w/o reserves or eq ins

3, 153 board approved exp per unit w/o reserves or eq ins

Cash Flow — Coyote Run II — CalHFA Development Number: 03-023-C/S

RENTAL INCOME		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Market Rent Increase		*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Market Rents		0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents		417,816	428,261	438,968	449,942	461,191	472,720	484,538	496,652	509,068	521,795
TOTAL RENTAL INCOME		**417,816**	**428,261**	**438,968**	**449,942**	**461,191**	**472,720**	**484,538**	**496,652**	**509,068**	**521,795**
OTHER INCOME											
Other Income Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry		3,960	4,059	4,160	4,264	4,371	4,480	4,592	4,707	4,825	4,945
Other Income		0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME		**3,960**	**4,059**	**4,160**	**4,264**	**4,371**	**4,480**	**4,592**	**4,707**	**4,825**	**4,945**
GROSS INCOME		**421,776**	**432,320**	**443,128**	**454,207**	**465,562**	**477,201**	**489,131**	**501,359**	**513,893**	**526,740**
Vacancy Rate : Market		*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Vacancy Rate : Affordable		*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss		21,089	21,616	22,156	22,710	23,278	23,860	24,457	25,068	25,695	26,337
EFFECTIVE GROSS INCOME		**400,687**	**410,704**	**420,972**	**431,496**	**442,284**	**453,341**	**464,674**	**476,291**	**488,198**	**500,403**
OPERATING EXPENSES											
Annual Expense Increase		*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses		220,500	229,320	238,493	248,033	257,954	268,272	279,003	290,163	301,769	313,840
Replacement Reserve		23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100
Other Reserves -		0	0	0	0	0	0	0	0	0	0
Annual Tax Increase		*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments		4,500	4,590	4,682	4,775	4,871	4,968	5,068	5,169	5,272	5,378
TOTAL EXPENSES		**248,100**	**257,010**	**266,275**	**275,908**	**285,925**	**296,340**	**307,171**	**318,432**	**330,142**	**342,318**
NET OPERATING INCOME		**152,587**	**153,694**	**154,697**	**155,588**	**156,359**	**157,000**	**157,504**	**157,859**	**158,057**	**158,085**
DEBT SERVICE											
CalHFA - 1st Mortgage		115,963	115,963	115,963	115,963	115,963	115,963	115,963	115,963	115,963	115,963
CASH FLOW after debt service		**36,624**	**37,732**	**38,735**	**39,626**	**40,396**	**41,038**	**41,541**	**41,896**	**42,094**	**42,122**
DEBT COVERAGE RATIO		**1.32**	**1.33**	**1.33**	**1.34**	**1.35**	**1.35**	**1.36**	**1.36**	**1.36**	**1.36**
MHP Payment	**2,428,834**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**
DEBT COVERAGE RATIO WITH MHP		**1.21**	**1.22**	**1.23**	**1.23**	**1.24**	**1.24**	**1.25**	**1.25**	**1.25**	**1.25**

Cash Flow

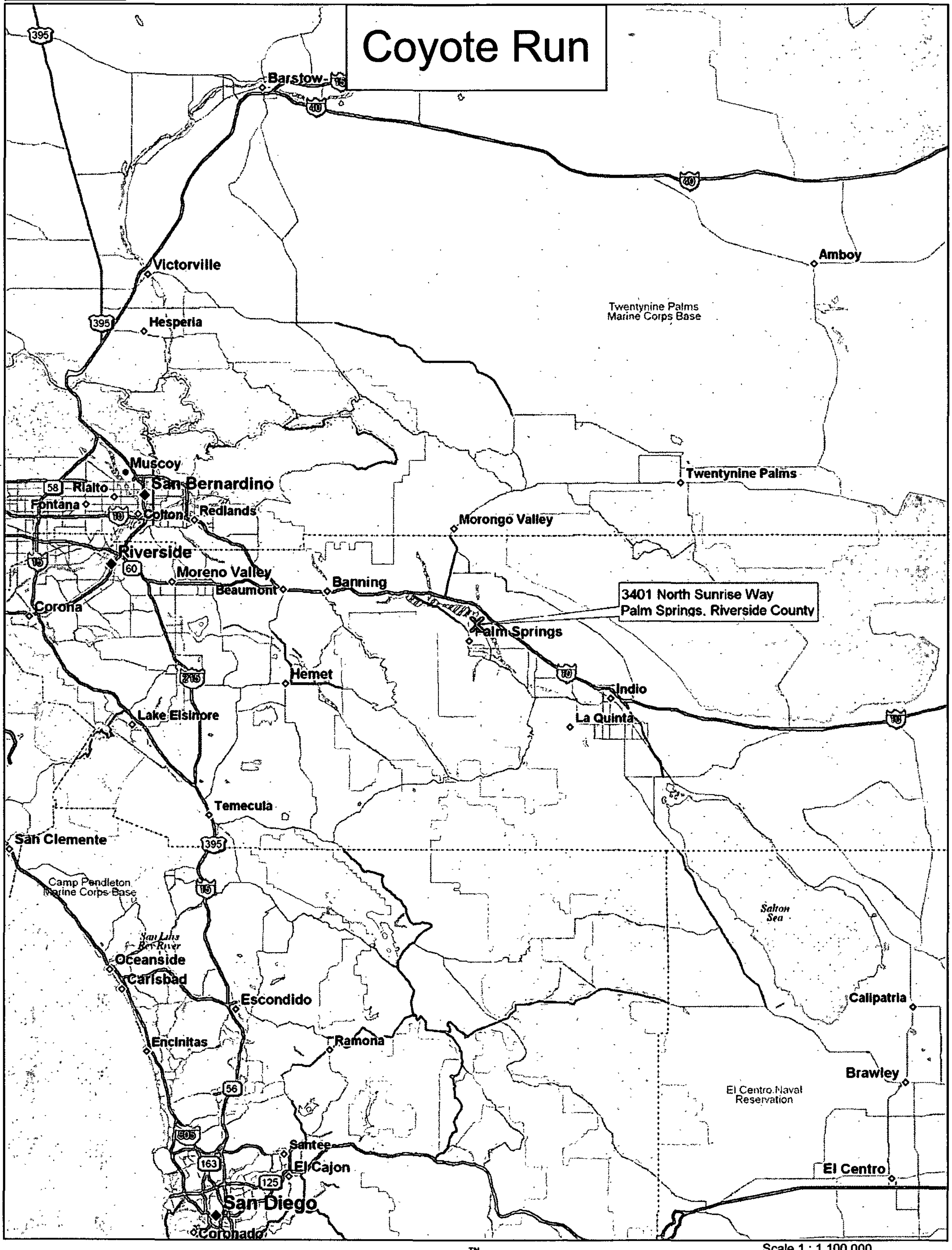
RENTAL INCOME		Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Market Rent Increase		*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Market Rents		0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents		534,840	548,211	561,916	575,964	590,363	605,122	620,250	635,756	651,650	667,942
TOTAL RENTAL INCOME		**534,840**	**548,211**	**561,916**	**575,964**	**590,363**	**605,122**	**620,250**	**635,756**	**651,650**	**667,942**
OTHER INCOME											
Other Income Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry		5,069	5,196	5,326	5,459	5,595	5,735	5,879	6,026	6,176	6,331
Other Income		0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME		**5,069**	**5,196**	**5,326**	**5,459**	**5,595**	**5,735**	**5,879**	**6,026**	**6,176**	**6,331**
GROSS INCOME		**539,909**	**553,407**	**567,242**	**581,423**	**595,958**	**610,857**	**626,129**	**641,782**	**657,827**	**674,272**
Vacancy Rate : Market		*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Vacancy Rate : Affordable		*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss		26,995	27,670	28,362	29,071	29,798	30,543	31,306	32,089	32,891	33,714
EFFECTIVE GROSS INCOME		**512,913**	**525,736**	**538,880**	**552,352**	**566,161**	**580,315**	**594,822**	**609,693**	**624,935**	**640,559**
OPERATING EXPENSES											
Annual Expense Increase		*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses		326,394	339,450	353,028	367,149	381,835	397,108	412,992	429,512	446,693	464,560
Replacement Reserve		23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100
Other Reserves -		0	0	0	0	0	0	0	0	0	0
Annual Tax Increase		*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments		5,485	5,595	5,707	5,821	5,938	6,056	6,178	6,301	6,427	6,556
TOTAL EXPENSES		**354,979**	**368,145**	**381,835**	**396,070**	**410,872**	**426,264**	**442,270**	**458,913**	**476,220**	**494,216**
NET OPERATING INCOME		**157,934**	**157,592**	**157,045**	**156,282**	**155,288**	**154,050**	**152,553**	**150,780**	**148,716**	**146,343**
DEBT SERVICE											
CalHFA - 1st Mortgage		115,963	115,963	115,963	115,963	115,963	115,963	115,963	115,963	115,963	115,963
CASH FLOW after debt service		**41,971**	**41,629**	**41,082**	**40,319**	**39,325**	**38,087**	**36,590**	**34,817**	**32,753**	**30,380**
DEBT COVERAGE RATIO		**1.36**	**1.36**	**1.35**	**1.35**	**1.34**	**1.33**	**1.32**	**1.30**	**1.28**	**1.26**
MHP Payment	**2,428,834**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**
DEBT COVERAGE RATIO WITH MHP		**1.25**	**1.25**	**1.24**	**1.24**	**1.23**	**1.22**	**1.21**	**1.20**	**1.18**	**1.16**

