<table>
<thead>
<tr>
<th>Cash Flow</th>
<th>Final Commitment</th>
<th>CalHFA Project Number</th>
<th>04-007-A/S</th>
<th>Flower Park Plaza</th>
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<tbody>
<tr>
<td><strong>RENTAL INCOME</strong></td>
<td></td>
<td></td>
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<tr>
<td>Affordable Rents</td>
<td>1,678,610</td>
<td>1,712,868</td>
<td>1,747,125</td>
<td>1,782,068</td>
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<tr>
<td>Affordable Rent Increase</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
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<tr>
<td>Rental Subsidies</td>
<td>548,262</td>
<td>559,452</td>
<td>570,641</td>
<td>582,054</td>
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<tr>
<td>Rental Subsidy Increases</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
</tr>
<tr>
<td>Unrestricted Units</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Unrestricted Unit Increases</td>
<td>0</td>
<td>0</td>
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<tr>
<td><strong>TOTAL RENTAL INCOME</strong></td>
<td>2,226,872</td>
<td>2,272,320</td>
<td>2,317,766</td>
<td>2,364,122</td>
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<tr>
<td><strong>OTHER INCOME</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Laundry</td>
<td>14,197</td>
<td>14,487</td>
<td>14,777</td>
<td>15,072</td>
</tr>
<tr>
<td>Other Income</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other Income Increase</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL OTHER INCOME</strong></td>
<td>14,197</td>
<td>14,487</td>
<td>14,777</td>
<td>15,072</td>
</tr>
<tr>
<td><strong>GROSS POTENTIAL INCOME</strong></td>
<td>2,241,069</td>
<td>2,286,807</td>
<td>2,332,543</td>
<td>2,379,194</td>
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<tr>
<td><strong>VACANCY ASSUMPTIONS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Affordable (Blended Average)</td>
<td>10%</td>
<td>5.00%</td>
<td>5.00%</td>
<td>5.00%</td>
</tr>
<tr>
<td>Rental Subsidy Income</td>
<td>10%</td>
<td>3.00%</td>
<td>3.00%</td>
<td>3.00%</td>
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<tr>
<td>Unrestricted Units</td>
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<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Laundry &amp; Other Income</td>
<td>10%</td>
<td>5.00%</td>
<td>5.00%</td>
<td>5.00%</td>
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<td><strong>LESS: VACANCY LOSS</strong></td>
<td>224,107</td>
<td>103,151</td>
<td>105,214</td>
<td>107,319</td>
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<td><strong>OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Expenses</td>
<td>955,314</td>
<td>974,811</td>
<td>1,008,829</td>
<td>1,054,242</td>
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<tr>
<td>Annual Expense Increase</td>
<td>3.50%</td>
<td>3.50%</td>
<td>3.50%</td>
<td>3.50%</td>
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<tr>
<td>Taxes and Assessments</td>
<td>39,200</td>
<td>14,000</td>
<td>14,280</td>
<td>14,566</td>
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<tr>
<td>Annual Tax Increase</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
</tr>
<tr>
<td>Percentage Increase Yearly</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
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<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>994,514</td>
<td>1,096,868</td>
<td>1,131,266</td>
<td>1,176,865</td>
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<tr>
<td><strong>NET OPERATING INCOME</strong></td>
<td>1,022,448</td>
<td>1,086,788</td>
<td>1,096,063</td>
<td>1,095,011</td>
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<tr>
<td><strong>DEBT SERVICE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CalHFA - Bridge Loan</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>CalHFA - 2nd Mortgage</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>None</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Cash flow after CalHFA debt service</td>
<td>337,735</td>
<td>210,405</td>
<td>219,680</td>
<td>216,628</td>
</tr>
<tr>
<td><strong>DEBT COVERAGE RATIO</strong></td>
<td>1.49</td>
<td>1.24</td>
<td>1.25</td>
<td>1.26</td>
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<tr>
<td>Cash Available for distribution</td>
<td>0.00</td>
<td>210,405</td>
<td>219,680</td>
<td>216,628</td>
</tr>
<tr>
<td>Transition Operating Reserve</td>
<td>100,000</td>
<td>100,000</td>
<td>100,000</td>
<td>100,000</td>
</tr>
</tbody>
</table>
program for first-time homebuyers who meet specified income requirements.

