Thursday, March 9, 2006

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

9:30 a.m.

1. Roll Call.

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

3. Chairman/Executive Director comments.

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

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5. Update on Bay Area Housing Plan.

7. Reports

8. Discussion of other Board matters.

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

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

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

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

**NOTES**

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

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

-00-

BOARD OF DIRECTORS
PUBLIC MEETING

-00-

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

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

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

03/09/2006

Attest:

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

Daniel P. Feldhaus, C.S.R., Inc.
Certified Shorthand Reporters
8414 Yermo Way • Sacramento, CA 95828
Telephone (916) 682-9482 • Fax (916) 688-0723
FeldhausDepo@aol.com
ORIGINAL
STATE OF CALIFORNIA
CALIFORNIA HOUSING FINANCE AGENCY

--oOo--

BOARD OF DIRECTORS
PUBLIC MEETING

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The Westin San Francisco Airport
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FeldhausDepo@aol.com
Board of Directors Meeting held on January 12, 2006

APPEARANCES

Board of Directors Present

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

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

PETER N. CAREY
President/CEO
Self-Help Enterprises

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

JUDY NEVIS
Acting Director
Department of Housing and Community Development

THERESA A. PARKER
Executive Director
California Housing Finance Agency

JACK SHINE
Chairman
American Beauty Development Co.

SEAN WALSH
Director
Office of Planning and Research

LAURIE WEIR
for Phillip Angelides
State Treasurer

--o0o--
Board of Directors Meeting held on January 12, 2006

APPEARANCES

Continued

CalHFA Staff Present:

THOMAS C. HUGHES
General Counsel

JOJO OJIMA

--oOo--

For the Staff of the Agency:

NANCY ABREU
Volunteer

MARGARET ALVAREZ
Director
Asset Management

BEV FRETZ-BROWN
Interim Director
Multifamily Programs

GREG CARTER
Interim Director
Mortgage Insurance

BRUCE D. GILBERTSON
Director of Financing
Fiscal Services

EDWIN C. GIPSON II
Chief
Multifamily Lending Programs

JIM LISKA
Housing Finance Officer

DENNIS MEIDINGER
Comptroller

STAN SOWERS
Homeownership Programs
APPEARANCES
Continued

For the Staff of the Agency:
continued

KATHY WEREMIUK
Multifamily Loan Officer

LAURA WHITTALL-SCHERFEE
Chief of Multifamily Programs

--000--

Also Present

GARRETT BELL
Bank of America

JIM BURTON
Executive Director
Regional Center of the East Bay

CHUCK GARDNER
Hallmark Community Services

JULIA MULLEN
Deputy Director
Department of Developmental Services

GABRIEL SPEYER
Bank of America

ELIZABETH TRACEY
Bank of America

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# Board of Directors Meeting held on January 12, 2006

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BE IT REMEMBERED that on Thursday, January 12, 2006, commencing at the hour of 9:29 a.m., at the Westin San Francisco Airport, 1 Old Bayshore Highway, Millbrae, California, before me, DANIEL P. FELDHAUS, CSR #6949, RDR and CRR, the following proceedings were held:

--o0o--

CHAIRPERSON COURSON: I'll call the meeting to order, and we will call the roll.

--o0o--

**Item 1: Roll Call**

MS. OJIMA: Thank you.

Ms. Weir for Mr. Angelides?

MS. WEIR: Here.

MS. OJIMA: Mr. Carey?

MR. CAREY: Here.

MS. OJIMA: Mr. Czuker?

(No audible response)

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Here.

MS. OJIMA: Ms. Galante?

Mr. Heidig for Ms. McPeak?

MR. HEIDIG: Here.

MS. OJIMA: Thank you.

Mr. Morris?

(No audible response)
Board of Directors Meeting held on January 12, 2006

MS. OJIMA: Mr. Shine?

MR. SHINE: Here.

MS. OJIMA: Mr. Walsh?

(No audible response)

MS. OJIMA: Mr. Genest?

(No audible response)

MS. OJIMA: Ms. Parker?

MS. PARKER: Here.

MS. OJIMA: Mr. Courson?

CHAIRPERSON COURSON: Here.

MS. OJIMA: We have a quorum -- no, we don't -- oh, we do.

MS. PARKER: Just barely.

MS. OJIMA: Barely.

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

MS. OJIMA: Yes.

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

--00--

Item 2. Approval of the minutes of November 9, 2005,

Board of Directors Meeting

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

Is there a motion to approve the minutes?

MS. WEIR: Move approval.

CHAIRPERSON COURSON: Is there a second?

MR. CAREY: Second.

CHAIRPERSON COURSON: Any comments, discussion?

(No audible response)

CHAIRPERSON COURSON: Seeing none, let's call
the roll.

MS. OJIMA: Ms. Weir?

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey?

MR. CAREY: Yes.

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Yes.

MS. OJIMA: Mr. Heidig?

MR. HEIDIG: Yes.

MS. OJIMA: Mr. Shine?

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson?

CHAIRPERSON COURSON: Yes.

MS. OJIMA: The minutes have been approved.

CHAIRPERSON COURSON: Okay, thank you.
Item 3 Chairman/Executive Director comments

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

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

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

(Mr. Walsh entered the hearing room.)

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

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

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

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

MS. PARKER: Thank you, Mr. Chairman.

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

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

Dick LaVergne retired on the 31st of December.

He is now enjoying retired life.

There will be a party for him, hosted by some of our bankers and underwriters on the 26th of January in Sacramento. You are all invited. I hope you can attend.

And if you need any more information on that, we will be happy to get it to you.

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

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

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

(Laughter)

MR. SHINE: Give us a cue.

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

(Applause)

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

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

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

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

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

And Stan Sowers is here today.

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

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

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

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

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

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

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

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

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

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

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

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

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

   Sean, thank you. Nice to see you again.

   MR. WALSH: Thank you.

(Mr. Morris entered the hearing room.)

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

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

   MR. HUGHES: Thank you, Mr. Chairman.

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

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

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

The reason I mention that here is kind of twofold.

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

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

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

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

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

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

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

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

CHAIRPERSON COURSON: All right, thank you,
Counsel.

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

--o0o--

Item 4. Discussion, recommendation and possible action
relative to final loan commitment

Resolution 06-01 (Palm Springs Senior
Apartments)

MS. FRETZ-BROWN: Thank you very much.

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

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

Thanks.

MS. WHITTLALL-SCHERFEE: As Bev just stated, this
is a final commitment request on Palm Springs Senior
Apartments. It is a portfolio loan. It is already part
of the Agency's portfolio. What they are requesting is
an acquisition rehab and permanent loan. The project will be acquired using a first mortgage of 2,735,000 for two years at 5.55 percent. That's our current variable rate. It will be whatever the variable construction lending rate is at the time of the closing.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

One mile northwest is the Palm Springs Medical Center.

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

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

This is the main entrance to our site.

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

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

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

A typical exterior view.

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

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

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

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

CHAIRPERSON COURSON: Questions on the project?

(No audible response)

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

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

And again, public transportation, bus transportation is within close proximity to the site.

So this is sort of a bonus that the city is giving them, with the higher density.
Yes, sir?

CHAIRPERSON COURSON: Mr. Shine?

MR. SHINE: Just a clarification.

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

MR. LISKA: That is correct.

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

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

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

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

MS. WHITTALL-SCHERFEE: Yes.

MR. SHINE: That's a good answer.

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

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

MR. SHINE: That's good.

CHAIRPERSON COURSON: Mr. Morris?

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

MS. WHITTALL-SCHERFEE: Yes.

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

MR. LISKA: That is correct. Right.

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

MR. LISKA: That is correct, sir.

MR. MORRIS: Okay.

CHAIRPERSON COURSON: Other questions?

Mr. Carey?

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

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

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

And normally, I break it out.

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

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

MR. LISKA: Sticks and stones.

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

MR. LISKA: Yes.

MR. CAREY: Thanks.

CHAIRPERSON COURSON: Other questions?

Mr. Hughes?

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

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

CHAIRPERSON COURSON: Okay. Other questions on the project?

(No audible response)

CHAIRPERSON COURSON: Is there a motion to approve?

MR. SHINE: I'll move.

CHAIRPERSON COURSON: Moved approval, Mr. Shine.

And a second?

MR. MORRIS: Second.

CHAIRPERSON COURSON: Mr. Morris.

Any discussion?

(No audible response)

CHAIRPERSON COURSON: Are there any comments from the public?

(No audible response)

CHAIRPERSON COURSON: Seeing none, then let's call the roll.
MS. OJIMA: Ms. Weir?
MS. WEIR: Yes.
MS. OJIMA: Mr. Carey?
MR. CAREY: Yes.
MS. OJIMA: Ms. Nevis?
MS. NEVIS: Yes.
MS. OJIMA: Mr. Heidig?
MR. HEIDIG: Yes.
MS. OJIMA: Mr. Morris?
MR. MORRIS: Here.
MS. OJIMA: Mr. Shine?
MR. SHINE: Yes.
MS. OJIMA: Mr. Courson?
CHAIRPERSON COURSON: Yes.
MS. OJIMA: Thank you.
Resolution 06-01 has been approved.
CHAIRPERSON COURSON: Okay, the resolution is approved.
MS. OJIMA: Thank you.

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Item 5. Resolution 06-02 (Bay Area Housing Plan)
CHAIRPERSON COURSON: And let's move to the Bay Area Housing Project.
MS. FRETZ-BROWN: Mr. Chairman, the Bay Area Housing Center has been discussed previously at a Board
meeting; but we're here today with a new request. And
the request will be presented by Edwin Gipson, chief of
Multifamily Lending, also in charge of the Culver City
office for CalHFA.

And Ed will introduce the other members of the
team.

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

MR. SHINE: No.

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

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

MR. GIPSON: Good morning.

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

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

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

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

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

The developer on this project is Hallmark Community Services, a nonprofit. And they will be the initial owner. And then a permanent closing, the ownership will be transferred to one of the Regional Center's nonprofit organizations that have been formed to hold these projects. And at that time the projects will go into permanent, we will acquire the loans from Bank of America.
The $45 million commitment is expected to
currently finance between 20 and 30 homes; currently
what we're after. This project is broken into phases
based on timelines with families and individuals and
other goals that have to be met.

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

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

Kathy?

MS. WEREMIUK: Thank you.

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

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

That approval allowed the Department of Health
and Human Services to approve the plan approximately the
same day. That was a required legislative approval.

That approval from Health and Human Services allowed DDS
to give the Regional Centers the authority to enter into
contracts 45 days after Health and Human Services
approval. So they had the authority to enter into
contracts on the 21st of December of 2005.

DDS has also extended the time period for the
completion of the Bay Area Housing Plan from August of
2007 through December 31st, giving an additional four
months for completion of the project, to allow for the
time lost in the legislative approvals.
Since that time, since September, Hallmark, the Regional Centers, DDS, Bank of America, and the Agency, with our attorneys, have been meeting, I would think, non-stop to negotiate deal points and to structure the deal.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MR. GIPSON: That is Cupertino.

MS. WEREMIUK: That is Cupertino. Okay.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Will this take me to the next one?

I want to go back to costs.

The costs of the package that I gave you are a little bit out of date. The 93 million that's shown here did not include the Cupertino properties. If we included the Cupertino properties on numbers that I had, which I prepared back in December, it would be about 99 million.
The costs are currently a little bit higher now, as we -- as the developer has added in some of the environmental clearances that the Agency has required, and reflected some of the insurance costs that the bank is requiring and the inspection costs that both ourselves and the bank are requiring.

So the overall number is somewhere about 113 million.

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

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

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

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

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

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

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

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

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

CHAIRPERSON COURSON: Questions from the Board?

Mr. Shine?

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

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

Did you get that?

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

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

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

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

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

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

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

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

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

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

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

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

Now, if the developer is paying a lot more than
that for the land, and he's calculating it in a different
line item, I'd like to know. But it looks to me like
we're paying to acquire the property in the first place,
that amount. Then we're spending from 80 to 180 dollars
per square foot to fix them up, to comply with the
requirements. And then with the financing, it goes from
six or seven hundred thousand to 1.6 million.
And my question again is, when the appraiser did
the appraisal, did he appraise this on the real property
alone, or did he add value -- how did he get so much more
of the market today? It's more than double the market
today for his appraisal.

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

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

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

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

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

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

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

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

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

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

MR. SHINE: No, if you divide --

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

MS. WEREMIUK: Land.

MS. PARKER: -- land, yes.

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

MS. WEREMIUK: Right.
MS. PARKER: The other, you have rehab.

MS. WEREMIUK: Correct.

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

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

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

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

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

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

MS. WEREMIUK: Yes.

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

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

MS. WEREMLIUK: New construction.

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

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

MS. WEREMLIUK: No.

MR. SHINE: Or was it based upon, if you give it back to Agency, like you provided for, and they take out all the stuff that they put in that you don't want -- so they foreclose if we do; which I hope we won't ever have to -- that we will have a piece of property to sell on the market, what will the then value be? Will it still be 1.2 million per house?
MS. WEREMLIUK: The appraised value for these models -- and this was a family teaching model, for the appraised value, was the value you could -- they estimated you could sell it at the date of that appraisal, which was August of last year, was the 1.2 million.

MR. SHINE: So your second issue then --

MR. HEIDIG: Can I just ask on that? You're buying it at an appraised value of 1.2, or thereabouts, and then you're going to rehab it?

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

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

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

MR. GIPSON: Correct, correct.

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

MR. WALSH: Or conversely.

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

MR. HEIDIG: Right, right.

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

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

Now, when we get into medical --

MR. GIPSON: The widening of doors --

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

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

MR. GIPSON: So it's a mix.

CHAIRPERSON COURSON: Go ahead, Jack.

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

MS. WEREMLUK: Right.

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

MR. GIPSON: Yes.

MS. WEREMLUK: That's correct.

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

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

MR. SHINE: Acquisitions down here.

MS. WEREMLUK: But you can't use the 20 million
to buy the houses because Bank of America will require
that we have a commitment that covers not only the
acquisition, but the full cost of the house. The rehab,
the soft costs, the Agency's debt service reserve, and
their 10 percent comfort reserve. They have to have a
commitment of that amount in hand from the Agency to
allow the purchase to go forward under their credit
facility.
MR. SHINE: So their construction loan then has a set-aside in it for the improvements?

MS. WEREINIUK: Yes.

MR. GIPSON: Yes.

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

MR. SHINE: Understood.

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

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

If we can go past that.

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

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

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

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

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

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

MS. WEREMIUK: The demand that they --

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

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

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

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

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

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

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

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

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

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

MR. GIPSON: Yes.

MS. WEREMIUK: Yes.

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

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

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

The second obligation, which is what Terri was talking about, is the general obligation of the State to take care of developmentally disabled people. And that is the source that will, in most analyses, ultimately require the State to appropriate funds to take care of these.
Having said that, the debt at issue here, the specific debt is not the debt of the State of California. And those are the two distinct obligations that we're talking about.