Cash Flow

RENTAL INCOME		Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Market Rent Increase		*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Market Rents		0	0	0	0	0	0	0	0	0	0
Affordable Rent Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Affordable Rents		684,640	701,756	719,300	737,283	755,715	774,608	793,973	813,822	834,168	855,022
TOTAL RENTAL INCOME		**684,640**	**701,756**	**719,300**	**737,283**	**755,715**	**774,608**	**793,973**	**813,822**	**834,168**	**855,022**
OTHER INCOME											
Other Income Increase		*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Laundry		6,489	6,651	6,817	6,988	7,163	7,342	7,525	7,713	7,906	8,104
Other Income		0	0	0	0	0	0	0	0	0	0
TOTAL OTHER INCOME		**6,489**	**6,651**	**6,817**	**6,988**	**7,163**	**7,342**	**7,525**	**7,713**	**7,906**	**8,104**
GROSS INCOME		**691,129**	**708,407**	**726,117**	**744,270**	**762,877**	**781,949**	**801,498**	**821,535**	**842,074**	**863,126**
Vacancy Rate : Market		*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Vacancy Rate : Affordable		*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Less: Vacancy Loss		34,556	35,420	36,306	37,214	38,144	39,097	40,075	41,077	42,104	43,156
EFFECTIVE GROSS INCOME		**656,573**	**672,987**	**689,812**	**707,057**	**724,733**	**742,852**	**761,423**	**780,459**	**799,970**	**819,969**
OPERATING EXPENSES											
Annual Expense Increase		*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
Expenses		483,143	502,468	522,567	543,470	565,209	587,817	611,330	635,783	661,214	687,663
Replacement Reserve		23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100	23,100
Other Reserves -		0	0	0	0	0	0	0	0	0	0
Annual Tax Increase		*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Taxes and Assessments		6,687	6,820	6,957	7,096	7,238	7,383	7,530	7,681	7,835	7,991
TOTAL EXPENSES		**512,929**	**532,389**	**552,624**	**573,666**	**595,547**	**618,300**	**641,960**	**666,564**	**692,149**	**718,754**
NET OPERATING INCOME		**143,643**	**140,598**	**137,188**	**133,391**	**129,187**	**124,552**	**119,463**	**113,895**	**107,821**	**101,215**
DEBT SERVICE											
CalHFA - 1st Mortgage		115,963	115,963	115,963	115,963	115,963	115,963	115,963	115,963	115,963	115,963
CASH FLOW after debt service		**27,680**	**24,635**	**21,225**	**17,428**	**13,224**	**8,589**	**3,500**	**(2,068)**	**(8,141)**	**(14,747)**
DEBT COVERAGE RATIO		**1.24**	**1.21**	**1.18**	**1.15**	**1.11**	**1.07**	**1.03**	**0.98**	**0.93**	**0.87**
MHP Payment	**2,428,834**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**	**10,201**
DEBT COVERAGE RATIO WITH MHP		**1.14**	**1.11**	**1.09**	**1.06**	**1.02**	**0.99**	**0.95**	**0.90**	**0.85**	**0.80**

DeLORME

Street Atlas USA® 2006 Plus



Data use subject to license.

www.delorme.com

TN

MN (12.6°E)