In that program, (CHDAP) also funded by Proposition 46, is a downpayment assistance
general California Housing Downpayment Assistance Program (CHDAP) Fund. For CalHFA's use
homeowners. Funds set aside for this program but not utilized within 30 months revert to the
loans in the California market. Stimulating housing opportunities for the benefit of first-time
Mortgage Services Program which primarily insures first-time homebuyer mortgage
Proposition 46 (SB 1277, Chapter 26, Statutes of 2002) allocated $85 million to CalHFA's

Source of Funding

For further leveraging in subsequent years,
these funds could be reduced by as much as 15%. In addition, these funds will revolve
housing can be produced annually by the Program, and (2) the income necessary to buy
The benefits of this program are twofold: (1) approximately 300 units of affordable
homeownership in California.

The program will reduce the cost of construction lending by creating lower construction loan
This program will reduce the cost of construction lending by creating lower construction loan

below market affordable price.

The housing construction loans made by this Program will be to developers (non-profit and for
redevelopment and other urban areas where additional homeownership housing is a goal and a need.
the development and construction of affordable residential structures located within this
program, CalHFA is providing the Residential Development Loan Program (RDLP) to

To help address the overwhelming need to increase the stock of affordable housing available for

Proposal: To Increase the Stock of Affordable Housing

higher housing costs which are passed on to the homeowner.

Due to the impact of this delay in affordable housing and the additional costs result in
financing needed to develop a successful initial project, which in turn, increases development
addition, local governments and developers must use numerous sources to obtain the funds of
Development financing and limited options for affordable homeownership mortgages. In
Infill development developments have larger affordable families often suffer from a lack of low cost

Summary of Issue

Residential Development Loan Program

California Housing Finance Agency

(AB 1512 – Garcia)
Subordinate debt. This secondary debt is nature carries more risk than first lien

Subordinate Financing. In order to pay for the high land and development costs of Illil

Lenders with the Agency’s maximum loan amount set at $25 million.

self-secured. The construction loans will be secured in conjunction with participating private

have options below prevailing market pricing in order to increase a project’s

Subordinate Financing. Through its construction lending until the Agency’s Multifamily Division will

Contribute the construction debt until the Agency’s Multifamily Division will

order to streamline and simplify the development of infill projects, to the ultimate benefit of future

This proposal would offer a comprehensive innovative approach to developers and lenders in

The Financing Package

choosing to pay prevailing wage, thus this proposal would maintain the status quo.

Therefore, this proposal would expand CAILFA Funding for Single-Family Development from

provide more affordable homeownership units.

The increased labor costs, mounting and reporting costs directly impact a project’s ability to

The CAILFA Program, under California’s single-family construction funding programs, will have a significant impact on the successful implementation of the Residential Construction

Further Considerations

No State General Funds or other new special Funds will be required to implement this Program.

Program’s continued benefit

These down payment and development funds will also resolve their repayments for the

debt. This secondary debt is nature carries more risk than first lien

providing subordinate construction loans in the Residential Construction Loan Program. All of

proposals that in addition to providing Downpayment Assistance, these Funds also provide for

Therefore, the Agency will immediately increase the stock of affordable housing. Therefore, the Agency

Priority Program intended to finance the construction of new, single-family developments

the Agency has determined that they may be used for affordable housing

approximately $7.6 million has been utilized and under the terms of S227, will revert to

CHDP. For Proposal 6, these Funds can only be used for affordable housing

As of March 2003, CAILFA has determined that, given current market conditions, the $25 million originally provided

under the Proposal has been utilized and under the terms of S227, will revert to

Mortgage protection (up to six months) for borrowers who lose their jobs

No first-time homebuyer restriction

Qualified nine-year loan (second home)

Income limits up to 140% of median income and 160% in certain counties for non-lenders

Insurance for other lenders including Freddie Mac, Fannie Mae, and other conventional lenders

Up to 60% loan coverage, exposure to be determined on an individual project basis

Other:

CalHFA Mortgage Insurance

This program will provide mortgage insurance coverage for not

Program: CalHFA is able to provide a percent of its own

Another important component of the Homeownership Program is the Agency's ability to provide