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

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

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

CHAIRPERSON COURSON: Okay, other questions? Mr. Morris?

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

MS. WEREMIUUK: They're two. They're General Fund -- the appropriation -- there's an appropriation by the State that's a General Fund revenue that comes to the Department of Developmental Services and goes to the
Regional Centers. And they will actually cut the check
to the Agency. They're able to do that because we're a
governmental agency.

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

MS. PARKER: Health and Human Services.

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

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

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

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

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

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

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

CHAIRPERSON COURSON: Other questions?

Mr. Walsh?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MS. WEREMIUK: Yes.

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

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

CHAIRPERSON COURSON: Ms. Nevis?

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

MR. GIPSON: Yes.

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

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

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

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

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

CHAIRPERSON COURSON: Are there other questions
from the Board?
Ms. Weir?

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

Is that correct?

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

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

CHAIRPERSON COURSON: Well, to my understanding -- and counsel can correct me -- but that resolution is a resolution to authorize the issuance up to 120 million. But there would not be an issuance over and above the final commitments approved by the Board.
MS. WEIR: So at this point, if the Board approved the current staff request, the total amount of bonds issued would be 45 million?

CHAIRPERSON COURSON: Right, correct.

MR. SHINE: Excuse me, Mr. Chairman?

CHAIRPERSON COURSON: Mr. Shine?

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

MR. GIPSON: No, no.

MS. WEREMIUK: No.

MR. GIPSON: Go ahead.

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

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

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

MS. WEREMIUJK: Until some time --

MR. SHINE: -- until completion and acceptance?

MS. WEREMIUJK: Yes, that's correct.

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

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

MS. WEREMIUJK: That's correct.

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

MS. WEREMIUJK: Correct. Less than 35 houses.

Twenty to 30.

MR. SHINE: How many?

MR. GIPSON: Between 20 and 30.

MS. WEREMIUJK: Somewhere between 20 and 30.
MR. SHINE: Is it a set number?

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

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

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

MR. SHINE: Understood. Thank you.

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

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

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

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

(Laughter)

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

We have been very anxious to get going with
development. We did identify 20 properties -- we have
identified 20 properties already. We did lose ten of
those because we weren't able to move forward with the
commitment. But our nonprofit organizations, housing
organizations, have actively been searching, and have
found properties, and are prepared and have been
prepared, actually, for over a month now to put those
forward for purchase.
So what I'd like to tell you is that we had been ready, we just have not been able to get the legal documents done over the holidays.

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

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

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

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

CHAIRPERSON COURSON: Other questions from the Board? Comments?

(No audible response)

CHAIRPERSON COURSON: Is there a motion?

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

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

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

MS. NEVIS: Yes.

MS. WEIR: Yes.

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

Is there a second?

MS. WEIR: Second.

CHAIRPERSON COURSON: Second.

Any discussion, further discussion from the Board?

(No audible response)

CHAIRPERSON COURSON: Any comments from the public?

(No audible response)

CHAIRPERSON COURSON: Let's call the roll.

MS. OJIMA: Thank you.

Ms. Weir?

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey?

MR. CAREY: Yes.

MS. OJIMA: Ms. Nevis?
MS. NEVIS: Yes.

MS. OJIMA: Mr. Heidig?

MR. HEIDIG: Yes.

MS. OJIMA: Mr. Morris?

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine?

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson?

CHAIRPERSON COURSON: Yes.

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

CHAIRPERSON COURSON: Okay.

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

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

(Applause)
Board of Directors Meeting held on January 12, 2006

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

(Laughter)

MS. PARKER: Kathy --
And Edwin --
And Nancy --
MS. PARKER: Thank you very much.

(Applause)

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

What is your pleasure?
MR. CAREY: Plow through.
CHAIRPERSON COURSON: All right. We're going to move right through.

Okay, let's proceed to the resolutions.

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

CHAIRPERSON COURSON: I think the first one, which this was an insert, if you would, or came after the basic Board document is the one where, Laura, you talked about the Bay Area Housing resolution. And I know we've had some discussion on that.
This is a resolution that authorizes the issuance up to the 120 million; but, again, subject to the amounts of final commitments approved by the Board.

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

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

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

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

CHAIRPERSON COURSON: Correct. It's 06-02, which is the overall issuance --

authority to issue up to $120 million in connection with the Bay Area. 06-02.

MR. GILBERTSON: That's --

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

CHAIRPERSON COURSON: No.

MR. HUGHES: It is.

CHAIRPERSON COURSON: The Board approved 05-35.

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

CHAIRPERSON COURSON: Okay.

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

CHAIRPERSON COURSON: Okay, sorry.

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

CHAIRPERSON COURSON: Okay, got it.

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

MR. GILBERTSON: We can do that.

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

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

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

I just need to flip ahead then.

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

MR. GILBERTSON: No, 06-06.

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

MR. SHINE: Wasn't 06-02 the one you sent out?
CHAIRPERSON COURSON: No, that's the one we just approved.

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

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

MR. MORRIS: 179.

MS. NEVIS: At the top.

MR. SHINE: Okay, got it.

CHAIRPERSON COURSON: Okay, Mr. Gilbertson?

MR. GILBERTSON: Good morning, Mr. Chairman,

Members of the Board.

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

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

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

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

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

MR. SHINE: Thank you.

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

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

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

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

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

MR. CAREY: So moved.

MR. MORRIS: Second.

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

Any discussion on 06-06?

(No audible response)

CHAIRPERSON COURSON: Any discussion from the
public?

(No audible response)

CHAIRPERSON COURSON: Let's call the roll.

MS. OJIMA: Ms. Weir?

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey?
MR. CAREY: Yes.

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Yes.

MS. OJIMA: Mr. Heidig?

MR. HEIDIG: Yes.

MS. OJIMA: Mr. Morris?

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine?

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson?

CHAIRPERSON COURSON: Yes.

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

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

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

MR. GILBERTSON: Exactly.

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

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

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

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

So we would be asking for authority from this
Board to have those facilities in that amount for the
Single-Family financing programs, Multifamily financing
programs, the Bay Area Housing Program, as well as a
smaller loan to locality program.
Lastly, Resolution 06-03 is a form of continuing authorization. As I mentioned earlier, we come to this Board in January of every year for that purpose. The authority provided under this resolution would not expire until 30 days after the first Board meeting in the next calendar year, 2007, again at which time there is a quorum of the Board.

I'm just going to spend a few moments quickly and discuss some of the single-family financing plans, as we look forward to 2006. At this point, it appears that we would issue bonds four to five times throughout the year for purposes of raising capital to fund our first-mortgage program. I guess I can catch up on my slides. We plan to continue to use our AA-rated Home Mortgage Revenue Bond indenture, which is by far the largest bond indenture of the Agency. Periodically, we may need to issue draw-down bonds to preserve tax-exempt issuance authority, either from our bond-redemption activity or new-volume cap that is provided to us from the California Debt Limit Allocation Committee.

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

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

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

CHAIRPERSON COURSON: Motion to approve Resolution 06-03?

MR. SHINE: I'd move.

CHAIRPERSON COURSON: Mr. Shine?

Second?

MR. MORRIS: Second.

CHAIRPERSON COURSON: Mr. Morris?

Any discussion? Questions?

(No audible response)

CHAIRPERSON COURSON: Any comment from the public?

(No audible response)

CHAIRPERSON COURSON: Call the roll.

MS. OJIMA: Ms. Weir?

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey?

MR. CAREY: Yes.

MS. OJIMA: Ms. Nevis?
Item 7. Resolution 06-04 (Multifamily Bonds)

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

MR. GILBERTSON: Thank you.

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

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

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

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

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

CHAIRPERSON COURSON: Is there a motion to
approve resolution 06-05?
MS. WEIR: 06-04?

CHAIRPERSON COURSON: 06-05?

06-04, sorry. I was looking ahead.

06-04.

MR. MORRIS: (Indicating.)

CHAIRPERSON COURSON: Mr. Morris.

Second?

MS. NEVIS: (Indicating.)

CHAIRPERSON COURSON: Ms. Nevis.

Any discussion?

(No audible response)

CHAIRPERSON COURSON: Okay. Let's call the roll.

MS. OJIMA: Ms. Weir?

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey?

MR. CAREY: Yes.

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Yes.

MS. OJIMA: Mr. Heidig?

MR. HEIDIG: Yes.

MS. OJIMA: Mr. Morris?

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine?

MR. SHINE: Yes.
MS. OJIMA: Mr. Courson?

CHAIRPERSON COURSON: Yes.

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

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

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

MR. GILBERTSON: Thank you.

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

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

If there's any questions, I'd be free to answer those.
CHAIRPERSON COURSON: Mr. Shine?

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

MR. GILBERTSON: As compared to?

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

MR. GILBERTSON: Yes, exactly.

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

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

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

MR. SHINE: I'll move it.

CHAIRPERSON COURSON: Mr. Shine moves.

MR. MORRIS: (Indicating.)
CHAIRPERSON COURSON: Mr. Morris seconds.

Any discussion from the Board?

(No audible response)

CHAIRPERSON COURSON: Any comments from the public?

(No audible response)

CHAIRPERSON COURSON: We'll call the roll.

MS. OJIMA: Ms. Weir?

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey?

MR. CAREY: Yes.

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Yes.

MS. OJIMA: Ms. Heidig?

MS. HEIDIG: Yes.

MS. OJIMA: Mr. Morris?

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine?

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson?

CHAIRPERSON COURSON: Yes.

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

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

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

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

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

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

I'd be happy to answer any questions.
CHAIRPERSON COURSON: Questions?

(No audible response)

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

MR. CAREY: So moved.

CHAIRPERSON COURSON: Mr. Carey.

Second?

MS. NEVIS: (Indicating.)

CHAIRPERSON COURSON: Ms. Nevis.

Any comments from the Board?

(No audible response)

CHAIRPERSON COURSON: Any comments from the public?

(No audible response)

CHAIRPERSON COURSON: Call the roll.

MS. OJIMA: Ms. Weir?

MS. WEIR: Yes.

MS. OJIMA: Mr. Carey?

MR. CAREY: Yes.

MS. OJIMA: Ms. Nevis?

MS. NEVIS: Yes.

MS. OJIMA: Mr. Heidig?

MR. HEIDIG: Yes.

MS. OJIMA: Mr. Morris?

MR. MORRIS: Yes.
MS. OJIMA: Mr. Shine?

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson?

CHAIRPERSON COURSON: Yes.

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

CHAIRPERSON COURSON: Thank you. Thank you, Bruce.

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

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

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

MR. HUGHES: Thank you, Mr. Chairman.

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

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

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

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

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

So while we're not bound by that particular
federal law, our suggestion was that we create a
framework where the Board could have some comfort level
that it was getting direct, unfiltered information from
the auditors.
The proposal that's in front of the Board today would essentially establish a three-member audit committee, consisting of three members of the Board of Directors to be essentially chosen through some process that the Chairman would institute.

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

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

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

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

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

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

CHAIRPERSON COURSON: Mr. Morris?

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

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

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

MR. HUGHES: To the full Board.
MR. MORRIS: Advisory committee to Board executive director?

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

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

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

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

The way CalHFA statutes are set up, the
executive director really has the power, the inherent
power to exercise those sort of functions.

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

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

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

MR. HUGHES: Right.

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

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

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

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

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

CHAIRPERSON COURSON: Yes, that would be very helpful.
Okay, any other discussion?

Yes, Ms. Nevis?

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

CHAIRPERSON COURSON: Good.

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

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

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

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

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

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

CHAIRPERSON COURSON: Well, let me --

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

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

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

Right now, we show up at a meeting, and in a
white envelope we get a pretty cover, colored picture,
report from the auditors just a couple months after it's
done. And so we look at it, and it's great, and we're
off.
My feeling is that, as a board, I would like to 
have representation sitting down with the auditors, along 
with the executive director, and there's a lot of things 
that go on behind audit reports than just the numbers in 
the book. And I think it's important for the Board to 
have a report from a group from the Board that says, 
"We met with the auditors. Here are some -- we saw some 
weaknesses," or "We have these issues behind the numbers 
that we have talked to management that we think they 
should address."

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

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

CHAIRPERSON COURSON: Mr. Carey?

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

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

MR. MORRIS: One question.
CHAIRPERSON COURSON: Yes, Mr. Morris.

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

CHAIRPERSON COURSON: I think we had in mind
three.

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

MS. OJIMA: Yes.

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

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

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

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

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

MR. MORRIS: Right.

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

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

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

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

CHAIRPERSON COURSON: Right.

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

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

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

Ms. Weir, did you --

MS. WEIR: No.

CHAIRPERSON COURSON: Any other comments?

(No audible response)

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

MR. MORRIS: So moved.

CHAIRPERSON COURSON: Mr. Morris.

Second?

MR. CAREY: Second.

CHAIRPERSON COURSON: Okay, Mr. Carey.

Any other discussion?

(No audible response)

CHAIRPERSON COURSON: Any comments from the public?

(No audible response)

CHAIRPERSON COURSON: Call the roll.

MS. OJIMA: Ms. Weir?

MS. WEIR: Yes.
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1  MS. OJIMA: Mr. Carey?
2  MR. CAREY: Yes.
3  MS. OJIMA: Ms. Nevis?
4  MS. NEVIS: Yes.
5  MS. OJIMA: Mr. Heidig?
6  MR. HEIDIG: Yes.
7  MS. OJIMA: Mr. Morris?
8  MR. MORRIS: Yes.
9  MS. OJIMA: Mr. Shine?
10 MR. SHINE: Yes.
11 MS. OJIMA: Mr. Courson?
12 CHAIRPERSON COURSON: Yes.
13 MS. OJIMA: Resolution 06-08 has been approved.
14 CHAIRPERSON COURSON: Thank you, Tom.
15 Dennis, thank you.
16 MR. CAREY: Could I suggest perhaps next year at
17 this time that we revisit the issue just to see, as a
18 board, if it's functioning the way we thought that it
19 might?
20 CHAIRPERSON COURSON: Yes, absolutely.
21 And we will, as a board, also want to know the
22 sort of framework of procedures, and so on, and get
23 another crack at those also when they're done.
24 I would hope we can get those done by the
25 March meeting.
It's good to have goals. We should have. Particularly with the body of work that we're going to be working from, I mean, it should be able to sort of pick and choose what best fits our needs from what we're going to be looking at.

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Item 11. Business Plan Update

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

Terri?

MS. PARKER: Right.

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

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

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

MR. SOWERS: Good morning.

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

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

Sorry, go ahead.

MR. SOWERS: Good morning. I'm pleased to be
here to represent the Homeownership Division, and pleased
to report that chair Jerry Smart is on the mend. He has
approval by his doctors to return back to work this
coming week. So we are all looking forward to his
return.
Let me call your attention to the second page of the presentation, and the slide that's on the screen, and to the four columns that are in the center of the slide.