Scale 1 : 1,100,000

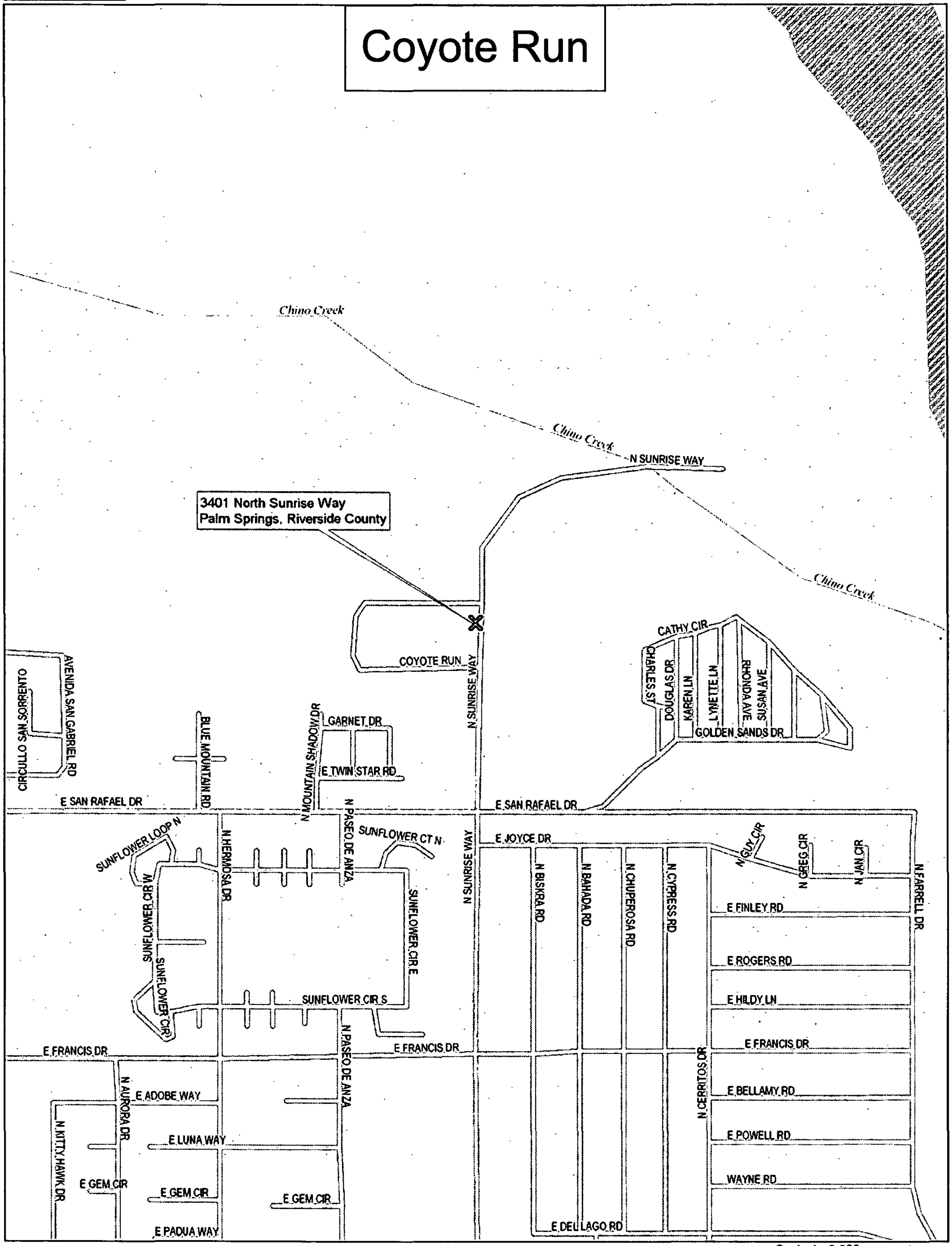
1" = 17.36 mi

Data Zoom 7-5

THIS PAGE INTENTIONALLY LEFT BLANK

DELORME

Street Atlas USA® 2006 Plus



Data use subject to license.

TN

MN (12.6°E)

Scale 1 : 8,800

1" = 733.3 ft

Data Zoom 14-5

THIS PAGE INTENTIONALLY LEFT BLANK

RESOLUTION 07-02

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT MODIFICATION

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan modification request on behalf of Hacienda Sunset Affordable Housing Associates, a California Limited Partnership (the "Borrower"), seeking an increase in the permanent loan commitment in the amount of $400,000, the proceeds of which are to be used to provide financing for a multifamily housing development located in Riverside County, California, to be known as Coyote Run Apartments Phase II (the "Development"); and

WHEREAS, the loan application has been reviewed by Agency staff which prepared a report presented to the Board on the meeting date recited below (the "Staff Report"), recommending Board approval subject to certain recommended terms and conditions; and

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

WHEREAS, on July 11, 2003, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

WHEREAS, on August 25, 2003, the Board approved the original final commitment in Resolution 03-43, and based upon the recommendation of staff and due deliberation by the Board, the Board has determined that a loan modification to the previously approved 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	ORIGINAL MORTGAGE AMOUNT
03-023-C/S	Coyote Run Apartments	66	$ 1,600,000 Permanent 1st Loan
			MODIFIED MORTGAGE AMOUNT
			$ 2,000,000 Permanent 1st Loan

Resolution 07-02
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 07-02 adopted at a duly constituted meeting of the Board of the Agency held on January 18, 2007, at Millbrae, California.

ATTEST:____________________
Secretary

State of California

MEMORANDUM

To: Board of Directors **Date:** December 29, 2006

Bruce D. Gilbertson, Director of Financing
From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: ANNUAL SINGLE FAMILY BOND REAUTHORIZATION RESOLUTION 07-03

Resolution 07-03 would authorize the sale and issuance of CalHFA single family bonds (with related interest rate swaps and other financial agreements) for another year. In addition, the resolution would authorize the Agency to borrow for homeownership purposes using short-term credit facilities.

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

Resolution 07-03 would authorize single family bonds to be issued in various amounts by category, as follows:

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

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

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

Bonds would be authorized to be issued under any of the previously-approved forms of indenture as listed in the resolution. During 2007 we anticipate continuing to use the Home Mortgage Revenue Bond indenture to finance single family whole loans and to begin issuing bonds under the recently approved Residential Mortgage Revenue Bond indenture to finance the purchase of single family mortgage-backed securities. As of this writing we plan to introduce the mortgage-backed securities program during March or April 2007 with the intention to securitize a portion of our conventionally insured loans. The recently completed sale of $60 million of subordinate loans to Fannie Mae has provided sufficient liquidity to finance Agency down payment assistance loans for some time. However, if we decide to again issue bonds for purposes of financing homeownership down payment assistance loans, we would anticipate using the Housing Program Bond indenture.

The resolution would also authorize the full range of related financial agreements, including contracts for investment of bond proceeds, for warehousing of mortgages pending the availability of bond proceeds, for interest rate hedging (including the continued use of interest rate swaps), and for forward delivery of bonds through August 1, 2009. The resolution would also authorize contracts for consulting services or information services related to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, and similar matters, and contracts for financial printing and similar services.

The resolution would also reauthorize short-term credit facilities in an aggregate amount not to exceed $500 million (for the Homeownership Programs, Multifamily Programs and Bay Area Housing Plan). This authorization would allow us to continue to utilize our warehouse line from the State's Pooled Money Investment Board and up to $150 million from the Bank of America credit line.