The Agency is also partnering with local lending programs that will provide their own

Exterior Credit Counselor Program (ECCP)

California Homebuyers' Downpayment Assistance (CHDAP)

Homeowner's Home Purchase Assistance Program (HPPAP)

California Homeownership Assistance Program (CCHAP)

Range of downpayment assistance and second loan programs, including among these are:

years receiving payment of interest only. To achieve increases above the Agency will offer a

new interest-only period, which will give borrowers a break for 25 years, with the first five

learning program. The loan programs could also be used for second loans. Including the

Agency's Homeownership Program, which is designed to offer other conventional

loans for the Agency's Homeownership Program. The Agency's Homeownership Program

will provide a

CalHFA Homeownership Loans: The CalHFA Homeownership Loan Program will provide a

Residual

It is important to note that as with CalHFA's construction funds, this money should not trigger

To help mitigate this funding problem, the Prop. 49 monies will be loaned at rates as low as

Fundamental loans and consequently is more expensive. These loans often have a priority

compensate for their risk.

For those loans where the sponsors to increase their expected returns to
Bonds remain the single credit of sale. The Agency does not use any State General or Special Funds, nor do its

promises repay the investors. The Agency has acquired over 13,000 units of affordable housing and 750 units of

program are not invested in California affordable homeomwship and affordable housing and the mortgage

technical, if done by an undersized by raising capital from investors who purchase the Agency's bonds. The

emphasize the creation of over 13,000 units of affordable housing for California families during its 30-year

The California Housing Finance Agency is the State's self-supporting affordable housing bank, having

CALIFA Profile:


(assume agency resources will be leveraged at a $3 to 1 ratio)

(i.e. the Program is established and marketed to sponsors and local governments, it is

housed development to be better leveraged.

any site entity and implementation of the Program will result in funding allocated for affordable

There are no State General Fund or other Special Fund costs associated with this proposal to

Fiscal/Economic Impact

Home

earn 120% of Area Median Income, they could earn as little as 103% and afford the same
down payment assistance. The combined savings means that instead of a family needing to

significant savings are also achieved by including CALIFA Homeownerships financing and

interest savings so proposed here, the sales price is reduced by approximately $1,900.

could be purchased by a family earning 120% of Area Median Income. With construction

Benefit to Homebuyers: As the above chart shows, a unit with a sales price of $420,000

<table>
<thead>
<tr>
<th>Adjusted Minimum AMI Rate to Qualify</th>
<th>Reduction in monthly income requirement</th>
<th>Minimum annual household income</th>
<th>Total monthly housing cost</th>
<th>Down Payment</th>
<th>Interest free</th>
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</thead>
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<tr>
<td>1.17%</td>
<td>N/A</td>
<td>$97,657</td>
<td>$22,930</td>
<td>$21,027</td>
<td>$0</td>
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<tr>
<td>$31,063</td>
<td></td>
<td>$24,000</td>
<td>$6,000</td>
<td>$4,73%</td>
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<tr>
<td>$31,278</td>
<td></td>
<td>$28,000</td>
<td>$2,000</td>
<td>$0</td>
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<td>$30,383</td>
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<tr>
<td>$38,933</td>
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<td>$36,000</td>
<td>$4,000</td>
<td>$0</td>
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<tr>
<td>$31,063</td>
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<td>$40,000</td>
<td>$8,000</td>
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<tr>
<td>$31,278</td>
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<td>$44,000</td>
<td>$12,000</td>
<td>$0</td>
<td></td>
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<td>$30,383</td>
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<td>$48,000</td>
<td>$16,000</td>
<td>$0</td>
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<table>
<thead>
<tr>
<th>Difference</th>
<th>Market CALIFA</th>
<th>120% AMI 3 Bedroom Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.17%</td>
<td>1.13%</td>
<td>1.13%</td>
</tr>
<tr>
<td>$31,063</td>
<td>$31,063</td>
<td>$31,063</td>
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<tr>
<td>$31,278</td>
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<td>$31,063</td>
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<tr>
<td>$31,278</td>
<td>$31,278</td>
<td>$31,278</td>
</tr>
<tr>
<td>$30,383</td>
<td>$30,383</td>
<td>$30,383</td>
</tr>
</tbody>
</table>