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

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

(Mr. Walsh left the room.)

MR. SOWERS: Moving on to the next slide, which is page 3 of the presentation, this graph shows the actual production of CalHFA's downpayment assistance programs against the fiscal year goal for each program. As you can see, during the first six months ending December 31st, the Agency funded 4.1 million in CHAP loans, 15.8 million in CHDAP loans, 1.7 million in Extra Credit Teacher Program loans, 15.9 million in HiCAP loans, 1.5 million in School Facility Fee grants, 850,000 in HIRAP loans, and 500,000 in Self-Help Builder Assistance Program loans.
Moving on to the next slide, on page 4 of the presentation, is a compilation of data and information reflecting the types and percentages of loans we purchased and the areas and customers we served. Out of the 2,705 had first-time homebuyer families that we served during this six-month period, 35 percent of them chose the interest only PLUS loan as a means to finance their purchase. Of course, the remaining 65 percent were 30-year fully amortizing loans.

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

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

During this period of time, we have also provided outreach efforts at 63 conferences, home buyer fairs, workshops and special speaking events. We've conducted 35 lender-training seminars. And we now have
231 approved local assistance programs under our Affordable Housing Partnership Program.

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

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

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

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

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

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

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

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

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

Thank you, Stan.

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

CHAIRPERSON COURSON: That's great.

Thanks.

MS. PARKER: Thank you very much, Stan.
Let me move on to Mortgage Insurance. And as I mentioned early on with Nancy's retirement, Greg Carter will be leading that team.

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

MR. CARTER: Thank you, Ms. Parker.

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

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

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

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

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

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

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

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

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

We were also in the development and promotion of
the 100 percent, 30-year loan, CalHFA loan.
We also promoted and developed lower mortgage
insurance coverage, resulting in lower premiums for home
buyers and a cost savings to home buyers.
We also developed and promoted a program called the HomeOpeners, which is essentially an insurance against involuntary job loss.

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

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

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

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

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

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

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

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

And that concludes the Mortgage Insurance update.

MS. PARKER: Any questions of Greg?

Thank you, Greg.

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

MS. FRETZ-BROWN: Thank you. The most dramatic thing in the past six months as you see on the slide has been the loan closings on the Multifamily department. We've closed more loans in the past six months than we did the entire last year, last fiscal year. And last fiscal year -- and last fiscal year was the greatest amount of loan closings that we had since that time. So a lot of the commitments that we have seen in previous years have come home to roost, thank goodness, and that houses are entering construction or have been completed.

And that activity, this total activity has affected almost 4,000 households, which I think is something we often lose sight of. Really, almost 12,000 people.

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

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

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

This chart relates exclusively to bond-financed loans. As you know, in the Multifamily Department, there are really two parts of this: one, of the bond finance projects, and the other, of the special lending projects. And in the special lending programs, the Bay Area Housing Plan, which we have discussed this morning, does involve tax-exempt or taxable bond financing. But the balance of those special lending programs are primarily through the Housing Assistance Trust or through, really, other people's money, as I like to say -- thank you, HCD --
Prop. 46 monies that have come to the Agency primarily through the Department of Housing and Community Development.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Doug Smoot, who is head of the HELP Program,
it's under his competent leadership, and has been talking
both to the smaller developers and also the cities, in
terms of how do we link this stuff up so we get some
sufficient local commitments to actually build that
housing? How do we wrap all that stuff up in this
program?
The last item here, housing for the mentally ill homes, again, it's the Governor's initiative that we've been working with HCD and the State Mental Health Department on for some period of time. The HCD is the core State agency for this program; and CalHFA's role, we envision it as being primarily construction lending. And that is so because, truthfully, these developments for the homeless mentally ill really can't carry debt. The debt that they carry is HCD's multifamily housing debt, which is deferred payment.

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

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

That's it.

Thank you.

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

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

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

So it may be something -- and I'll share with you, Terri, and you, Bev, the information because they would like to share with us and have us share with them.

And frankly, if they're down the road on a piece that we are not, and we are on the other, it might be interesting.

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

MS. FRETZ-BROWN: Thank you.

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

CHAIRPERSON COURSON: Okay.

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

CHAIRPERSON COURSON: Okay, sure.

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

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

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

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

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

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

MS. WEIR: Okay.

MS. PARKER: Thank you, Bev.

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

So, Margaret --

MS. ALVAREZ: Thank you.

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

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

So the first one I would mention is Imperial
Terrace, which is a family project that was taken in LA
by Caltrans to build an extension of the freeway down
there.
Next, we have a couple of payoffs through the Office of Affordable Housing Preservation, which used to be OHMAR. And this is a program whereby HUD approved a loan-payoff program, and owners would get some -- would put in 25 percent of the money for recapitalization themselves, HUD would allow lending up to a certain amount, and they would be tied again to subsidized housing for a new 20-year term, which we felt was better than anything our Agency could offer, so we let those projects go as the opportunity has arisen, with our blessings.

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

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

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

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

Okay, on the next slide here, last year -- we're
in August -- we went out with a sales plan to sell six of
our six -- we have six REOs in the Agency. And we had
hired an outside broker, through an RFP process, to sell
those, and made them available to the marketplace. The
plan being to sell them as a package deal, which we felt
through the brokers would be the best opportunity for a
sale for those REOs.
What happened was, we had 12 offers. Nobody really wanted all of them. People really -- there were some lowball offers. There were some questions about our financing. Many people preferred not to have our financing, and so forth.

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

And we'll be remarketing those here in the next couple of weeks.

CHAIRPERSON COURSON: As a package again?

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

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

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

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

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

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

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

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

And on that, I'll end my report.

Any questions?

(No audible response)

MS. PARKER: Thank you, Margaret.

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

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

We will be noting all of those to the Board in the next
two months for the business plan adoption, four months
from now.

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

CHAIRPERSON COURSON: Okay, thanks, Terri.
--o0o--

Item 13. Reports

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

It's in the reports in the book.

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

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

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

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

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

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

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

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

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

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

CHAIRPERSON COURSON: Mr. Shine?

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

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

MR. SHINE: The bond itself.

CHAIRPERSON COURSON: The term of the bonds.

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

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

MR. GILBERTSON: Yes.

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

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

MS. PARKER: Potential investor.

CHAIRPERSON COURSON: Other questions?

MR. GILBERTSON: I could forward you a prospectus.

MR. SHINE: By all means.

CHAIRPERSON COURSON: Bruce, thank you.

MR. GILBERTSON: All right.

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

Mr. Carey?

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

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

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

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

    CHAIRPERSON COURSON: That is a very good point.
    
    --00o--

Item 14. Discussion of Other Board Matters

    CHAIRPERSON COURSON: Any other comments from
the Board?

    (No audible response)
    
    --00o--

Item 15. Public Testimony

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

    (No audible response)
    
    CHAIRPERSON COURSON: Seeing none, our next
meeting is in March at the Clarion Hotel in Sacramento.

Yes?

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

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

MR. SHINE: Where is it now?

MS. PARKER: Sacramento.

MR. SHINE: No, where in Sacramento?

CHAIRPERSON COURSON: The Holiday Inn.

MS. OJIMA: 300 J Street.

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

Seeing nothing else, this meeting stands adjourned.

(Proceedings concluded at 12:21 p.m.)

--000--
REPORTER’S CERTIFICATE

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

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

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

In witness whereof, I have hereunto set my hand on January 17, 2006.

DANIEL P. FELDHAUS
California CSR #6949
Registered Diplomate Reporter
Certified Realtime Reporter
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CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Indio Gardens Apartments
Indio, Riverside County, CA
CalHFA # 06-001 A/S

SUMMARY

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

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

LOAN TERMS

Acquisition/Rehabilitation

<table>
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<tr>
<th>First Mortgage</th>
<th>$4,400,000</th>
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</thead>
<tbody>
<tr>
<td>Interest Rate</td>
<td>6.17%, variable</td>
</tr>
<tr>
<td>Term</td>
<td>24 Months, interest only</td>
</tr>
<tr>
<td>Financing</td>
<td>Tax-exempt</td>
</tr>
</tbody>
</table>

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

<table>
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<tr>
<th>Second Mortgage*</th>
<th>$4,800,000 - $1,090,000 Earned Surplus</th>
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<tbody>
<tr>
<td></td>
<td>$3,710,000 Tax-Exempt</td>
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<tr>
<td>Interest Rate</td>
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<tr>
<td>Term</td>
<td>16 year fixed, fully amortized</td>
</tr>
<tr>
<td>Financing</td>
<td>Tax-exempt &amp; Earned Surplus</td>
</tr>
</tbody>
</table>

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

Permanent

<table>
<thead>
<tr>
<th>First Mortgage</th>
<th>$4,400,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Rate</td>
<td>5.45%</td>
</tr>
<tr>
<td>Term</td>
<td>30 year fixed, fully amortized</td>
</tr>
<tr>
<td>Financing</td>
<td>Tax-exempt</td>
</tr>
</tbody>
</table>
OTHER FINANCING

There is no other financing involved in this transaction.

HOUSING ASSISTANCE PAYMENT ("HAP") CONTRACT

The original HAP contract was executed on February 8, 1982, for a term of 20 years. The HAP contract expired on February 1, 2002, and by its terms, was extended for the first of four (4) additional 5-year terms (20 years total). The contract is in the second 5-year renewal period. CalHFA is the Section 8 Contract Administrator.

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

CalHFA is currently seeking approval from the Los Angeles HUD office recommending that the existing remaining 16-year HAP contract remain in place with HUD. A response from HUD is still pending. In addition, a transition reserve of $150,000 will be funded at permanent loan closing representing approximately 14 months of debt service reserve towards any potential shortfall in Section 8 funding. Any modification to the HAP extension approved by HUD could result in a reduction of the CalHFA second mortgage.

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

This project is a pre-1980 HAP contract with limited distribution to the project sponsor. The existing residual receipts reserve along with the existing replacement and operating reserves will be transferred with the property to Indio Gardens Affordable, L.P upon ownership.

PROJECT DESCRIPTION

Project Location

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

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

Improvements

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

PHYSICAL NEEDS ASSESSMENT / SCOPE OF WORK

- The project is in average overall condition for a development of this type and age.
- The scope of rehabilitation work totals $1,920,464 or $12,718 a unit and includes:

  - Exterior –
    1. New signage
    2. Exterior paint
    3. Asphalt repairs/sealing/re-stripping
    4. Landscaping

  - Common Area –
    1. Upgrades to community room
    2. Elevator ADA upgrades
    3. New carpet and paint in corridors

  - Individual Units –
    1. New windows and sliding glass doors
    2. Kitchen/bathroom painting
    3. New countertops in kitchen and bathroom
    4. New fixtures in kitchen and bathroom
    5. New window blinds
    6. New kitchen/bathroom vinyl flooring
    7. New smoke detectors
    8. Replacement of kitchen and bathroom cabinets
    9. Replacement of appliances

2/17/06
Off-site improvements

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

Relocation

- There is approximately $67,700 in relocation expense allocated for this project. Most of the renovation will take place around the occupied units. The rehabilitation plan does not assume invasive construction activity. However, specific interior unit renovation such as window replacement, vinyl flooring, and cabinet replacement will take place on a building-by-building basis and will be completed within 3 days. The residents will be offered a hotel voucher or cash equivalence for the inconvenience. In addition, these temporarily displaced residents shall be entitled to compensation for all reasonable out of pocket expenses incurred in connection with temporary relocation.

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

MARKET

Market Overview

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

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

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

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

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

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

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

PROJECT FEASIBILITY

Estimated Lease-up Period

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

ENVIRONMENTAL

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

SEISMIC

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

ARTICLE 34

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

Borrower

Indio Gardens Affordable, L.P.

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

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

Management Agent

The John Stewart Company

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

Architect

Gary R. Collins and Associates (GRC+A)

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

Contractor

ICON Builders

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

**Project:** Indio Gardens  
**Location:** 82490 Requa Ave.  
**City:** Indio  
**County:** Riverside  
**Zip Code:** 92201  
**Developer:** Bentall  
**Partner:** Las Palmas  
**Investor:** AIMCO  
**No. of Buildings:** 7  
**No. of Stories:** 3  
**Residential Space:** 126,184 sq. ft.  
**Office Space:** 0 sq. ft.  
**Commercial Space:** 0 sq. ft.  
**Gross Area:** 126,184 sq. ft.  
**Land Area:** 272,250 sq. ft.  
**Units per acre:** 24

### CalHFA Acquisition Financing
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<tr>
<th>Amount</th>
<th>Rate</th>
<th>Term (Mths)</th>
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<tbody>
<tr>
<td>CalHFA Acquisition/Rehab Financing</td>
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### Permanent Sources of Funds

<table>
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<tr>
<th>Fund Type</th>
<th>Amount</th>
<th>Rate</th>
<th>Years</th>
</tr>
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<tbody>
<tr>
<td>CalHFA First Mortgage</td>
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<td>5.45%</td>
<td>30</td>
</tr>
<tr>
<td>CalHFA Bridge Loan</td>
<td>$0</td>
<td>0.00%</td>
<td>0</td>
</tr>
<tr>
<td>CalHFA Second Mortgage</td>
<td>$4,800,000</td>
<td>5.45%</td>
<td>16</td>
</tr>
<tr>
<td>Mezzanine Loan</td>
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<td>12</td>
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<tr>
<td>Assumed Reserves</td>
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<tr>
<td>Source 4</td>
<td>$0</td>
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</tr>
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<td>Source 7</td>
<td>$0</td>
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<td>0</td>
</tr>
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<td>$0</td>
<td>0.00%</td>
<td>0</td>
</tr>
<tr>
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<td>$0</td>
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<td>0</td>
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<td>Source 10</td>
<td>$0</td>
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<tr>
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<tr>
<td>Source 12</td>
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<td>0.00%</td>
<td>0</td>
</tr>
<tr>
<td>Income from Operations</td>
<td>$0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developer Contribution</td>
<td>$0</td>
<td></td>
<td></td>
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<tr>
<td>Deferred Dev. Fee</td>
<td>$1,285,089</td>
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</tr>
<tr>
<td>Tax Credit Equity</td>
<td>$4,620,585</td>
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</tbody>
</table>

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

### Construction Valuation

<table>
<thead>
<tr>
<th>Investment Value</th>
<th>$16,910,000</th>
<th>Appraisal Value Upon Completion</th>
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</thead>
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<tr>
<td>Loan / Cost</td>
<td>31%</td>
<td>Appraisal Date: Feb. 10, 2006</td>
</tr>
<tr>
<td>Loan / Value</td>
<td>26%</td>
<td>Cap Rate: 6.00%</td>
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<tr>
<td></td>
<td></td>
<td>Perm. Loan / Cost: 28%</td>
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<tr>
<td></td>
<td></td>
<td>Perm. Loan / Value: 36%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Restricted Value: $11,490,000</td>
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### CalHFA Fees and Reserve Requirements