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

In order to allow for necessary overlap of authority for bond issues scheduled during the time that reauthorization is being considered, Resolution 07-03 would not expire until 30 days after the first Board meeting in the year 2008 at which there is a quorum. Likewise, last year's single family resolution (06-03) will not expire until 30 days after this meeting.

In past years we have strived to lock in our cost of funds approximately every 60 days, whether by means of pricing fixed-rate bonds or via the interest rate swap market. In 2007, we will continue to do our best to periodically match our cost of funds to our lending rates, but this effort will be affected somewhat by our plans to issue bonds under two indentures requiring more frequent hedging of distinct loan pipelines for whole loans and mortgage-backed securities.

Attachment

RESOLUTION NO. 07-03

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 2. **Authorization and Timing.** The Bonds are hereby authorized to be issued in such aggregate amount at such time or times on or before the day 30 days after the date on which is held the first meeting of the Board in the year 2008 at which a quorum is present, as the Executive Director of the Agency (the "Executive Director") deems appropriate, upon consultation with the Treasurer of the State of California (the "Treasurer") as to the timing of each such issuance; provided, however, that if the bonds are sold at a time on or before the day 30 days after the date on which is held such meeting, pursuant to a forward purchase or drawdown agreement providing for the issuance of such Bonds on or before August 1, 2009 upon specified terms and conditions, such Bonds may be issued on such later date.

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

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

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

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

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

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

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

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

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

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

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

(k) that certain indenture pertaining to the HP Bonds (the "HP Indenture"); and/or

(l) that certain indenture relating to the RMR Bonds.

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

Section 4. **Approval of Forms of Series and Supplemental Indentures.** The Executive Director and the Secretary are hereby authorized and directed, for and on behalf and in the name of the Agency, to execute and acknowledge and to deliver with respect to each series of Bonds, if and to the extent appropriate, series and/or supplemental indentures (each a "Supplemental Indenture") under either one of the Prior Indentures or a New Indenture and in substantially the form of the respective supplemental indentures previously executed and delivered or approved, each with such changes therein as the officers executing the same approve upon consultation with the Agency's legal counsel, such approval to be conclusively evidenced by the execution and delivery thereof. Changes reflected in any Supplemental Indenture may include, without limitation, provision for a supplemental pledge of Agency moneys or assets (including but not limited to, a deposit from the Supplementary Bond Security Account created under Section 51368 of the Act) and provision for the Agency's general obligation to additionally secure the Bonds if appropriate in furtherance of the objectives of the Program.

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

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

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

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

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

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

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

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

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

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

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

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

The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, (i) contracts or agreements for the purchase or sale of mortgage-backed securities; (ii) servicing agreements, including master servicing agreements, in connection with the operation of a program of mortgage-backed securities; (iii) agreements with government-sponsored enterprises, or other secondary market issuers or guarantors of mortgage-backed securities; and (iv) such other program documents as are necessary or appropriate for the operation of a program of mortgage-backed securities.

Section 12. **Authorization of Short-term Credit Facilities.** The Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more short-term credit facilities for the purposes of (i) financing the purchase of Loans and/or mortgage-backed securities on an interim basis, prior to the financing thereof with Bonds, whether issued or to be issued and (ii) financing expenditures of the Agency incident to, and necessary or convenient to, the issuance of Bonds, including, but not limited to, Agency expenditures to pay costs of issuance, capitalized interest, redemption price of prior bonds of the Agency, costs relating to credit enhancement or liquidity support, costs relating to investment products, or net payments and expenses relating to interest rate hedges and other financial products. Any such short-term credit facility may be from any appropriate source, including, but not limited to, the Pooled Money Investment Account pursuant to Government Code Section 16312; provided, however, that the aggregate outstanding principal amount of short-term credit facilities authorized under this resolution or Resolution No. 07-04 (the multifamily financing resolution adopted at the same meeting) or Resolution 06-06 (the Bay Area Housing Plan resolution) may not at any time exceed $500,000,000 (separate and apart from the amount of Bonds authorized by Section 1 of this resolution).

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

Section 13. **Local Agency Cooperation.** (a) The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver one or more agreements with one or more Local Agencies providing that the Agency shall sell Local Agency Bonds for the purpose of providing funds for the Program for the purchase of Loans financing Residences (or mortgage-backed securities underlain by loans financing such Residences) within the jurisdiction of the applicable Local Agency. Each such agreement shall contain the provisions required by Section 52062 of the Local Agency Assistance Act and shall provide that the method by which the Agency shall utilize the proceeds of Local Agency Bonds in the Agency's Program shall be for the Agency to borrow such proceeds by the issuance of Bonds to the Local Agency. The Bonds shall be in the form and shall be issued under the terms and conditions authorized by this resolution, applied as appropriate under the circumstances. The Bonds shall serve as the primary source of payment of and as security for the Local Agency Bonds.

The Local Agency Bonds are hereby authorized to be sold at such time or times, on or before the day 30 days after the date on which is held the first meeting of the Board in the year 2008 at which a quorum is present, as the Executive Director deems appropriate, upon consultation with the Treasurer as to the timing of each such sale.

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

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

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

<u>Section 14</u>. **<u>Ratification of Prior Actions</u>.** All actions previously taken by the Agency relating to the implementation of the Program, the issuance of the Bonds, the issuance of any prior bonds, the execution and delivery of related financial agreements and related program agreements and the implementation of any credit facilities as described above, including, but not limited to, such actions as the distribution of the Agency's Lender Program Manual, Mortgage Purchase and Servicing Agreement, Servicing Agreement, Developer Agreement, Servicer's Guide, Program Bulletins and applications to originate and service loans, and the sale of any foreclosed property, are hereby ratified.

<u>Section 15</u>. **<u>Authorization of Related Actions and Agreements</u>.** The Treasurer, the Executive Director and the officers of the Agency, or the duly authorized deputies thereof, are hereby authorized and directed, jointly and severally, to do any and all

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

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

Section 16. **Additional Delegation.** All actions by the Executive Director approved or authorized by this resolution may be taken by the Chief Deputy Director of the Agency, the Director of Financing of the Agency, the Comptroller of the Agency or any other person specifically authorized in writing by the Executive Director.

SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 07-03 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 18th day of January, 2007, of which meeting all said directors had due notice; and that at said meeting said Resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 18th day of January, 2007.

[SEAL]

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

SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 07-03 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 18th day of January, 2007, of which meeting all said directors had due notice; and that at said meeting said Resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

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

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

[SEAL]

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

THIS PAGE INTENTIONALLY LEFT BLANK

State of California

MEMORANDUM

To: Board of Directors **Date:** December 29, 2006

Bruce D. Gilbertson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: ANNUAL MULTIFAMILY BOND REAUTHORIZATION RESOLUTION 07-04

Resolution 07-04 would authorize the sale and issuance of CalHFA multifamily bonds (with related interest rate swaps and other financial agreements) for another year. In addition, the resolution would authorize the Agency to borrow for multifamily purposes using short-term credit facilities.