Benefit to Homebuyers:
Objectives for Homeownership

FY 2005/06 to 2009/10
Business Plan

Ken Williams, Deputy Director
Homeownership

Affordable Housing is our Business
FY 2005/06 to 2009/10 Business Plan Objectives

- $1.2 billion level of first mortgage production
- Target low and moderate income homebuyers
- Target high cost underserved areas
- Distribute loans equitably throughout the State
- Implement *interest only PLUS, HomeOpeners<sup>SM</sup>, Cal-Combo*, and other product changes
- Evaluate new loan products for introduction to stimulate production

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Objectives Cont.

- Loan product to assist low-income disabled homebuyers
- Assist teachers, administrators, other eligible credentialed staff, and classified employees who are working in high priority schools and districts with purchase of their first home
- Streamline as appropriate Homeownership Programs process and documentation (Lender Access System, etc.)
- Continue outreach and training efforts
- Maintain and seek to expand locality participation

Affordable Housing is our Business
Homeownership Business Development and Mortgage Insurance

Business Plan Overview
FY 2005/2006 to 2009/10

Affordable Housing is our Business
Strategies
FY 2005/2006 to 2009/10

- Continue to insure all CalHFA conventional loans; this is targeted to be approximately $450 million of new insurance written.
- Partner with Homeownership in developing a hybrid ARM with either a 5 or 7 year fixed period.
- Work with lending partners to expand availability of private sector down payment assistance.
- Work with Homeownership to develop and implement a better means for brokers to access CalHFA products.
- Working in partnership with cities, localities, lenders, developers, GSE's etc. to create vertical financial partnerships to build affordable housing in the state.

Affordable Housing is our Business
MULTIFAMILY PROGRAMS
and
ASSET MANAGEMENT

Business Plan Overview
FY 2005/06 to 2009/10

Linn Warren
Margaret Alvarez

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Multifamily Program Areas

- New Construction
  - Tax-Exempt bond financed projects containing 100% affordable units
  - Taxable loan program for 9% tax credit transactions
  - New loan products with floating rate and reset components

- Preservation
  - Public/Private partnership to refinance HUD 202 projects
  - Complete funding for the Prop 46 acquisition program
  - Agency portfolio loans – sales and transfers

- Special Needs and Supportive Housing
  - Develop financing structures using short term construction, bridge and Section 8 based loans
  - Greater service coordination role with state and local participants

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Multifamily Program Areas

- Special Lending
  - Continuation of the HELP Program
  - Tax Increment lending targeted to the housing set-aside
  - Loan purchase programs in conjunction with Habitat for Humanity and intermediary lenders

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Multifamily
Pending Initiatives

- Homeownership Development Lending
  - Low cost construction loans to increase affordability
  - Flexible use of subordinate financing by the Agency
  - Linkage to the Agency’s homeownership programs

- Agnews Replacement Housing
  - Bond issuer and credit provider for scattered group homes in San Jose area
  - Approximately $100 million in bonds secured by lease payments from the State Department of Mental Health

- Loan Origination System
  - Fully integrated system to manage the Multifamily loan process

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Asset Management
Existing Section 8 Portfolio

- 120 Section 8 loans terminate by 2024. Average age of 20+ years.
  - 2005-2010 2 loans
  - 2011-2015 49 loans
  - 2016-2024 69 loans

- Owners are seeking to refinance. Agency's goal is to preserve affordability for tenants and rehabilitate physical structures.

- Create an Agency work group to examine refinancing and recapitalization alternatives. Considerations:
  - Existing owners goals and objectives
  - Impact to low income tenants
  - HUD regulations and future availability of HUD subsidies
  - Rehabilitation needs of properties
  - Financial viability of existing and new Agency loans

Affordable Housing is our Business
Financing Reports

• Recent Bond Sales and Swaps
  – $200M Single Family Bonds
  – Single Family Draw Down Bonds