<table>
<thead>
<tr>
<th>CalHFA Loan Fees</th>
<th>Amount</th>
<th>Required Reserves</th>
<th>Amount</th>
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<tbody>
<tr>
<td>CalHFA Construction Loan Fee</td>
<td>$92,000</td>
<td>Other Reserve</td>
<td>$0</td>
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<td>CalHFA Permanent Loan Fees</td>
<td>$22,000</td>
<td>Replacement Resv. Initial Deposit</td>
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<td>Other Fee</td>
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<td>Repl. Reserve - Per Unit/ Per Yr</td>
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</table>

<table>
<thead>
<tr>
<th>Construction Loan - Guarantees and Fees</th>
<th>Amount</th>
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</thead>
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<tr>
<td>Completion Guarantee Fee</td>
<td>$2,189,330</td>
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<tr>
<td>Contractors Payment/Performance Fee</td>
<td>$2,189,330</td>
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**Date:** 2/22/2006  
**Senior Staff Date:** 2/17/2006
### UNIT MIX AND RENT SUMMARY

#### Total Unit Mix

<table>
<thead>
<tr>
<th># of Units</th>
<th>Unit Type</th>
<th># of Baths</th>
<th>Average Sq. Ft.</th>
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</thead>
<tbody>
<tr>
<td>129</td>
<td>1 Bedroom Flat</td>
<td>1</td>
<td>608</td>
</tr>
<tr>
<td>6</td>
<td>1 Bedroom Flat</td>
<td>1</td>
<td>649</td>
</tr>
<tr>
<td>15</td>
<td>1 Bedroom Handicap</td>
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<td>757</td>
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<tr>
<td>1</td>
<td>2 Bedroom Flat</td>
<td>2</td>
<td>1,282</td>
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<tr>
<td></td>
<td>3 Bedroom Townhome</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4 Bedroom Townhome</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td><strong>151</strong></td>
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#### Number of Regulated Units By Agency

<table>
<thead>
<tr>
<th>Agency</th>
<th>35%</th>
<th>45%</th>
<th>50%</th>
<th>60%</th>
<th>80%</th>
<th>Unrestricted</th>
<th>Total</th>
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<tr>
<td>CalHFA</td>
<td>30</td>
<td></td>
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<tr>
<td>Tax Credits</td>
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<td></td>
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<tr>
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</table>

#### Restricted Rents Compared to Average Market Rents

<table>
<thead>
<tr>
<th>Median Income Rent Levels</th>
<th>Units Restricted</th>
<th>Avg. Mid Rent</th>
<th>Sec. 8 Rent</th>
<th>Dollars Difference</th>
<th>% of Market</th>
</tr>
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<tbody>
<tr>
<td>One Bedroom</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>35%</td>
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</tr>
<tr>
<td>45%</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td>50%</td>
<td>30</td>
<td>$442</td>
<td>$284</td>
<td>61%</td>
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<tr>
<td>60%</td>
<td>120</td>
<td>$580</td>
<td>$145</td>
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<tr>
<td>80%</td>
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<td>0%</td>
<td></td>
</tr>
<tr>
<td>Two Bedroom</td>
<td></td>
<td>$0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>35%</td>
<td>0</td>
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<td>$0</td>
<td>$0</td>
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</tr>
<tr>
<td>45%</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
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<td>0%</td>
</tr>
<tr>
<td>50%</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td>60%</td>
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<tr>
<td>80%</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
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</tr>
<tr>
<td>Three Bedroom</td>
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</tr>
<tr>
<td>35%</td>
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<td>$0</td>
<td>0%</td>
</tr>
<tr>
<td>45%</td>
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<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
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<tr>
<td>50%</td>
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<td>80%</td>
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</tr>
<tr>
<td>Four Bedroom</td>
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<tr>
<td>35%</td>
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<tr>
<td>45%</td>
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<tr>
<td>50%</td>
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<tr>
<td>60%</td>
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<tr>
<td>80%</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
</tr>
</tbody>
</table>
### Sources and Uses of Funds

#### SOURCES OF FUNDS:

<table>
<thead>
<tr>
<th>Funds in during Construction ($)</th>
<th>Funds in at Permanent ($)</th>
<th>Total Development Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>CalHFA Acquisition/Rehab Financing</td>
<td>4,400,000</td>
<td>4,400,000</td>
</tr>
<tr>
<td>Construction Only Source 2</td>
<td>-</td>
<td>4,400,000</td>
</tr>
<tr>
<td>Construction Only Source 3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>CalHFA First Mortgage</td>
<td>4,400,000</td>
<td>4,800,000</td>
</tr>
<tr>
<td>CalHFA Second Mortgage</td>
<td>4,800,000</td>
<td>4,800,000</td>
</tr>
<tr>
<td>Mezzanine Loan</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Assumed Reserves</td>
<td>408,754</td>
<td>405,246</td>
</tr>
<tr>
<td>Source 4</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Source 5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Source 6</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Source 7</td>
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<td>-</td>
</tr>
<tr>
<td>Source 8</td>
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<td>Source 9</td>
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<tr>
<td>Source 10</td>
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<tr>
<td>Source 11</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Source 12</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Income from Operations</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Developer Contribution</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deferred Developer Fee</td>
<td>454,347</td>
<td>830,742</td>
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<tr>
<td>Tax Credit Equity</td>
<td>4,058,813</td>
<td>560,772</td>
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<tr>
<td><strong>Total Sources</strong></td>
<td>14,122,914</td>
<td>6,196,760</td>
</tr>
<tr>
<td><strong>(Gap)/Surplus</strong></td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

#### USES OF FUNDS:

<table>
<thead>
<tr>
<th>Loan Payoffs &amp; Rollovers</th>
<th>Construction ($)</th>
<th>Permanent ($)</th>
<th>Total Development Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Loan Payoffs</td>
<td>$4,400,000</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

#### ACQUISITION

| Lesser of Land Cost or Value | 820,000 | 820,000 | 5,430 | 5% |
| Prepayment Penalty | 1,627,747 | 1,627,747 | 10,780 | 10% |
| Legal - Acquisition Related Fees | 244,500 | 244,500 | 1,619 | 2% |
| **Subtotal - Land Cost / Value** | 2,692,247 | 2,692,247 | 0% |

| Existing Improvements Value | 7,752,253 | 7,752,253 | 51,339 | 49% |
| Off-Site Improvements | - | - | 0% |
| Other | - | - | 0% |
| **Total Acquisition** | 10,444,500 | 10,444,500 | 69,169 | 66% |

#### REHABILITATION

| Site Work | - | - | 0% |
| Rehab to Structures | 1,920,464 | 1,920,464 | 12,718 | 12% |
| General Requirements | 134,433 | 134,433 | 890 | 1% |
| Contractors Overhead | 41,088 | 41,088 | 272 | 0% |
| Contractors Profit | 93,335 | 93,335 | 618 | 1% |
| Contractor's Bond | 41,521 | 41,521 | 275 | 0% |
| General Liability Insurance | 51,902 | 51,902 | 344 | 0% |
| Environmental Mitigation Expense | - | - | 0% |
| Other | 20,000 | 20,000 | 132 | 0% |
| **Total Rehabilitation** | 2,302,753 | 2,302,753 | 15,250 | 14% |

#### RELOCATION EXPENSES

| Relocation Expense | 67,700 | 67,700 | 448 | 0% |
| Relocation Compliance Monitoring | - | - | 0% |
| **Total Relocation** | 67,700 | 67,700 | 448 | 0% |

(Continued on Next 2 Pages)
<table>
<thead>
<tr>
<th>USES OF FUNDS (Cont'd):</th>
<th>Construction ($)</th>
<th>Permanent ($)</th>
<th>Total Development Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NEW CONSTRUCTION</strong></td>
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</tr>
<tr>
<td>Site Work</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td>Structures (Hard Costs)</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>General Requirements</td>
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<tr>
<td>Contractors Overhead</td>
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<td>-</td>
</tr>
<tr>
<td>Contractors Profit</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Contractor's Perf. &amp; Pymt Bond</td>
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</tr>
<tr>
<td>General Liability Insurance</td>
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<td>-</td>
</tr>
<tr>
<td>Other</td>
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<td>-</td>
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</tr>
<tr>
<td>Other</td>
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</tr>
<tr>
<td><strong>Total New Construction</strong></td>
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<td>0%</td>
</tr>
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<tr>
<td><strong>ARCHITECTURAL &amp; ENGINEERING</strong></td>
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<td>Architectural Design</td>
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<tr>
<td>Architect's Supv during Construction</td>
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<td><strong>Total Architectural</strong></td>
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<td><strong>Total Engineering &amp; Survey</strong></td>
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<td>Title and Recording fees</td>
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<td>-</td>
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<tr>
<td>Prevailing Wage Monitoring Expense</td>
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<td>Taxes &amp; Insurance during construction</td>
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<td>1,110</td>
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<td>Other</td>
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</tr>
<tr>
<td>Cost for Completion Guarantee</td>
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<td>-</td>
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</tr>
<tr>
<td>Other</td>
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<td>-</td>
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<td><strong>Total Construction Loan Expense</strong></td>
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<tr>
<td><strong>PERMANENT LOAN COSTS</strong></td>
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<tr>
<td>CalHFA Perm Loan Fees</td>
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<tr>
<td>CalHFA Bridge Loan Fees</td>
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<tr>
<td>CalHFA Loan Application Fee</td>
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<td>Other Lender Perm. Loan Fees</td>
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</tr>
<tr>
<td>Title and Recording</td>
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<tr>
<td>Perm. Bridge Loan Interest Expense</td>
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<td>33</td>
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<td>Bond Origination Guarantee Fee</td>
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<tr>
<td>Tax Exempt Bond Allocation Fee</td>
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<tr>
<td>Other</td>
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<td><strong>Total Permanent Loan Expense</strong></td>
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<td><strong>LEGAL FEES</strong></td>
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<tr>
<td>Borrower Legal Fee</td>
<td>75,000</td>
<td>-</td>
<td>75,000</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
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<tr>
<td><strong>Total Attorney Expense</strong></td>
<td>75,000</td>
<td>-</td>
<td>497</td>
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<tr>
<td>USES OF FUNDS (Cont'd):</td>
<td>Construction ($)</td>
<td>Permanent ($)</td>
<td>Total Development Costs</td>
</tr>
<tr>
<td>-------------------------</td>
<td>-----------------</td>
<td>--------------</td>
<td>-------------------------</td>
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<tr>
<td></td>
<td>Permanent of Funds ($)</td>
<td>Per Unit per Unit</td>
<td>%</td>
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<tr>
<td><strong>CONTRACT / REPORT COSTS</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Appraisal</td>
<td>10,000</td>
<td>-</td>
<td>10,000</td>
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<tr>
<td>Market Study</td>
<td>14,000</td>
<td>-</td>
<td>14,000</td>
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<tr>
<td>Physical Needs Assessment</td>
<td>7,500</td>
<td>-</td>
<td>7,500</td>
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<td>HUD Risk Share Environ. Review</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>CalHFA EQ Waiver Seismic Review Fee</td>
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<td>-</td>
<td>-</td>
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<tr>
<td>Environmental Phase I / II Reports</td>
<td>3,000</td>
<td>-</td>
<td>3,000</td>
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<tr>
<td>Soils / Geotech Reports</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Asbestos / Lead-based Paint Report</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Noise/Acoustical/Traffic Study Report</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Termite/Dry Rot Report</td>
<td>5,000</td>
<td>-</td>
<td>5,000</td>
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<tr>
<td>Other</td>
<td>-</td>
<td>-</td>
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<tr>
<td><strong>Total Contract Costs</strong></td>
<td>39,500</td>
<td>-</td>
<td>39,500</td>
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</table>

| **CONTINGENCY** |                |              |                          |
| Hard Cost Contingency | 218,933       | -            | 218,933                 |
| Soft Cost Contingency | 20,000         | -            | 20,000                  |
| **Total Contingency** | 238,933        | -            | 238,933                 |

| **RESERVES** |                |              |                          |
| CalHFA Operating Expense Reserve | -            | 149,191      | 149,191                 |
| Construction Defects Reserve | -              | -            | -                       |
| Transition Operating Reserve | -            | 150,000      | 150,000                 |
| Replacement Resv. Initial Deposit | -        | 151,000      | 151,000                 |
| Other | -              | -            | -                       |
| **Total Reserves** | -              | 450,191      | 450,191                 |

| **OTHER** |                |              |                          |
| CTCAC App/Alloc/Monitor Fees | 68,774       | -            | 68,774                  |
| Local Permit Fees | 15,000         | -            | 15,000                  |
| Local Development Impact Fees | -             | -            | -                       |
| Other Local Fees | -              | -            | -                       |
| Advertising & Marketing Expenses | -         | -            | -                       |
| 1st Year Taxes & Insurance | -            | -            | -                       |
| Furnishings | 75,000         | -            | 75,000                  |
| Final Cost Audit Expense | 24,255        | -            | 24,255                  |
| Miscellaneous Admin Fees | -              | -            | -                       |
| Other | -              | -            | -                       |
| **Total Other Expenses** | 183,029       | -            | 183,029                 |

| **SUBTOTAL PROJECT COSTS** | 13,722,914    | 4,877,191   | 14,200,105               |
|                          | 94,040        | 89%          |

| **DEVELOPER COSTS** |                |              |                          |
| Developer Overhead/Profit (5% Acq.) | 400,000       | 1,319,569    | 1,719,569                |
| Developer Overhead/Profit (NC/Rehab) | -             | -            | -                       |
| Consultant / Processing Agent | -              | -            | -                       |
| Project Administration | -              | -            | -                       |
| Broker Fees to a related party | -             | -            | -                       |
| Construction Mgmt. Oversight | -              | -            | -                       |
| Other | -              | -            | -                       |
| **Total Developer Fee / Costs** | 400,000       | 1,319,569    | 1,719,569                |

| **Total Costs** | 14,122,914    | 6,196,760   | 15,919,674               |
|                | 105,428       | 100%        |
## Annual Operating Budget
### Indio Gardens

#### Final Commitment

<table>
<thead>
<tr>
<th>INCOME:</th>
<th>$ Amount</th>
<th>Per Unit</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Rental Income</td>
<td>$1,551,600</td>
<td>$10,275</td>
<td>99.54%</td>
</tr>
<tr>
<td>Laundry</td>
<td>$7,098</td>
<td>$47</td>
<td>0.46%</td>
</tr>
<tr>
<td>Other Income</td>
<td>$0</td>
<td>$0</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Gross Potential Income (GPI)</strong></td>
<td><strong>$1,558,698</strong></td>
<td><strong>$10,323</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