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

Resolution 07-04 would authorize multifamily bonds to be issued in various amounts by category, as follows:

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

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

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

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

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

The resolution would also authorize the full range of related financial agreements, including contracts for investment of bond proceeds, for warehousing of mortgages pending the availability of bond proceeds, for interest rate hedging (including the continued use of interest rate swaps), and for forward delivery of bonds through August 1, 2009. The resolution would also authorize contracts for consulting services or information services related to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, and similar matters, and contracts for financial printing and similar services.

The resolution would also reauthorize short-term credit facilities in an aggregate amount not to exceed $500 million (for the Homeownership Programs, Multifamily Programs and Bay Area Housing Plan). This authorization would allow us to continue to utilize our warehouse line from the State's Pooled Money Investment Board and up to $150 million from the Bank of America credit line. This bank line of credit is primarily used for multifamily loan warehousing.

In order to allow for necessary overlap of authority for bond issues scheduled during the time that reauthorization is being considered, Resolution 07-04 would not expire until 30 days after the first Board meeting in the year 2008 at which there is a quorum. Likewise, last year's multifamily resolution (06-04) will not expire until 30 days after this meeting.

During 2007 we anticipate up to three issues of our Multifamily Housing Revenue Bonds III -- in February, July and October -- each in connection with private activity volume cap authorized for our use by CDLAC. We expect that our issuance activity under the MHRB-III indenture to include additional bonds to be authorized by this resolution, such as 501(c)(3) bonds, refunding bonds, and taxable bonds.

Attachment

RESOLUTION NO. 07-04

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

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

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

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

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

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

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

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

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

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

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

Section 2. **Authorization and Timing.** The Bonds are hereby authorized to be issued at such time or times on or before the day 30 days after the date on which is held the first meeting in the year 2008 of the Board of Directors of the Agency at which a quorum is present, as the Executive Director deems appropriate, upon consultation with the Treasurer of the State of California (the "Treasurer") as to the timing of each such issuance; *provided, however,* that if the Bonds are sold at a time on or before the day 30 days after the date on which is held such meeting, pursuant to a forward purchase or drawdown agreement providing for the issuance of such Bonds on a later date on or before August 1, 2009, upon specified terms and conditions, such Bonds may be issued on such later date; and *provided, further,* that Bonds being issued to refund Bonds of the type described in Section 1(d) of this resolution or to refinance Developments financed by Bonds of the type described in such Section 1(d) may be issued at any time prior to the original maturity date of the original Loans financed by such Bonds.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(A) the Prior Indentures,

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

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

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

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

(6) for liquidity support,

(7) for contingent or deferred interest, or

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

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

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

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

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

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

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

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

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

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

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

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

Section 11. **Authorization of Short-Term Credit Facilities.** In addition, the Executive Director and the other officers of the Agency are hereby authorized to enter into, for and in the name and on behalf of the Agency, one or more short-term credit facilities for the purposes of (i) financing the purchase of Loans on an interim basis, prior to the financing of such Loans with Bonds, whether issued or to be issued, and (ii) financing expenditures of the Agency incident to, and necessary or convenient to, the issuance of Bonds, including, but not limited to, Agency expenditures to pay costs of issuance, capitalized interest, redemption price of prior bonds of the Agency, costs relating to credit enhancement or liquidity support, costs relating to investment products, or net payments and expenses relating to interest rate hedges and other financial products. Any such short-term credit facility may be from any appropriate source, including, but not limited to, the Pooled Money Investment Account pursuant to Government Code Section 16312; *provided, however,* that the aggregate outstanding principal amount of short-term credit facilities authorized under this resolution, Resolution No. 07-03 (the single family financing resolution adopted at the same meeting), or Resolution No. 06-06 (the Bay Area Housing Plan resolution) may not at any time exceed $500,000,000 (separate and apart from the amount of Bonds authorized by Section 1 of this resolution).

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

Section 12. **Ratification of Prior Actions.** All actions previously taken by the officers of the Agency in connection with the implementation of the Program, the issuance of the Bonds, the issuance of any prior bonds (the "Prior Bonds"), the execution and delivery of related financial agreements and related program agreements and the implementation of any credit facilities as described above are hereby approved and ratified.

Section 13. **Authorization of Related Actions and Agreements**. The Treasurer, the Executive Director and the officers of the Agency, or the duly authorized deputies thereof, are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all agreements and documents which they deem necessary or advisable in order to consummate the issuance, sale, delivery, remarketing, conversion and administration of Bonds and Prior Bonds and otherwise to effectuate the purposes of this resolution, including declaring the official intent of the Agency for purposes of U.S. Treasury Regulations Section 1.150-2, and including executing and delivering any amendment or supplement to any agreement or document relating to Bonds or Prior Bonds in any manner that would be authorized under this resolution if such agreement or document related to Bonds authorized by this resolution. Such agreements may include, but are not limited to, remarketing agreements, tender agreements or similar agreements regarding any put option for Bonds or Prior Bonds, broker-dealer agreements, market agent agreements, auction agent agreements or other agreements necessary or desirable in connection with the issuance of Bonds in, or the conversion of Bonds or Prior Bonds to, an auction rate mode or an indexed rate mode, agreements for the investment of moneys relating to the Bonds or Prior Bonds, reimbursement agreements relating to any credit enhancement or liquidity support or put option provided for the Bonds or the Prior Bonds, continuing disclosure agreements and agreements for necessary services provided in the course of the issuance of the bonds, including but not limited to, agreements with bond underwriters and placement agents, bond trustees, bond counsel and financial advisors and contracts for consulting services or information services relating to the financial management of the Agency, including advisors or consultants on interest rate swaps, cash flow management, and similar matters, and contracts for financial printing and similar services. The Agency's reimbursement obligation under any such reimbursement agreement may be a special, limited obligation or a general obligation and may, subject to the rights of the Bondholders, be secured by a pledge of the same revenues and assets that may be pledged to secure Bonds or by a pledge of other revenues and assets.

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

Section 14. **Additional Delegation.** All actions by the Executive Director approved or authorized by this resolution may be taken by the Chief Deputy Director of the Agency, the Director of Financing of the Agency, the Comptroller of the Agency or any other person specifically authorized in writing by the Executive Director.

SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 07-04 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 18th day of January, 2007, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 18th day of January, 2007.