• Variable Rate Bonds and Swaps
<table>
<thead>
<tr>
<th>Date of Sale</th>
<th>Bond Series</th>
<th>$ Amount</th>
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</thead>
<tbody>
<tr>
<td>1/12/05</td>
<td>Home Mortgage Revenue Bonds 2005 Series A</td>
<td>$200,000,000</td>
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<tr>
<td>1/31/05</td>
<td>Single Family Draw Down Bonds 2005 Series AB</td>
<td>$130,950,000</td>
</tr>
</tbody>
</table>
New Single Family Bonds

- $200 M HMRB 2005 A
- Proceeds for purchase of 1,050 new loans
- All tax-exempt
- Issued as variable rate debt obligations
- All swapped to fixed rate

Affordable Housing is our Business
Single Family Draw Down Bonds

- Up to $625 M capacity
- First draw $130.9 M
- Proceeds invested in a guaranteed investment contract
- Preserve CDLAC allocation & tax-exempt refunding authority
- Bonds backed by CalHFA G.O.
Report on Variable Rate Bonds and Swaps
# Variable Rate Debt as of Feb. 2, 2005

($ in Millions)

<table>
<thead>
<tr>
<th></th>
<th>Tied Directly to Variable Rate Assets</th>
<th>Swapped to Fixed Rate</th>
<th>Tied to Variable Rate Loans</th>
<th>Total Variable Rate Debt</th>
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</thead>
<tbody>
<tr>
<td>HMRB</td>
<td>$ 4</td>
<td>$ 3,368</td>
<td>$ 577</td>
<td>$ 3,949</td>
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<tr>
<td>MHRB</td>
<td>0</td>
<td>782</td>
<td>298</td>
<td>1,080</td>
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<tr>
<td>HPB</td>
<td>0</td>
<td>35</td>
<td>15</td>
<td>50</td>
</tr>
<tr>
<td>DDB</td>
<td>1,300</td>
<td>0</td>
<td>0</td>
<td>1,300</td>
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<tr>
<td><strong>TOTALS</strong></td>
<td><strong>$1,304</strong></td>
<td><strong>$ 4,185</strong></td>
<td><strong>$ 890</strong></td>
<td><strong>$ 6,379</strong></td>
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</tbody>
</table>

*Affordable Housing is our Business*
# Types of Variable Rate Debt

($ in Millions )

<table>
<thead>
<tr>
<th></th>
<th>Auction Rate &amp; Similar Securities</th>
<th>Indexed Rate Bonds</th>
<th>Variable Rate Demand Obligations</th>
<th>Total Variable Rate Bonds</th>
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</thead>
<tbody>
<tr>
<td>HMRB</td>
<td>$174</td>
<td>$1,373</td>
<td>$2,402</td>
<td>$3,949</td>
</tr>
<tr>
<td>MHRB</td>
<td>506</td>
<td>0</td>
<td>574</td>
<td>1,080</td>
</tr>
<tr>
<td>HPB</td>
<td>0</td>
<td>0</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>DDB</td>
<td>0</td>
<td>1,300</td>
<td>0</td>
<td>1,300</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>$680</strong></td>
<td><strong>$2,673</strong></td>
<td><strong>$3,026</strong></td>
<td><strong>$6,379</strong></td>
</tr>
</tbody>
</table>

*Affordable Housing is our Business*
# Net Variable Rate Debt

*($ in Millions)*

<table>
<thead>
<tr>
<th></th>
<th>Tax-Exempt</th>
<th>taxable</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short average life*</td>
<td>$117</td>
<td>$445</td>
<td>$562</td>
</tr>
<tr>
<td>Long average life</td>
<td>186</td>
<td>142</td>
<td>328</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>$303</strong></td>
<td><strong>$587</strong></td>
<td><strong>$890</strong></td>
</tr>
</tbody>
</table>

*Bonds with an expected average life of 10 years or less.*

*Affordable Housing is our Business*
### Fixed Payer Interest Rate Swaps

<table>
<thead>
<tr>
<th></th>
<th>Tax-Exempt</th>
<th>Taxable</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>HMRB</td>
<td>$2,268</td>
<td>$1,124</td>
<td>$3,392</td>
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<tr>
<td>MHRB</td>
<td>816</td>
<td>0</td>
<td>816</td>
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<td>HPB</td>
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<td><strong>$3,119</strong></td>
<td><strong>$1,124</strong></td>
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