#### Less:

<table>
<thead>
<tr>
<th>Item</th>
<th>$ Amount</th>
<th>Per Unit</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacancy Loss</td>
<td>$66,793</td>
<td>$442</td>
<td>4.48%</td>
</tr>
<tr>
<td><strong>Effective Gross Income</strong></td>
<td><strong>$1,491,905</strong></td>
<td><strong>$9,880</strong></td>
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</table>

#### EXPENSES:

<table>
<thead>
<tr>
<th>Item</th>
<th>Total Cost</th>
<th>Per Unit</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll</td>
<td>$165,544</td>
<td>$1,096</td>
<td>26.38%</td>
</tr>
<tr>
<td>Administrative</td>
<td>$34,263</td>
<td>$227</td>
<td>5.46%</td>
</tr>
<tr>
<td>Management fee</td>
<td>$67,044</td>
<td>$444</td>
<td>10.69%</td>
</tr>
<tr>
<td>Utilities</td>
<td>$94,911</td>
<td>$629</td>
<td>15.13%</td>
</tr>
<tr>
<td>Operating and Maintenance</td>
<td>$137,182</td>
<td>$908</td>
<td>21.86%</td>
</tr>
<tr>
<td>Insurance and Business Taxes</td>
<td>$55,234</td>
<td>$366</td>
<td>8.80%</td>
</tr>
<tr>
<td>Locality Compliance Monitoring Fee</td>
<td>$0</td>
<td>$0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Other</td>
<td>$0</td>
<td>$0</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Subtotal Expenses</strong></td>
<td><strong>$554,178</strong></td>
<td><strong>$3,670</strong></td>
<td><strong>88.32%</strong></td>
</tr>
<tr>
<td>Replacement Reserves</td>
<td>$60,400</td>
<td>$400</td>
<td>9.63%</td>
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<tr>
<td>Taxes &amp; Assessments</td>
<td>$12,875</td>
<td>$85</td>
<td>2.05%</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>$627,453</strong></td>
<td><strong>$4,155</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

### Financial Expenses

<table>
<thead>
<tr>
<th>Item</th>
<th>$ Amount</th>
<th>Per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>CalHFA First Mortgage</td>
<td>$378,983</td>
<td>$2,510</td>
</tr>
<tr>
<td>CalHFA Second Mortgage</td>
<td>$450,212</td>
<td>$2,982</td>
</tr>
<tr>
<td>Other Required Debt Service</td>
<td>$0</td>
<td>$0</td>
</tr>
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</table>

**NET OPERATING INCOME**

<p>|                       | $35,257  | $233     |</p>
<table>
<thead>
<tr>
<th>Cash Flow</th>
<th>Final Commitment</th>
<th>CalHFA Project Number: 06-001-A/S</th>
<th>Indio Gardens</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RENTAL INCOME</strong></td>
<td><strong>Rehab Yr. 1</strong></td>
<td><strong>Rehab Yr. 2</strong></td>
<td><strong>Year 1</strong></td>
</tr>
<tr>
<td>Affordable Rents</td>
<td>994,500</td>
<td>1,019,363</td>
<td>1,044,847</td>
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<td>Affordable Rent Increase</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
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<tr>
<td>Rental Subsidies</td>
<td>557,100</td>
<td>532,238</td>
<td>506,753</td>
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<tr>
<td>Rental Subsidy Increases</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Unrestricted Units</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Unrestricted Unit Increases</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>TOTAL RENTAL INCOME</td>
<td>1,551,600</td>
<td>1,551,600</td>
<td>1,551,600</td>
</tr>
<tr>
<td><strong>OTHER INCOME</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Laundry</td>
<td>7,098</td>
<td>7,240</td>
<td>7,385</td>
</tr>
<tr>
<td>Other Income</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other Income increase</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
</tr>
<tr>
<td>TOTAL OTHER INCOME</td>
<td>7,098</td>
<td>7,240</td>
<td>7,385</td>
</tr>
<tr>
<td><strong>GROSS POTENTIAL INCOME</strong></td>
<td>1,558,698</td>
<td>1,558,840</td>
<td>1,558,985</td>
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<tr>
<td><strong>VACANCY ASSUMPTIONS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Affordable (Blended Average)</td>
<td>5.00%</td>
<td>5.00%</td>
<td>5.00%</td>
</tr>
<tr>
<td>Rental Subsidy Income</td>
<td>3.00%</td>
<td>3.00%</td>
<td>3.00%</td>
</tr>
<tr>
<td>Unrestricted Units</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Laundry &amp; Other Income</td>
<td>5.00%</td>
<td>5.00%</td>
<td>5.00%</td>
</tr>
<tr>
<td>LESS: VACANCY LOSS</td>
<td>66,793</td>
<td>67,287</td>
<td>67,814</td>
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<tr>
<td><strong>EFFECTIVE GROSS INCOME</strong></td>
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<td>1,491,543</td>
<td>1,491,171</td>
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<td><strong>OPERATING EXPENSES</strong></td>
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<tr>
<td>Expenses</td>
<td>554,178</td>
<td>573,574</td>
<td>593,049</td>
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<tr>
<td>Annual Expense Increase</td>
<td>3.50%</td>
<td>3.50%</td>
<td>3.50%</td>
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<td>Taxes and Assessments</td>
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<td>13,133</td>
<td>13,395</td>
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<td>Annual Tax Increase</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
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<td>Replacement Reserve</td>
<td>52,850</td>
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<td>Percentage Increase Yearly</td>
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<td>2.00%</td>
<td>2.00%</td>
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<td>TOTAL EXPENSES</td>
<td>567,053</td>
<td>586,707</td>
<td>606,894</td>
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<td><strong>NET OPERATING INCOME</strong></td>
<td>924,852</td>
<td>904,836</td>
<td>831,276</td>
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<td><strong>DEBT SERVICE</strong></td>
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<tr>
<td>CalHFA - Bridge Loan</td>
<td>0</td>
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<tr>
<td>CalHFA - 2nd Mortgage</td>
<td>450,212</td>
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<td>450,212</td>
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<tr>
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<td>0</td>
<td>0</td>
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<tr>
<td>DCSR on Restricted Rental Income</td>
<td>2.04</td>
<td>2.00</td>
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<tr>
<td>DCSR on Total Income and Total Debt</td>
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<td>1.57</td>
<td>1.11</td>
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<tr>
<td>Cash Available for Distribution</td>
<td>95,657</td>
<td>328,592</td>
<td>82,926</td>
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### Cash Flow

<table>
<thead>
<tr>
<th></th>
<th>Year 9</th>
<th>Year 10</th>
<th>Year 11</th>
<th>Year 12</th>
<th>Year 13</th>
<th>Year 14</th>
<th>Year 15</th>
<th>Year 16</th>
<th>Year 17</th>
<th>Year 18</th>
<th>Year 19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RENTAL RECEIPTS</strong></td>
<td>1,273,044</td>
<td>1,304,870</td>
<td>1,337,492</td>
<td>1,370,929</td>
<td>1,405,202</td>
<td>1,440,333</td>
<td>1,476,341</td>
<td>1,513,245</td>
<td>1,551,081</td>
<td>1,589,556</td>
<td>1,625,064</td>
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<tr>
<td>Affordable Rents</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
</tr>
<tr>
<td>Affordable Rent Increase</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
<td>2.50%</td>
</tr>
<tr>
<td>Rental Subsidies</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
</tr>
<tr>
<td>Rental Subsidy Increases</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
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<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Unrestricted Units</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
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<tr>
<td><strong>TOTAL RENTAL INCOME</strong></td>
<td>1,774,140</td>
<td>1,816,888</td>
<td>1,858,832</td>
<td>1,902,696</td>
<td>1,947,805</td>
<td>1,993,583</td>
<td>1,976,341</td>
<td>1,913,249</td>
<td>1,951,081</td>
<td>1,989,556</td>
<td>2,025,064</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Year 17</th>
<th>Year 18</th>
<th>Year 19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OTHER INCOME</strong></td>
<td>10,138</td>
<td>10,341</td>
<td>10,548</td>
</tr>
<tr>
<td>Laundry</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other Income</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL OTHER INCOME</strong></td>
<td>10,138</td>
<td>10,341</td>
<td>10,548</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Year 17</th>
<th>Year 18</th>
<th>Year 19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GROSS POTENTIAL INCOME</strong></td>
<td>1,882,793</td>
<td>1,924,814</td>
<td>1,967,834</td>
</tr>
<tr>
<td>Total Rental Income</td>
<td>1,911,879</td>
<td>1,964,971</td>
<td>2,003,136</td>
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<tr>
<td><strong>TOTAL GROSS</strong></td>
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<td>1,964,971</td>
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<table>
<thead>
<tr>
<th></th>
<th>Year 17</th>
<th>Year 18</th>
<th>Year 19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>VACANCY ASSUMPTIONS</strong></td>
<td>5.00%</td>
<td>5.00%</td>
<td>5.00%</td>
</tr>
<tr>
<td>Affordable (Blended Average)</td>
<td>3.00%</td>
<td>3.00%</td>
<td>3.00%</td>
</tr>
<tr>
<td>Rental Subsidy Income</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Unrestricted Units</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Laundry &amp; Other Income</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td><strong>LESS: VACANCY LOSS</strong></td>
<td>5.00%</td>
<td>5.00%</td>
<td>5.00%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Year 17</th>
<th>Year 18</th>
<th>Year 19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td>1,703,875</td>
<td>1,743,785</td>
<td>1,784,870</td>
</tr>
<tr>
<td>Expenses</td>
<td>1,826,920</td>
<td>1,889,970</td>
<td>2,006,044</td>
</tr>
<tr>
<td>Annual Expense increase</td>
<td>1,826,920</td>
<td>1,889,970</td>
<td>2,006,044</td>
</tr>
<tr>
<td>Taxes and Assessments</td>
<td>1,826,920</td>
<td>1,889,970</td>
<td>2,006,044</td>
</tr>
<tr>
<td>Replacement Reserve</td>
<td>1,826,920</td>
<td>1,889,970</td>
<td>2,006,044</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>1,826,920</td>
<td>1,889,970</td>
<td>2,006,044</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Year 17</th>
<th>Year 18</th>
<th>Year 19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET OPERATING INCOME</strong></td>
<td>844,335</td>
<td>855,543</td>
<td>866,716</td>
</tr>
<tr>
<td>CalHFA - Bridge Loan</td>
<td>450,212</td>
<td>450,212</td>
<td>450,212</td>
</tr>
<tr>
<td>CalHFA - 2nd Mortgage</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>None</td>
<td>1.20</td>
<td>1.21</td>
<td>1.21</td>
</tr>
<tr>
<td><strong>Cash Available for Distribution</strong></td>
<td>95,985</td>
<td>107,193</td>
<td>118,365</td>
</tr>
</tbody>
</table>

**Indio Gardens**

CalHFA Project Number: 06-001-A/S
<table>
<thead>
<tr>
<th>Cash Flow</th>
<th>CalHFA Project Number: 06-001-A/S</th>
<th>Indio Gardens</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RENTAL INCOME</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year 20</td>
<td>Year 21</td>
<td>Year 22</td>
</tr>
<tr>
<td>1,670,344</td>
<td>1,712,103</td>
<td>1,754,905</td>
</tr>
</tbody>
</table>

| **Affordable Rents** | | |
| 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% |

| **Rental Subsidies** | | |
| 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |

| **Unrestricted Units** | | |
| 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |

| **TOTAL RENTAL INCOME** | | |
| 1,670,344 | 1,712,103 | 1,754,905 | 1,798,776 | 1,843,747 | 1,889,841 | 1,937,907 | 1,985,514 | 2,035,152 | 2,086,031 | 2,138,182 |

| **OTHER INCOME** | | |
| Laundry | Other Income | Other Income Increase |
| 10,759 | 10,974 | 11,193 | 11,417 | 11,645 | 11,878 | 12,116 | 12,358 | 12,605 | 12,857 | 13,115 |

| **GROSS POTENTIAL INCOME** | | |
| 1,681,093 | 1,723,076 | 1,766,098 | 1,810,195 | 1,855,393 | 1,901,719 | 1,949,203 | 1,997,872 | 2,047,757 | 2,098,888 | 2,151,256 |

| **VACANCY ASSUMPTIONS** | | |
| Affordable (Blended Average) | Rental Subsidy Income | Unrestricted Units | Laundry & Other Income |
| 5.00% | 3.00% | 0% | 5.00% |

| **LESS: VACANCY LOSS** | | |
| 84,056 | 86,154 | 88,305 | 90,610 | 92,770 | 95,086 | 97,460 | 99,894 | 102,388 | 104,944 | 107,565 |

| **EFFECTIVE GROSS INCOME** | | |
| 1,597,038 | 1,636,923 | 1,677,794 | 1,719,685 | 1,762,623 | 1,806,633 | 1,851,743 | 1,897,979 | 1,945,370 | 1,993,444 | 2,043,731 |

| **OPERATING EXPENSES** | | |
| Expenses | Annual Expense Increase | Taxes and Assessments | Annual Tax Increase | Replacement Reserve | Percentage Increase Yearly |
| 1,141,292 | 1,181,237 | 1,222,580 | 1,265,370 | 1,309,658 | 1,355,496 | 1,402,939 | 1,452,042 | 1,502,863 | 1,555,463 | 1,609,905 |

| **Replacement Reserve** | | |
| 76,992 | 78,532 | 80,103 | 81,705 | 83,339 | 85,006 | 86,706 | 88,440 | 90,209 | 92,013 | 96,614 |

| **TOTAL EXPENSES** | | |
| 1,217,888 | 1,279,674 | 1,322,966 | 1,367,184 | 1,414,120 | 1,462,048 | 1,511,621 | 1,562,897 | 1,615,936 | 1,670,798 | 1,730,306 |

| **NET OPERATING INCOME** | | |
| 359,249 | 357,249 | 354,808 | 351,901 | 348,503 | 344,386 | 340,122 | 335,081 | 329,434 | 323,146 | 313,425 |

| **DEBT SERVICE** | | |
| CalHFA - 1st Mortgage | CalHFA - Bridge Loan | CalHFA - 2nd Mortgage | None |

| **DCSR on Restricted Rental Income** | | |
| 1.20 | 1.20 | 1.19 | 1.18 | 1.17 | 1.16 | 1.14 | 1.12 | 1.10 | 1.08 | 1.05 |

| **DCSR on Total Income and Total Debt** | | |
| 1.20 | 1.20 | 1.19 | 1.18 | 1.17 | 1.16 | 1.14 | 1.12 | 1.10 | 1.08 | 1.05 |

| **Cash Available for Distribution** | | |
| 61,111 | 59,111 | 56,670 | 53,763 | 50,365 | 46,447 | 41,983 | 36,943 | 31,295 | 25,008 | 15,287 |
RESOLUTION 06-09

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Indio Gardens Affordable, L.P., a California limited partnership (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in Indio, Riverside County, California to be known as Indio Gardens Apartments (the "Development"); and

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

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

WHEREAS, on January 3, 2006, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

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

<table>
<thead>
<tr>
<th>PROJECT NUMBER</th>
<th>DEVELOPMENT NAME/ LOCALITY</th>
<th>NUMBER</th>
<th>MORTGAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>06-001-A/S</td>
<td>Indio Gardens Apartments, Indio, Riverside County,</td>
<td>151</td>
<td>$4,400,000: 1st Mortgage (Acq/Rehab)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$4,800,000: 2nd Mortgage (of which 1,090,000 Earned Surplus)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$4,400,000 Permanent 1st Mortgage</td>
</tr>
</tbody>
</table>
2. The Executive Director may modify the terms and conditions of the loans or
loans as described in the Staff Report, provided that major modifications, as defined below,
must be submitted to this Board for approval. "Major modifications" as used herein means
modifications which either (i) increase the total amount of any loans made pursuant to the
Resolution by more than 7%; or (ii) modifications which in the judgment of the Executive
Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily
Programs of the Agency, adversely change the financial or public purpose aspects of the final
commitment in a substantial way.