[SEAL]

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

SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of the Resolution No. 07-04 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 18th day of January, 2007, of which meeting all said directors had due notice; and that at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

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

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

[SEAL]

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

THIS PAGE INTENTIONALLY LEFT BLANK

State of California

MEMORANDUM

To: Board of Directors **Date:** December 29, 2006

Bruce D. Gilbertson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: AUTHORIZATION TO MAKE APPLICATION TO THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE RESOLUTION 07-05

The California Debt Limit Allocation Committee ("CDLAC") is the State entity which, under California law, allocates the federal volume cap for "private activity bonds" to be issued each year by State and local bond issuers. Private activity bonds are federally tax-exempt bonds which are issued to benefit non-governmental borrowers such as first-time homebuyers or owners of affordable rental housing developments.

Resolution 07-05 would authorize application to CDLAC for a maximum of $900 million of single family allocation and $400 million of multifamily allocation. Such authorization would be in effect during the period of time in which Resolutions 07-03 and 07-04, which authorize the issuance of single family and multifamily bonds, are themselves in effect.

At the December 13, 2006 CDLAC meeting the committee approved action to grant to CalHFA the amount of any remaining unused 2006 volume cap for use in our homeownership program. As of this writing, the amount remaining was $234 million, but it could grow if other issuers report any additional failure to use in their entirety allocations granted in 2006. In December of 2005 we were similarly allocated $757 million of unused 2005 volume cap.

The amounts proposed in Resolution 07-05 are greater than we would expect to apply for. However, the presumption is that the Board would want CalHFA to be authorized to apply and eligible to do so under CDLAC rules if allocation is available.

The attached table shows the amount of volume cap allocated to housing purposes over the past five years and what portion of these amounts were allocated to CalHFA.

Attachments

CDLAC ALLOCATIONS 2002 - 2006

Year	Volume Cap for all Programs	MULTIFAMILY ALLOCATIONS All Multifamily	To CalHFA	% of MF Total	SINGLE FAMILY ALLOCATIONS All Single Family [1]	To CalHFA	% of SF Total
2002	$2,587,584,750	$1,294,941,472	$119,445,000	9.2%	$843,197,582	$500,655,188 [2]	59.4%
2003	$2,633,702,475	$1,436,702,475	$236,565,000	16.5%	$724,000,000	$416,332,732 [3]	57.5%
2004	$2,838,756,240	$1,552,900,000	$214,187,800 [4]	13.8%	$782,650,000	$695,804,851 [5]	88.9%
2005	$2,871,503,920	$1,669,700,000	$168,155,000 [6]	8.9%	$646,000,000	$1,015,521,544 [7]	157.2%
2006	$2,889,571,760	$1,635,000,000	$56,550,000	3.5%	$610,000,000	$594,000,000 [8]	97.4%

(1) Includes MRBs and Extra Credit Teacher Home Purchase Program.
(2) Includes $139,255,188 single family carry forward allocation.
(3) Includes $86,460,327 single family carry forward allocation.
(4) Includes $21,610,000 multifamily carry forward allocation.
(5) Includes $307,804,851 single family carry forward allocation.
(6) Includes $20,365,000 multifamily carry forward allocation.
(7) Includes $756,521,544 of single family carryforward allocation. This amount includes other unused program amounts. CDLAC has authorized all unused program pools to be transferred to the Single Family Program pool.
(8) Includes an estimated $234,000,000 single family carry forward allocation.

CDLAC 02-06.xls (lmf)
1/2/2007 10:33

RESOLUTION NO. 07-05

RESOLUTION OF THE CALIFORNIA HOUSING FINANCE AGENCY APPROVING APPLICATIONS TO THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE FOR PRIVATE ACTIVITY BOND ALLOCATIONS FOR THE AGENCY'S HOMEOWNERSHIP AND MULTIFAMILY PROGRAMS

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

WHEREAS, the Agency has determined that it is in the public interest for the Agency to provide such financial assistance by means of ongoing programs (collectively, the "Homeownership Program") to make lower-than-market rate loans for the permanent financing of Residences;

WHEREAS, pursuant to Parts 1 through 4 of Division 31 of the Health and Safety Code of the State of California (the "Act"), the Agency has the authority to issue bonds to provide sufficient funds to finance the Homeownership Program;

WHEREAS, the Agency has by its Resolution No. 07-03 authorized the issuance of bonds for the Homeownership Program and desires to authorize application to the California Debt Limit Allocation Committee for private activity bond allocations to be used in connection with the issuance of a portion of such bonds in order for interest on such bonds to be excludable from gross income for federal income tax purposes;

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

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

WHEREAS, pursuant to the Act, the Agency has the authority to issue bonds to provide sufficient funds to finance the Multifamily Program; and

WHEREAS, the Agency has by its Resolution No. 07-04 authorized the issuance of bonds for the Multifamily Program and desires to authorize application to the California Debt Limit Allocation Committee for private activity bond allocations to be used in connection with the issuance of a portion of such bonds in order for interest on such bonds to be excludable from gross income for federal income tax purposes;

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

Section 1. **Authorization to Apply to CDLAC for the Homeownership Program.** The officers of the Agency are hereby authorized to apply from time to time to the California Debt Limit Allocation Committee ("CDLAC") for private activity bond allocations in an aggregate amount of up to $900,000,000 per year to be used in connection with bonds issued under Resolution No. 07-03 or resolutions heretofore or hereafter adopted by the Agency for the Homeownership Program. In the alternative, subject to the approval of CDLAC and under such terms and conditions as may be established by CDLAC, any such allocation received is authorized by this Board to be used in connection with a mortgage credit certificate program or in connection with a teacher home purchase program.

Section 2. **Authorization to Apply to CDLAC for the Multifamily Program.** The officers of the Agency are hereby authorized to apply from time to time to CDLAC for private activity bond allocations in an aggregate amount of up to $400,000,000 per year, to be used in connection with bonds issued under Resolution No. 07-04 or resolutions heretofore or hereafter adopted by the Agency for the Multifamily Program.

Section 3. **Authorization of Related Actions and Agreements.** The officers of the Agency, or the duly authorized deputies thereof, are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all agreements and documents which they may deem necessary or advisable in order to effectuate the purposes of this resolution, and are hereby expressly authorized to accept on behalf of the Agency any private activity bond allocations offered by CDLAC over and above those which may be granted pursuant to any application authorized hereinabove or in any prior resolution of the Board.

SECRETARY'S CERTIFICATE

I, Thomas C. Hughes, Secretary of the Board of Directors of the California Housing Finance Agency, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 07-05 duly adopted at a regular meeting of the Board of Directors of the California Housing Finance Agency duly called and held on the 18th day of January, 2007, of which meeting all said directors had due notice; and that at said meeting said Resolution was adopted by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the Board of Directors of the California Housing Finance Agency hereto this 18th day of January, 2007.