I hereby certify that this is a true and correct copy of Resolution 06-09 adopted at a duly
constituted meeting of the Board of the Agency held on March 9, 2006 at Sacramento,
California.

ATTEST:

Secretary
CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Seven Directions
Oakland, Alameda County
CalHFA Loan #4-017-C/N

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

LOAN TERMS:

Construction

<table>
<thead>
<tr>
<th>First Mortgage</th>
<th>$8,750,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Rate:</td>
<td>variable</td>
</tr>
<tr>
<td>Term:</td>
<td>18 Months, interest only</td>
</tr>
<tr>
<td>Financing:</td>
<td>Tax-exempt</td>
</tr>
</tbody>
</table>

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

Permanent

<table>
<thead>
<tr>
<th>First Mortgage</th>
<th>$1,600,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Rate:</td>
<td>5.25%</td>
</tr>
<tr>
<td>Term:</td>
<td>10 year fixed, fully amortized</td>
</tr>
<tr>
<td>Financing:</td>
<td>Tax-exempt</td>
</tr>
</tbody>
</table>

OTHER FINANCING:

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

February 14, 2006
<table>
<thead>
<tr>
<th><strong>Permanent Sources</strong></th>
<th><strong>Type</strong></th>
<th><strong>Loan Amount</strong></th>
<th><strong>Term</strong></th>
<th><strong>Interest Rate</strong></th>
<th><strong>Repayment</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Redevelopment Agency of the City of Oakland</td>
<td>Loan</td>
<td>$3,289,000</td>
<td>55</td>
<td>3.00%</td>
<td>Residual Receipts, pro-rata basis</td>
</tr>
<tr>
<td>City of Oakland</td>
<td>Loan</td>
<td>$1,216,600</td>
<td>55</td>
<td>3.00%</td>
<td>Residual Receipts, pro-rata basis</td>
</tr>
<tr>
<td>City of Oakland</td>
<td></td>
<td>$93,972</td>
<td>55</td>
<td></td>
<td>Deferred Interest</td>
</tr>
<tr>
<td>Department of Housing and Community Development, Multi-Family Housing Program (MHP)</td>
<td>Loan</td>
<td>$2,606,331</td>
<td>55</td>
<td>3.00%</td>
<td>Required 0.42% payment plus Residual Receipts</td>
</tr>
<tr>
<td>MHP Nonresidential Space for Supportive Services</td>
<td>Loan</td>
<td>$250,399</td>
<td>55</td>
<td>3.00%</td>
<td>Residual Receipts, pro-rata basis</td>
</tr>
<tr>
<td>Federal Home Loan Bank-Affordable Housing Program</td>
<td>Loan</td>
<td>$227,368</td>
<td>55</td>
<td>0.00%</td>
<td>none</td>
</tr>
</tbody>
</table>

**PROJECT DESCRIPTION:**

**Project Location**

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

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

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

**Site**

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

Improvements

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

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

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

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

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

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

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

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

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

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

Off-site Improvements

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

MARKET:

Market Overview

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

According to the Landauer Realty Group, out of the sixty largest office markets in the United States, Oakland is expected to have the strongest market for the next several years. Proposed developments in Oakland include 300,000 square feet for a Walmart, cafes and retail space; a 130,000 square foot Home Depot; a $700 million dollar Oakland International Airport expansion;
and a $208 million dollar Oakland Airport connector project. In 2000, "Services" was the largest employment sector in the Oakland Market Area, constituting 47.5% of employed persons. "Trade" was the second largest employer with 14.9% of the employed population. The largest employers in Alameda County as of 2000 were the University of California, Berkeley, the County of Alameda, the Oakland Unified School District, and the Lawrence Livermore National Lab. Unemployment has dropped in Alameda County from its high of 6.8% in 2003 to 5.2% in 2005.

Housing Supply and Demand

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

PROJECT FEASIBILITY:

Estimated Lease-Up Period

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

ENVIRONMENTAL:

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

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

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

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

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

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

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

ARTICLE XXXIV

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

DEVELOPMENT TEAM:

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

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

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

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

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

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

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

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

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

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

D. Architect - Pyatok Architects Inc.

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

**Project:** Seven Directions  
**Location:** 2946 International Blvd.  
**City:** Oakland  
**County:** Alameda  
**Zip Code:** 94601  

**Developer:** EBALDC  
**Partner:** NAHC  
**Investor:** Yet to be determined

<table>
<thead>
<tr>
<th>Project Type:</th>
<th>New Construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupancy:</td>
<td>Family</td>
</tr>
<tr>
<td>Total Units:</td>
<td>36</td>
</tr>
<tr>
<td>Style Units:</td>
<td>Flats</td>
</tr>
<tr>
<td>Elevators:</td>
<td>Yes</td>
</tr>
<tr>
<td>Total Parking</td>
<td>31</td>
</tr>
<tr>
<td>Covered:</td>
<td>31</td>
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</table>

<table>
<thead>
<tr>
<th>CalHFA Construction Financing</th>
<th>Amount</th>
<th>Rate</th>
<th>Term (Mths)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CalHFA Construction Financing</td>
<td>$8,750,000</td>
<td>6.00%</td>
<td>18</td>
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</table>

**Permanent Sources of Funds**

<table>
<thead>
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<th>Source</th>
<th>Amount</th>
<th>Rate</th>
<th>Years</th>
</tr>
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<tbody>
<tr>
<td>CalHFA First Mortgage</td>
<td>$1,600,000</td>
<td>5.25%</td>
<td>10</td>
</tr>
<tr>
<td>CalHFA Bridge Loan</td>
<td>$0</td>
<td>0.00%</td>
<td>0</td>
</tr>
<tr>
<td>CalHFA Second Mortgage</td>
<td>$0</td>
<td>0.00%</td>
<td>0</td>
</tr>
<tr>
<td>HCD/MHP</td>
<td>$2,606,331</td>
<td>3.00%</td>
<td>55</td>
</tr>
<tr>
<td>HCD/MHP/NSSS</td>
<td>$250,399</td>
<td>3.00%</td>
<td>55</td>
</tr>
<tr>
<td>Oakland RDA</td>
<td>$3,289,000</td>
<td>3.00%</td>
<td>55</td>
</tr>
<tr>
<td>FHLB/AHP</td>
<td>$227,368</td>
<td>0.00%</td>
<td>55</td>
</tr>
<tr>
<td>City of Oakland</td>
<td>$93,972</td>
<td>0.00%</td>
<td>55</td>
</tr>
<tr>
<td>City of Oakland</td>
<td>$1,216,600</td>
<td>3.00%</td>
<td>55</td>
</tr>
<tr>
<td>Source 8</td>
<td>$0</td>
<td>0.00%</td>
<td>0</td>
</tr>
<tr>
<td>Source 9</td>
<td>$0</td>
<td>0.00%</td>
<td>0</td>
</tr>
<tr>
<td>Source 10</td>
<td>$0</td>
<td>0.00%</td>
<td>0</td>
</tr>
<tr>
<td>Source 11</td>
<td>$0</td>
<td>0.00%</td>
<td>0</td>
</tr>
<tr>
<td>Source 12</td>
<td>$0</td>
<td>0.00%</td>
<td>0</td>
</tr>
<tr>
<td>Income from Operations</td>
<td>$0</td>
<td>0.00%</td>
<td>0</td>
</tr>
<tr>
<td>Developer Contribution</td>
<td>$0</td>
<td>0.00%</td>
<td>0</td>
</tr>
<tr>
<td>Deferred Dev. Fee</td>
<td>$147,333</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax Credit Equity</td>
<td>$5,631,035</td>
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**Construction Valuation**

<table>
<thead>
<tr>
<th>Investment Value</th>
<th>Appraisal Date:</th>
<th>Value Upon Completion</th>
</tr>
</thead>
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<tr>
<td>Loan / Cost</td>
<td>0/0/0</td>
<td>Restricted Value</td>
</tr>
<tr>
<td>Loan / Value</td>
<td>#DIV/0!</td>
<td>Perm. Loan / Cost: 11%</td>
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**CalHFA Fees and Reserve Requirements**

<table>
<thead>
<tr>
<th>CalHFA Loan Fees</th>
<th>Amount</th>
<th>Required Reserves</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CalHFA Construction Loan Fee</td>
<td>$65,625</td>
<td>Other Reserve</td>
<td>$0</td>
</tr>
<tr>
<td>CalHFA Permanent Loan Fees</td>
<td>$8,000</td>
<td>Replacement Resv. Initial Deposit</td>
<td>$0</td>
</tr>
<tr>
<td>Other Fee</td>
<td>$0</td>
<td>Repl. Reserve - Per Unit/ Per Yr</td>
<td>$600</td>
</tr>
</tbody>
</table>

**Construction Loan - Guarantees and Fees**

| Completion Guarantee Fee | CalHFA Operating Expense Reserve | $46,706 |
| Contractors Payment Bond | Rent Up Reserve | $0 |
| Contractors Performance Bond | Section 8 Transitional Reserve | $61,800 |

**Date:** 2/22/2006  
**Senior Staff Date:** 2/14/2006
### UNIT MIX AND RENT SUMMARY

#### Total Unit Mix

<table>
<thead>
<tr>
<th># of Units</th>
<th>Unit Type</th>
<th># of Baths</th>
<th>Average Sq. Ft.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Studio</td>
<td>1</td>
<td>430</td>
</tr>
<tr>
<td>2</td>
<td>1 Bedroom Flat</td>
<td>1</td>
<td>515</td>
</tr>
<tr>
<td>18</td>
<td>2 Bedroom Flat</td>
<td>1</td>
<td>680-995; Avg. 837</td>
</tr>
<tr>
<td>2</td>
<td>2 Bedroom Townhome</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>3 Bedroom Flat</td>
<td>2</td>
<td>1,130-1,320; Avg. 1168</td>
</tr>
<tr>
<td>1</td>
<td>3 Bedroom Townhome</td>
<td>2.5</td>
<td>1,570</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>36</td>
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#### Number of Regulated Units By Agency

<table>
<thead>
<tr>
<th>Agency</th>
<th>30%</th>
<th>35%</th>
<th>50%</th>
<th>55%</th>
<th>60%</th>
<th>Unrestricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>CalHFA</td>
<td></td>
<td>8</td>
<td></td>
<td></td>
<td></td>
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<td>8</td>
</tr>
<tr>
<td>Tax Credits</td>
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<td></td>
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<td></td>
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<td>15</td>
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<tr>
<td>Locality</td>
<td>14</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>14</td>
</tr>
<tr>
<td>HCD</td>
<td>13</td>
<td>2</td>
<td>8</td>
<td>9</td>
<td>3</td>
<td>1</td>
<td>35</td>
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<tr>
<td>AHP</td>
<td>13</td>
<td>2</td>
<td>8</td>
<td>9</td>
<td>3</td>
<td>1</td>
<td>35</td>
</tr>
<tr>
<td>Zoning</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
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<td></td>
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</table>

#### Restricted Rents Compared to Average Market Rents

<table>
<thead>
<tr>
<th>Median Income Rent Levels</th>
<th>Units Restricted</th>
<th>Restricted Rents</th>
<th>Avg. Market Rate Rents</th>
<th>Dollars Difference</th>
<th>% of Market</th>
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<tbody>
<tr>
<td><strong>STUDIO</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30%</td>
<td>2</td>
<td>$409</td>
<td>$336</td>
<td>56%</td>
<td></td>
</tr>
<tr>
<td>35%</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>50%</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>55%</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>60%</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td><strong>One Bedroom</strong></td>
<td></td>
<td></td>
<td>$955</td>
<td></td>
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</tr>
<tr>
<td>30%</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>35%</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
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</tr>
<tr>
<td>50%</td>
<td>1</td>
<td>$746</td>
<td>$179</td>
<td>81%</td>
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</tr>
<tr>
<td>55%</td>
<td>1</td>
<td>$823</td>
<td>$102</td>
<td>89%</td>
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<tr>
<td>60%</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td><strong>Two Bedroom</strong></td>
<td></td>
<td></td>
<td>$1,204</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30%</td>
<td>5</td>
<td>$522</td>
<td>$646</td>
<td>46%</td>
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</tr>
<tr>
<td>35%</td>
<td>2</td>
<td>$615</td>
<td>$553</td>
<td>54%</td>
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</tr>
<tr>
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<td>3</td>
<td>$895</td>
<td>$273</td>
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<td>6</td>
<td>$988</td>
<td>$180</td>
<td>85%</td>
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<td>60%</td>
<td>1</td>
<td>$1,081</td>
<td>$87</td>
<td>93%</td>
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<tr>
<td><strong>Three Bedroom</strong></td>
<td></td>
<td></td>
<td>$2,076</td>
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<tr>
<td>30%</td>
<td>6</td>
<td>$599</td>
<td>$1,431</td>
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<tr>
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<td>$1,000</td>
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<td>55%</td>
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<td>$1,866</td>
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<td>30%</td>
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<td>$0</td>
<td>$0</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>35%</td>
<td>0</td>
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<td>0%</td>
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<tr>
<td>50%</td>
<td>1</td>
<td>$1,144</td>
<td>$666</td>
<td>64%</td>
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<tr>
<td>55%</td>
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<td>$0</td>
<td>$0</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>60%</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>0%</td>
<td></td>
</tr>
</tbody>
</table>
### Sources and Uses of Funds

#### SOURCES OF FUNDS:

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

**(Gap)/Surplus**:

- -

#### USES OF FUNDS:

<table>
<thead>
<tr>
<th>Loan Payoffs &amp; Rollovers</th>
<th>Construction ($)</th>
<th>Permanent ($)</th>
<th>Total Development Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Loan payoffs</td>
<td>$8,750,000</td>
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</tr>
</tbody>
</table>

**ACQUISITION**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount ($)</th>
<th>Cost per Unit</th>
<th>%</th>
</tr>
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<tbody>
<tr>
<td>Lesser of Land Cost or Value</td>
<td>648,000</td>
<td>18,000</td>
<td>4%</td>
</tr>
<tr>
<td>Demolition</td>
<td>-</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Legal - Acquisition Related Fees</td>
<td>-</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Subtotal - Land Cost / Value</strong></td>
<td>648,000</td>
<td>648,000</td>
<td>0%</td>
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<tr>
<td>Existing Improvements Value</td>
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<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Off-Site Improvements</td>
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<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Other</td>
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<td>-</td>
<td>0%</td>
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<tr>
<td><strong>Total Acquisition</strong></td>
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<td>648,000</td>
<td>4%</td>
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</table>

(Continued on Next 2 Pages)
<table>
<thead>
<tr>
<th>USES OF FUNDS (Cont'd):</th>
<th>Construction ($)</th>
<th>Permanent ($)</th>
<th>Total Development Costs</th>
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<tbody>
<tr>
<td><strong>NEW CONSTRUCTION</strong></td>
<td></td>
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</tr>
<tr>
<td>Site Work</td>
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<td>-</td>
<td>225,295</td>
</tr>
<tr>
<td>Structures (Hard Costs)</td>
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<td>7,563,327</td>
</tr>
<tr>
<td>General Requirements</td>
<td>601,063</td>
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<td>601,063</td>
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<tr>
<td>Contractors Overhead</td>
<td>257,347</td>
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<td>257,347</td>
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<tr>
<td>Contractors Profit</td>
<td>235,901</td>
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<td>235,901</td>
</tr>
<tr>
<td>Contractor's Perf. &amp; Pymt Bond</td>
<td>93,604</td>
<td>-</td>
<td>93,604</td>
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<tr>
<td>General Liability Insurance</td>
<td>-</td>
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<td>-</td>
</tr>
<tr>
<td>Personal Property in contract</td>
<td>188,538</td>
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<td>188,538</td>
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<tr>
<td>Contractors Contingency and City Taxes</td>
<td>288,963</td>
<td>-</td>
<td>288,963</td>
</tr>
<tr>
<td><strong>Total New Construction</strong></td>
<td><strong>9,454,038</strong></td>
<td>-</td>
<td><strong>262,612</strong></td>
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<td><strong>ARCHITECTURAL &amp; ENGINEERING</strong></td>
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<tr>
<td>Architectural Design</td>
<td>744,474</td>
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<td>744,474</td>
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<td>Architect's Supv during Construction</td>
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<tr>
<td>ALTA Survey</td>
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<td><strong>Total Engineering &amp; Survey</strong></td>
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<td><strong>CONSTRUCTION LOAN COSTS</strong></td>
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<td>Construction Loan Interest</td>
<td>540,000</td>
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<td>CalHFA Construction Loan Fee</td>
<td>65,625</td>
<td>-</td>
<td>65,625</td>
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<tr>
<td>Other Construction Loan Fees</td>
<td>20,000</td>
<td>-</td>
<td>20,000</td>
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<td>CalHFA Outside Legal Counsel Fee</td>
<td>25,000</td>
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<tr>
<td>Other Lender Req'd Legal Fees</td>
<td>22,500</td>
<td>-</td>
<td>22,500</td>
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<td>Title and Recording fees</td>
<td>25,000</td>
<td>-</td>
<td>25,000</td>
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<tr>
<td>CalHFA Req'd Inspection Fees</td>
<td>32,860</td>
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<tr>
<td>Other Req'd Inspection Fees</td>
<td>30,000</td>
<td>-</td>
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<tr>
<td>Insurance during construction</td>
<td>150,000</td>
<td>-</td>
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<td>Taxes during construction</td>
<td>22,050</td>
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<tr>
<td>Predvelopment Interest</td>
<td>30,000</td>
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<tr>
<td>Predvelopment Fee</td>
<td>32,860</td>
<td>-</td>
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<td>Interest on City Loan during Construction</td>
<td>93,972</td>
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<td><strong>Total Construction Loan Expense</strong></td>
<td><strong>1,027,007</strong></td>
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<td><strong>28,528</strong></td>
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<td><strong>PERMANENT LOAN COSTS</strong></td>
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<td>CalHFA Perm Loan Fees</td>
<td>8,000</td>
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<td>CalHFA Bridge Loan Fees</td>
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<td>CalHFA Loan Application Fee</td>
<td>500</td>
<td>-</td>
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<td>Other Lender Perm. Loan Fees</td>
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<tr>
<td>Title and Recording fees</td>
<td>10,000</td>
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<td>Perm. Bridge Loan Interest Expense</td>
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<td>Bond Origination Guarantee Fee</td>
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<td>Tax Exempt Bond Allocation Fee</td>
<td>600</td>
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<tr>
<td>Legal Fees</td>
<td>10,000</td>
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<tr>
<td><strong>Total Permanent Loan Expense</strong></td>
<td><strong>9,100</strong></td>
<td><strong>20,000</strong></td>
<td><strong>29,100</strong></td>
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<td><strong>LEGAL FEES</strong></td>
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<tr>
<td>Borrower Legal Fee</td>
<td>5,500</td>
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<tr>
<td>Other</td>
<td>35,000</td>
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<td><strong>Total Attorney Expense</strong></td>
<td><strong>40,500</strong></td>
<td>-</td>
<td><strong>40,500</strong></td>
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<tr>
<td>USES OF FUNDS (Cont'd):</td>
<td>Construction ($)</td>
<td>Permanent ($)</td>
<td>Total Development Costs</td>
</tr>
<tr>
<td>--------------------------</td>
<td>------------------</td>
<td>---------------</td>
<td>------------------------</td>
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<tr>
<td><strong>CONTRACT / REPORT COSTS</strong></td>
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<tr>
<td>Appraisal</td>
<td>14,400</td>
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<tr>
<td>Market Study</td>
<td>7,000</td>
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<td>7,000</td>
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<tr>
<td>Physical Needs Assessment</td>
<td>-</td>
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<tr>
<td>CalHFA 3rd Party Environ. Review</td>
<td>5,000</td>
<td></td>
<td>5,000</td>
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<tr>
<td>CalHFA EQ Waiver Seismic Review Fee</td>
<td>10,000</td>
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<td>10,000</td>
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<tr>
<td>Environmental Phase I / II Reports</td>
<td>16,200</td>
<td></td>
<td>16,200</td>
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<tr>
<td>Soils / Geotech Reports</td>
<td>-</td>
<td></td>
<td>-</td>
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<tr>
<td>Asbestos / Lead-based Paint Report</td>
<td>-</td>
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<td>-</td>
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<tr>
<td>Noise/Acoustical/Traffic Study Report</td>
<td>-</td>
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<td>-</td>
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<tr>
<td>Other</td>
<td>-</td>
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<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Contract Costs</strong></td>
<td>52,600</td>
<td>-</td>
<td>52,600</td>
</tr>
</tbody>
</table>

| **CONTINGENCY** |                  |               |                        |
| Hard Cost Contingency | 1,350,000       |              | 1,350,000              |
| Soft Cost Contingency  | 75,000           |              | 75,000                 |
| **Total Contingency**  | 1,425,000        | -            | 1,425,000              |

| **RESERVES** |                  |               |                        |
| CalHFA Operating Expense Reserve | -     | 46,706       | 46,706                  |
| Section 8 Transitional Operating Reserve | -    | 61,600       | 61,600                  |
| Rent-Up Reserve                  | -                |              | -                      |
| Capitalized Investor Req'd Reserve | -      |              | -                      |
| Operating reserve                | -                | 241,494      | 241,494                 |
| **Total Reserves**               | -                | 350,000      | 350,000                 |

| **OTHER** |                  |               |                        |
| CTCAC App/Alloc/Monitor Fees     | 21,519         |              | 21,519                  |
| Local Permit Fees                | 135,000        |              | 135,000                 |
| Local Development Impact Fees    | 75,000         |              | 75,000                  |
| Other Local Fees                 | -                |              | -                      |
| Advertising & Marketing Expenses | 75,000         |              | 75,000                  |
| 1st Year Taxes & Insurance       | -                |              | -                      |
| Furnishings                      | 40,000          |              | 40,000                  |
| Final Cost Audit Expense         | -                | 10,000       | 10,000                  |
| Miscellaneous Admin Fees         | -                |              | -                      |
| Other                            | -                |              | -                      |
| Other                            | -                |              | -                      |
| **Total Other Expenses**         | 356,519         | -            | 356,519                 |

| **SUBTOTAL PROJECT COSTS** | 13,867,038 | 9,120,000 | 14,237,038 |

| **DEVELOPER COSTS** |                  |               |            |
| Developer Overhead/Profit (5% Acq.) | 364,902 | 415,098 | 780,000 |
| Developer Overhead/Profit (NC/Rehab) | - | - | - |
| Consultant / Processing Agent       | 45,000  | -     | 45,000     |
| Project Administration              | -       | -     | -          |
| Broker Fees to a related party      | -       | -     | -          |
| Construction Mgmt. Oversight         | -       | -     | -          |
| Other                               | -       | -     | -          |
| **Total Developer Fee / Costs**     | 409,902 | 415,098 | 825,000 |

| **Total Costs** | 14,276,940 | 9,535,098 | 15,062,038 |

<table>
<thead>
<tr>
<th></th>
<th>Permanent of Funds ($)</th>
<th>Per Unit per Unit</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Permanent</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Per Unit</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>%</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Annual Operating Budget

#### INCOME:

<table>
<thead>
<tr>
<th>Source</th>
<th>$ Amount</th>
<th>Per Unit</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Rental Income</td>
<td>$489,300</td>
<td>$13,592</td>
<td>99.52%</td>
</tr>
<tr>
<td>Laundry</td>
<td>$2,340</td>
<td>$65</td>
<td>0.48%</td>
</tr>
<tr>
<td>Other Income</td>
<td>$0</td>
<td>$0</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Gross Potential Income (GPI)</strong></td>
<td><strong>$491,640</strong></td>
<td><strong>$13,657</strong></td>
<td>100.00%</td>
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</tbody>
</table>

#### Less:

<table>
<thead>
<tr>
<th>Item</th>
<th>$ Amount</th>
<th>Per Unit</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacancy Loss</td>
<td>$24,582</td>
<td>$683</td>
<td>5.26%</td>
</tr>
<tr>
<td><strong>Effective Gross Income</strong></td>
<td><strong>$467,058</strong></td>
<td><strong>$12,974</strong></td>
<td></td>
</tr>
</tbody>
</table>

#### EXPENSES:

<table>
<thead>
<tr>
<th>Category</th>
<th>Total Cost</th>
<th>Per Unit</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll</td>
<td>$78,400</td>
<td>$2,178</td>
<td>34.09%</td>
</tr>
<tr>
<td>Administrative</td>
<td>$23,468</td>
<td>$652</td>
<td>10.20%</td>
</tr>
<tr>
<td>Management fee</td>
<td>$20,520</td>
<td>$570</td>
<td>8.92%</td>
</tr>
<tr>
<td>Utilities</td>
<td>$34,754</td>
<td>$965</td>
<td>15.11%</td>
</tr>
<tr>
<td>Operating and Maintenance</td>
<td>$29,728</td>
<td>$826</td>
<td>12.93%</td>
</tr>
<tr>
<td>Insurance and Business Taxes</td>
<td>$18,000</td>
<td>$500</td>
<td>7.83%</td>
</tr>
<tr>
<td>Locality Compliance Monitoring Fee</td>
<td>$0</td>
<td>$0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Other</td>
<td>$0</td>
<td>$0</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Subtotal Expenses</strong></td>
<td><strong>$204,870</strong></td>
<td><strong>$5,691</strong></td>
<td>89.09%</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Item</th>
<th>$ Amount</th>
<th>Per Unit</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Replacement Reserves</td>
<td>$21,600</td>
<td>$600</td>
<td>9.39%</td>
</tr>
<tr>
<td>Taxes &amp; Assessments</td>
<td>$3,500</td>
<td>$97</td>
<td>1.52%</td>
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<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>$229,970</strong></td>
<td><strong>$6,388</strong></td>
<td>100.00%</td>
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</tbody>
</table>

#### Financial Expenses

<table>
<thead>
<tr>
<th>Item</th>
<th>$ Amount</th>
<th>Per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>CalHFA First Mortgage</td>
<td>$206,000</td>
<td>$5,722</td>
</tr>
<tr>
<td>CalHFA Second Mortgage</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Other Required Debt Service</td>
<td>$10,947</td>
<td>$304</td>
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<td><strong>NET OPERATING INCOME</strong></td>
<td><strong>$20,141</strong></td>
<td><strong>$559</strong></td>
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<tr>
<td>Cash Flow</td>
<td>Final Commitment</td>
<td>CalHFA Project Number: 04-017-C/N</td>
</tr>
<tr>
<td>-----------</td>
<td>------------------</td>
<td>-----------------------------------</td>
</tr>
<tr>
<td>RENTAL INCOME</td>
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<td></td>
</tr>
<tr>
<td>Affordable Rents</td>
<td>342,156</td>
<td>348,999</td>
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<td>Affordable Rent Increase</td>
<td>2.00%</td>
<td>2.00%</td>
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<td>Rental Subsidies</td>
<td>142,344</td>
<td>142,344</td>
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<tr>
<td>Rental Subsidy Increases</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Unrestricted Units</td>
<td>4,800</td>
<td>4,896</td>
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<tr>
<td>Unrestricted Unit Increases</td>
<td>2.00%</td>
<td>2.00%</td>
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<tr>
<td>TOTAL RENTAL INCOME</td>
<td>489,300</td>
<td>496,239</td>
</tr>
<tr>
<td>OTHER INCOME</td>
<td></td>
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</tr>
<tr>
<td>Laundry</td>
<td>2,340</td>
<td>2,387</td>
</tr>
<tr>
<td>Other Income</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other Income Increase</td>
<td>2.00%</td>
<td>2.00%</td>
</tr>
<tr>
<td>TOTAL OTHER INCOME</td>
<td>2,340</td>
<td>2,387</td>
</tr>
<tr>
<td>GROSS POTENTIAL INCOME</td>
<td>491,640</td>
<td>498,626</td>
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<td>VACANCY ASSUMPTIONS</td>
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<tr>
<td>Affordable (Blended Average)</td>
<td>5.00%</td>
<td>5.00%</td>
</tr>
<tr>
<td>Rental Subsidy Income</td>
<td>5.00%</td>
<td>5.00%</td>
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<tr>
<td>Unrestricted Units</td>
<td>5.00%</td>
<td>5.00%</td>
</tr>
<tr>
<td>Laundry &amp; Other Income</td>
<td>5.00%</td>
<td>5.00%</td>
</tr>
<tr>
<td>LESS: VACANCY LOSS</td>
<td>24,582</td>
<td>24,931</td>
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<tr>
<td>EFFECTIVE GROSS INCOME</td>
<td>467,058</td>
<td>473,695</td>
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<td>OPERATING EXPENSES</td>
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<tr>
<td>Expenses</td>
<td>210,518</td>
<td>217,886</td>
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<tr>
<td>Annual Expense Increase</td>
<td>3.50%</td>
<td>3.50%</td>
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<tr>
<td>Annual Tax Increase</td>
<td>2.00%</td>
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<tr>
<td>Replacement Reserve</td>
<td>21,600</td>
<td>21,600</td>
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<tr>
<td>Percentage Increase Yearly</td>
<td>0.00%</td>
<td>0.00%</td>
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<tr>
<td>TOTAL EXPENSES</td>
<td>235,618</td>
<td>243,956</td>
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<tr>
<td>NET OPERATING INCOME</td>
<td>231,440</td>
<td>230,638</td>
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<tr>
<td>DEBT SERVICE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CalHFA - 1st Mortgage</td>
<td>206,000</td>
<td>206,000</td>
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<tr>
<td>HCD/MHP</td>
<td>10,947</td>
<td>10,947</td>
</tr>
<tr>
<td>Cash flow after CalHFA debt service</td>
<td>25,440</td>
<td>24,638</td>
</tr>
<tr>
<td>DCR for just CalHFA loans</td>
<td>1.12</td>
<td>1.12</td>
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<tr>
<td>CASH FLOW after all debt service</td>
<td>14,493</td>
<td>24,638</td>
</tr>
<tr>
<td>DEBT COVERAGE RATIO</td>
<td>CalHFA &amp; MHP</td>
<td>1.07</td>
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RESOLUTION 06-10