[SEAL]

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

THIS PAGE INTENTIONALLY LEFT BLANK

Mortgage Insurance Services

CalHFA Mortgage Insurance Premium Rates

Mortgage Insurance Comparison

	CalHFA MIS	PMI	MGIC	Radian
30 , 40 year fixed rate				
Mortgage Insurance Coverage	35%	35%	35%	35%
Automated Approval:				
LTV	100%	100%	100%	100%
Automated Underwriting level of approval	DU-approved/eligible or ineligible or LP-accept/eligible	DU-approved/eligible or LP-accept/eligible	DU-approved/eligible or LP-accept/eligible	DU-approved/eligible or LP-accept/eligible
FICO Minimum	620			
Total Debt to Income Ratio Cap	55%			
Cost	0.85	0.96	0.96	0.96
Manual Underwrite:				
LTV	100%	100%	100%	100%
FICO Minimum	620	680	700	620
Total Debt to Income Ratio Cap	45%	45%	45%	41%
Cost	0.85	0.96	0.96	0.96

Mortgage Insurance Comparison

	CalHFA MIS	PMI	MGIC	Radian
Interest Only (not MyCommunity Mortgage)				
Mortgage Insurance Coverage	20%	20%	20%	20%
Automated Approval:				
LTV	100%	95%	95%	95%
level of approval	DU-approved/eligible or ineligible or LP-accept/eligible	DU-approved/eligible	DU-approved/eligible	DU-approved/eligible
FICO Minimum	620			
Total Debt to Income Ratio Cap	55%			
Cost	0.59 / .50 if 95% LTV	0.59	0.59	0.59
Manual Underwrite:				
LTV	100%	95%	95%	95%
FICO Minimum	620	680	700	640
Total Debt to Income Ratio Cap	45%	45%	33%/41%	41%
Cost	0.59 / .50 if 95% LTV	0.59	0.59	0.59

Mortgage Insurance Comparison

	CalHFA MIS	PMI	MGIC	Radian
Fannie Mae MyCommunity Mortgage(30,40-Year and Interest-Only Options)				
Coverage	20%	20%	20%	20%
LTV	100%	100%	100%	100%
Automated Approval:				
DU-approved/eligible or ineligible- 20% coverage	0.59	0.59	0.59	0.59
DU expanded approval 1 or 2 FICO 620 +	0.59	0.97	0.97	0.97
DU expanded approval 1 or 2 FICO 600-619	0.59	1.37	1.27	1.27
DU expanded approval 1 or 2 FICO 575-599	0.59	1.86	1.74	1.74
DU expanded approval 1 or 2 FICO < or = 575	0.59	3.03		2.82
Manual Underwrite:				
FICO Minimum	620	620	620	620
Total Debt to Income Ratio Cap	45%	43%	43%	43%

CalHFA Mortgage Insurance Premium Rates

- The Zero Upfront Monthly Mortgage Insurance is provided by CalHFA Mortgage Insurance Services and is required on the first loan in excess of 80% LTV as follows:

- **For all CalHFA 30-Year Fixed, 40-Year Fixed and Non-Conforming *interest only* PLUS** (for 2007, loans > $417,000)

LTV:	*Coverage:*	*Premium:*
95.01% - 100%	35%	.85%
90.01% - 95%	35%	.75%
85.01% - 90%	35%	.55%
80.01% - 85%	35%	.40%

- **For GSE Conforming 30-Year, 40-Year and Conforming *interest only* PLUS** (for 2007, conforming loans <= $417,000)

LTV:	*Coverage:*	*Premium:*
97.01% - 100%	20%	.59%
95 01% -97%	18%	.50%
90.01% - 95%	16%	.46%
85.01% - 90%	12%	.34%
80.01% - 85%	6%	.23%

THIS PAGE INTENTIONALLY LEFT BLANK

Mortgage Insurance Services

CalHFA Mortgage Insurance Premium Rates

Mortgage Insurance Comparison

	CalHFA MIS	PMI	MGIC	Radian
30 , 40 year fixed rate				
Mortgage Insurance Coverage	35%	35%	35%	35%
Automated Approval:				
LTV	100%	100%	100%	100%
Automated Underwriting level of approval	DU-approved/eligible or ineligible or LP-accept/eligible	DU-approved/eligible or LP-accept/eligible	DU-approved/eligible or LP-accept/eligible	DU-approved/eligible or LP-accept/eligible
FICO Minimum	620			
Total Debt to Income Ratio Cap	55%			
Cost	0.85	0.96	0.96	0.96
Manual Underwrite:				
LTV	100%	100%	100%	100%
FICO Minimum	620	680	700	620
Total Debt to Income Ratio Cap	45%	45%	45%	41%
Cost	0.85	0.96	0.96	0.96

Mortgage Insurance Comparison

	CalHFA MIS	PMI	MGIC	Radian
Interest Only (not MyCommunity Mortgage)				
Mortgage Insurance Coverage	20%	20%	20%	20%
Automated Approval:				
LTV	100%	95%	95%	95%
level of approval	DU-approved/eligible or ineligible or LP-accept/eligible	DU-approved /eligible	DU-approved/ eligible	DU-approved/ eligible
FICO Minimum	620			
Total Debt to Income Ratio Cap	55%			
Cost	0.59 / .50 if 95% LTV	0.59	0.59	0.59
Manual Underwrite:				
LTV	100%	95%	95%	95%
FICO Minimum	620	680	700	640
Total Debt to Income Ratio Cap	45%	45%	33%/41%	41%
Cost	0.59 / .50 if 95% LTV	0.59	0.59	0.59

Mortgage Insurance Comparison

	CalHFA MIS	PMI	MGIC	Radian
Fannie Mae MyCommunity Mortgage(30,40-Year and Interest-Only Options)				
Coverage	20%	20%	20%	20%
LTV	100%	100%	100%	100%
Automated Approval:				
DU-approved/eligible or ineligible- 20% coverage	0.59	0.59	0.59	0.59
DU expanded approval 1 or 2 FICO 620 +	0.59	0.97	0.97	0.97
DU expanded approval 1 or 2 FICO 600-619	0.59	1.37	1.27	1.27
DU expanded approval 1 or 2 FICO 575-599	0.59	1.86	1.74	1.74
DU expanded approval 1 or 2 FICO < or = 575	0.59	3.03		2.82
Manual Underwrite:				
FICO Minimum	620	620	620	620
Total Debt to Income Ratio Cap	45%	43%	43%	43%

CalHFA Mortgage Insurance Premium Rates

- The Zero Upfront Monthly Mortgage Insurance is provided by CalHFA Mortgage Insurance Services and is required on the first loan in excess of 80% LTV as follows:

- **For all CalHFA 30-Year Fixed, 40-Year Fixed and Non-Conforming *interest only* PLUS** (for 2007, loans > $417,000)

LTV:	*Coverage:*	*Premium:*
95.01% - 100%	35%	.85%
90.01% - 95%	35%	.75%
85.01% - 90%	35%	.55%
80.01% - 85%	35%	.40%

- **For GSE Conforming 30-Year, 40-Year and Conforming *interest only* PLUS** (for 2007, conforming loans <= $417,000)

LTV:	*Coverage:*	*Premium:*
97.01% - 100%	20%	.59%
95 01% -97%	18%	.50%
90.01% - 95%	16%	.46%
85.01% - 90%	12%	.34%
80.01% - 85%	6%	.23%

THIS PAGE INTENTIONALLY LEFT BLANK

CALIFORNIA HOUSING FINANCE AGENCY

Schedule for New Auditing Services Contract

Collect contact info for eligible auditing firms- Big 4 firms & qualified regional firms	11/22/06
Prepare draft information - funds, audit due dates, Opinion letters, comfort letters, etc.	11/27/06
Coordinate w/ Audit Committee	12/12/06
Invitations to Bidders Meeting sent to CPA firms	12/14/06
Bidders Meeting w/ CPA firms	01/09/07
Board Meeting – Summarize Bidders Meeting / RFP to Audit Committee	01/18/07
Auditing services proposals due	01/22/07
Award contract to selected CPA firm	02/09/07
Completion of Audit Contract	03/05/07

BIDDER'S MEETING / RFP
FOR AUDITING SERVICES
CALIFORNIA HOUSING FINANCE AGENCY
JANUARY 9, 2007

OVERVIEW OF THE AGENCY

- The California Housing Finance Agency (CalHFA) is the State's affordable housing bank with over $9 billion in assets
  - A component unit of the State of California
  - Entirely self-supporting
  - Funding is not appropriated by the state legislature
  - Administers two primary funds
    - California Housing Finance Fund
    - California Housing Loan Insurance Fund

OVERVIEW OF THE CALIFORNIA HOUSING FINANCE FUND

- California Housing Finance Fund Operations
  - Issuance of Agency bonds and notes to fund loans to qualified borrowers for single family homes and multifamily developments
    - CalHFA issues both tax-exempt and taxable bonds
    - CalHFA issues fixed rate bonds, variable rate and swapped to fixed rates to provide synthetically fixed interest rates
  - Investment portfolio of over $3.6 billion that is composed of:
    - Investment agreements
    - Surplus Money Investment Fund
    - Securities & commercial paper
  - Program loans receivable of $6.3 billion
  - Bonds payable of $7.4 billion
    - More than $6.4 billion of variable rate debt
    - Approximately $4.9 billion swapped to fixed rates
      - Eleven swap counterparties
    - Variable rate bonds not swapped to fixed rates are tied to variable rate assets (loans or SMIF)

- Significant Accounting Policies
  - Follow the standards of reporting as promulgated by the Government Accounting Standards Board (GASB)
    - Adopted GASB 20 to apply all GASB pronouncements and only FASB prior to 11/30/89
    - Adopted GASB 31- Fair valuation of investments
    - Adopted GASB 34 – Financial statement presentation and management's discussion and analysis
    - Adopted GASB 40 – Investment Risk
    - Interest rate swap agreements are accounted for as matched swaps in accordance with settlement accounting (cash settlements are treated as an increase or decrease in interest expense of the related bonds)

- Volume of loan prepayments may require us to call bonds prior to the amortization of the swap creating an unmatched book

❖ Auditing Services Requested
- Fiscal year financial audit beginning with year ending June 30, 2007
- Audit of Fund and issuance of independent auditors' report by September 25th each year
- OMB Circular A-133 Report (Federal Single Audit) by October 15th each year
- FAF Audit (Financial Adjustment Factor) savings from Section 8 projects (due every three years starting 2008/09) required by HUD
- Agreed-upon procedures in connection with debt issuance as requested by underwriters (assume 15 issuances per year)
- Opinion on supplemental information requested by State Controller by September 25th each year
- Opinion on Adequacy of Internal Controls using the Audit Guide provided by Department of Finance (due every other year starting 2006/07)
- Report audit results to Board of Directors Audit Committee (SAS 61)
- Contract Term 3 years, CalHFA option for one additional year

❖ Timing of Audit Engagement
- Audit field work
- Typically 5 weeks beginning approximately August 20th
- Issue Audit Report and opinion on supplemental information by September 25th

OVERVIEW OF THE CALIFORNIA HOUSING LOAN INSURANCE FUND

❖ The California Housing Loan Insurance Fund is the private mortgage insurance subsidiary of CalHFA
- Assets total $65 million
- More than 7,000 insured loans with total risk-in-force of over $1.9 billion
- Reinsurance agreement with Genworth
- Review loss reserve calculations

❖ Auditing Services Requested
- Calendar year financial audit beginning with year ending December 31, 2006
- Agreed-upon procedures report – Freddie Mac compliance
- Report audit results to Board of Directors Audit Committee (SAS 61)
- Contract Term 3 years, CalHFA option on one additional year

❖ Timing of Audit Engagement
- Audit field work
  - Typically 1 ½ to 2 weeks
  - Complete by first week in April
- Issue Audit Report by May 1st
- Issue Report on Agreed-Upon Procedures by May 1st

PROPOSAL PROCESS AND SELECTION PROCESS

- Qualifications of firm and staff to be assigned
  - Desirable qualifications would include experience auditing other government clients, specifically state or local housing finance agencies and government sponsored private mortgage insurers
- Ability to meet the annual report completion dates
- Ability to support debt issuance activities by issuing reports on agreed-upon procedures as requested by CalHFA financing team
- Itemized annual fee proposals (for each of the next four years) for each of the requested services for both funds (attached)
- Proposals must be submitted by January 22, 2007
- Contract is expected to be awarded by mid February 2007

PROPOSAL SUBMISSION

If your firm is interested in submitting a proposal please submit by January 22, 2007: one (1) electronic copy (in Microsoft- supported version of Microsoft Word) to dmeidinger@calhfa.ca.gov, 8 hardcopies, and one (1) original (with original signature of appropriate officer of the firm) to:

Dennis Meidinger, Comptroller
1121 L Street, Suite 300
Sacramento, CA 95814

Fee Proposal for Auditing Services

California Housing Finance Fund

Audit Service	Fiscal Year 2006/07	Fiscal Year 2007/08	Fiscal Year 2008/09	Fiscal Year 2009/10	Total
GAAP Audit					
SCO Report					
Single Audit					
FAF Audit (every 3yrs starting 2008/09)					
Internal Control Opinion (every other year starting 2006/07)					
Agreed-upon Procedures - For Bond Underwriters (assumes 15 issues each year)					
One letter (Per issuance)					
Two letter (Per issuance)					
Total					

California Housing Loan Insurance Fund

Audit Service	Calender Year 2006	Calender Year 2007	Calender Year 2008	Calender Year 2009	Total
GAAP Audit					
Agreed-upon Procedures- Freddie Mac Requirement					
Total					

THIS PAGE INTENTIONALLY LEFT BLANK