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received
a loan application on behalf of Seven Directions Housing Limited Partnership, a California
limited partnership (the "Borrower"), seeking a loan commitment, the proceeds of which
are to be used to provide financing for a multifamily housing development located in
Oakland, Alameda County, California to be known as Seven Directions (the
"Development"); and

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

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

WHEREAS, on January 3, 2006, the Executive Director exercised the authority
delegated to her under Resolution 94-10 to declare the official intent of the Agency to
reimburse such prior expenditures for the Development; and

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

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

<table>
<thead>
<tr>
<th>PROJECT NUMBER</th>
<th>DEVELOPMENT NAME/ LOCALITY</th>
<th>NUMBER OF UNITS</th>
<th>MORTGAGE AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>04-017-C/N</td>
<td>Seven Directions, Oakland, Alameda County, California</td>
<td>36</td>
<td>$8,750,000 (construction)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$1,600,000 (permanent)</td>
</tr>
</tbody>
</table>
2. The Executive Director may modify the terms and conditions of the loans or
loans as described in the Staff Report, provided that major modifications, as defined below,
must be submitted to this Board for approval. "Major modifications" as used herein means
modifications which either (i) increase the total amount of any loans made pursuant to the
Resolution by more than 7%; or (ii) modifications which in the judgment of the Executive
Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily
Programs of the Agency, adversely change the financial or public purpose aspects of the final
commitment in a substantial way.

I hereby certify that this is a true and correct copy of Resolution 06-10 adopted at a duly
constituted meeting of the Board of the Agency held on March 9, 2006 at Sacramento,
California.

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

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

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

LOAN TERMS

Construction

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

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

Permanent

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

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

<table>
<thead>
<tr>
<th>Source</th>
<th>Type</th>
<th>Loan Amount</th>
<th>Term</th>
<th>Interest Rate</th>
<th>Repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Walnut Creek – CDBG and RDA</td>
<td>Loan</td>
<td>$1,400,000</td>
<td>55</td>
<td>0%</td>
<td>Residual Receipts</td>
</tr>
<tr>
<td>City of Walnut Creek – In-Lieu Fund</td>
<td>Loan</td>
<td>$1,122,265</td>
<td>55</td>
<td>0%</td>
<td>Residual Receipts</td>
</tr>
<tr>
<td>Contra Costa County - HOME</td>
<td>Loan</td>
<td>$1,125,000</td>
<td>55</td>
<td>1%</td>
<td>Residual Receipts</td>
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<td>Loan</td>
<td>$351,863</td>
<td>55</td>
<td>0%</td>
<td>Residual Receipts</td>
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<tr>
<td>Contra Costa County – Homeless Funding</td>
<td>Loan</td>
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<td>1%</td>
<td>Residual Receipts</td>
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<tr>
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PROJECT DESCRIPTION

Project Location

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

Site

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

February 14, 2006
Improvements

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

SPECIAL NEEDS SERVICES

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

MARKET

Market Overview

- The Primary Market Area (PMA) is defined as central Contra Costa County, up the I-680 corridor. The Secondary Market Area (SMA) is defined as the Oakland Metropolitan Division (Alameda and Contra Costa Counties).
- The Special Needs Market Area (SNMA) is defined as Contra Costa County.
• In 2005 the population in the PMA was 506,790 and is expected to increase to 530,181 by 2010. The fastest growing age in the PMA is the 55 to 64 age group. As of 2005, there are an estimated 66,567 persons aged 65 and older in the PMA.
• Renters comprise 16.7 percent of elderly households in the PMA. The majority of elderly households are single-person households (71.9%) and over ninety percent (92.4%) are elderly households with one or two persons.
• Of the estimated 6,582 elderly households in the PMA, 24 percent had extremely high rent burdens (50 percent or more) or 150 households.
• There are an estimated 900 residents in the PMA living with AIDS, of which an estimated 5 percent (or 135 persons) are 50 years or older. Of this total, only slightly over one-half reported a stable housing situation (renting or owning).
• Annually an estimated 14,700 persons experience an episode of homelessness in the PMA.
• In 2005, one-third of elderly households in the PMA with incomes under $35,000 (very low income) were renters.

Housing Supply and Demand

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

PROJECT FEASIBILITY

Estimated Lease-up Period

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

Asset Management/Compliance

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

February 14, 2006
• The Agency will receive audited project financial statements and monitor occupancy requirements. The Agency will also reserve the right to conduct physical inspections and review monthly financial statements.
• The Agency will also receive special needs self-certifications, all other compliance protocols will be deferred to HCD.

RELOCATION

No relocation is required.

ENVIRONMENTAL

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

ARTICLE XXXIV

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

Borrower and Sponsor

Villa Vasconcellos, L.P & Resources for Community Development

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

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

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

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

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

Management Agent

The Jon Stewart Company (JSCo)

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

Architect

Van Meter Williams Pollack (VMWP)

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

Segue Construction, Inc.

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

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

Service Provider

Pittsburg Preschool and Community Council (PPSCC)

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

<table>
<thead>
<tr>
<th>Project:</th>
<th>Villa Vasconcellos</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location:</td>
<td>1515 Geary Road</td>
</tr>
<tr>
<td>City:</td>
<td>Walnut Creek</td>
</tr>
<tr>
<td>County:</td>
<td>Contra Costa</td>
</tr>
<tr>
<td>Zip Code:</td>
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</tbody>
</table>

**Developer:** Resources for Community Development

**Partner:** Same

**Investor:** Yet to be determined

| No. of Buildings: | 1 |
| No. of Stories: | Two/Three |
| Residential Space | 60,294 sq. ft. |
| Office Space | 0 sq. ft. |
| Commercial Space | 0 sq. ft. |
| Gross Area | 0 sq. ft. |
| Land Area | 59,495 sq. ft. |
| Units per acre | 1 |

**CalHFA Construction Financing**

<table>
<thead>
<tr>
<th>Amount</th>
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<th>Term (Mths)</th>
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**Permanent Sources of Funds**

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</tr>
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<tr>
<td>$4,939,154</td>
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<tr>
<td>$500,000</td>
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<tr>
<td>$6,665,842</td>
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</table>

**Construction Valuation**

| Investment Value | $13,400,000 |
| Loan / Cost | 69% |
| Loan / Value | 85% |

**Appraisal**

| Appraisal Date | 1/17/2005 |
| Cap Rate | 6.00% |

**Value Upon Completion**

| Restricted Value | $6,150,000 |
| Perm. Loan / Cost | 1% |
| Perm. Loan / Value | 2% |

**CalHFA Fees and Reserve Requirements**

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<tr>
<th>CalHFA Loan Fees</th>
<th>Amount</th>
<th>Required Reserves</th>
<th>Amount</th>
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<td>Construction Inspection Fee</td>
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<tr>
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**Construction Loan - Guarantees and Fees**

| Completion Guarantee | LOC 10% Contr. or Guaranty for 100% Contract |
| Contractors Payment Bond | 100% Contract |
| Contractors Performance Bond | 100% Contract |

**Date:** 2/22/2006

**Senior Staff Date:** 2/14/2006
### UNIT MIX AND RENT SUMMARY

#### Total Unit Mix

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<thead>
<tr>
<th># of Units</th>
<th>Unit Type</th>
<th># of Baths</th>
<th>Average Sq. Ft.</th>
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<tr>
<td></td>
<td>3 Bedroom Townhome</td>
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<tr>
<td></td>
<td>4 Bedroom Townhome</td>
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**Total:** 70

#### Number of Regulated Units By Agency

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<th>30%</th>
<th>50%</th>
<th>60%</th>
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<th>Unrestricted</th>
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<td>Other</td>
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#### Restricted Rents Compared to Average Market Rents

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<th>Median Income Rent Levels</th>
<th>Units Restricted</th>
<th>Restricted Rents</th>
<th>Avg. Market Rate Rents</th>
<th>Dollars Difference</th>
<th>% of Market</th>
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</table>
### Sources and Uses of Funds

#### SOURCES OF FUNDS:

<table>
<thead>
<tr>
<th>Source</th>
<th>Funds at Construction ($)</th>
<th>Funds at Permanent ($)</th>
<th>Total Development Sources</th>
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</thead>
<tbody>
<tr>
<td>CalHFA Construction Financing</td>
<td>11,435,000</td>
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<td></td>
</tr>
<tr>
<td>Construction Only Source 2</td>
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<tr>
<td>Construction Only Source 3</td>
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<tr>
<td>CalHFA First Mortgage</td>
<td>121,518</td>
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<td>CalHFA Second Mortgage</td>
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<tr>
<td>City of Walnut Creek - RDA and CDBG</td>
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<td>8%</td>
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<tr>
<td>City of Walnut Creek - In-Lieu Fund</td>
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<tr>
<td>Contra Costa County - HOME</td>
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<td>6%</td>
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<tr>
<td>Contra Costa County - HOPWA</td>
<td>351,863</td>
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<td>2%</td>
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<tr>
<td>Contra Costa County - Homeless Funds</td>
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#### USES OF FUNDS:

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<th>Loan Payoffs &amp; Rollovers</th>
<th>Construction ($)</th>
<th>Permanent ($)</th>
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<td><strong>Total Relocation</strong></td>
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(Continued on Next 2 Pages)
# USES OF FUNDS (Cont'd):

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<th>Permanent ($)</th>
<th>Total Development Costs</th>
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<td>Title and Recording</td>
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| Other |               |               |
| 0%    |               |               |

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## USES OF FUNDS (Cont’d):

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<td>Miscellaneous Admin Fees</td>
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<td>897,712</td>
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<td>Developer Overhead/Profit (5% Acq.)</td>
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## Annual Operating Budget
### Villa Vasconcellos
### Final Commitment

#### INCOME:

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<th>% of Total</th>
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<td><strong>Gross Potential Income (GPI)</strong></td>
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<td><strong>$7,240</strong></td>
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<th>% of Total</th>
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<td>Vacancy Loss</td>
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**Effective Gross Income**

|                      | $484,009 | $6,914   |

#### EXPENSES:

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<td><strong>Subtotal Expenses</strong></td>
<td><strong>$384,998</strong></td>
<td><strong>$5,500</strong></td>
<td><strong>93.79%</strong></td>
</tr>
<tr>
<td>Replacement Reserves</td>
<td>$21,000</td>
<td>$350</td>
<td>5.12%</td>
</tr>
<tr>
<td>Taxes &amp; Assessments</td>
<td>$4,500</td>
<td>$64</td>
<td>1.10%</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>$410,498</strong></td>
<td><strong>$5,914</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

### Financial Expenses

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CalHFA First Mortgage</td>
<td>$14,081</td>
<td>$201</td>
</tr>
<tr>
<td>CalHFA Second Mortgage</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Other Required Debt Service</td>
<td>$20,744</td>
<td>$296</td>
</tr>
</tbody>
</table>

**NET OPERATING INCOME**

|                      | $38,686  | $553     |
### Cash Flow

#### RENTAL INCOME

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
<th>Year 9</th>
<th>Year 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordable Rents</td>
<td>503,712</td>
<td>513,786</td>
<td>524,062</td>
<td>534,543</td>
<td>546,234</td>
<td>556,139</td>
<td>567,262</td>
<td>578,607</td>
<td>590,179</td>
<td>601,982</td>
</tr>
<tr>
<td>Rental Subsidies</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Unrestricted Units</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL RENTAL INCOME</td>
<td>503,712</td>
<td>513,786</td>
<td>524,062</td>
<td>534,543</td>
<td>546,234</td>
<td>556,139</td>
<td>567,262</td>
<td>578,607</td>
<td>590,179</td>
<td>601,982</td>
</tr>
</tbody>
</table>

#### OTHER INCOME

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
<th>Year 9</th>
<th>Year 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Income</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

#### GROSS POTENTIAL INCOME

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
<th>Year 9</th>
<th>Year 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordable (Blended Average)</td>
<td>506,832</td>
<td>516,969</td>
<td>527,308</td>
<td>537,854</td>
<td>548,611</td>
<td>559,583</td>
<td>570,775</td>
<td>582,191</td>
<td>593,834</td>
<td>605,711</td>
</tr>
<tr>
<td>Rental Subsidy Income</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Unrestricted Units</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Laundry &amp; Other Income</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>LESS: VACANCY LOSS</td>
<td>22,823</td>
<td>23,280</td>
<td>23,745</td>
<td>24,220</td>
<td>24,704</td>
<td>25,198</td>
<td>25,702</td>
<td>26,216</td>
<td>26,741</td>
<td>27,276</td>
</tr>
</tbody>
</table>

#### EFFECTIVE GROSS INCOME

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
<th>Year 9</th>
<th>Year 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>484,009</td>
<td>493,889</td>
<td>503,563</td>
<td>513,634</td>
<td>523,907</td>
<td>534,385</td>
<td>545,073</td>
<td>555,974</td>
<td>567,094</td>
<td>578,436</td>
<td></td>
</tr>
</tbody>
</table>

#### OPERATING EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
<th>Year 9</th>
<th>Year 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses</td>
<td>387,498</td>
<td>399,123</td>
<td>411,097</td>
<td>423,430</td>
<td>436,132</td>
<td>449,216</td>
<td>462,693</td>
<td>476,574</td>
<td>490,871</td>
<td>505,597</td>
</tr>
<tr>
<td>Annual Expense Increase</td>
<td>300</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes and Assessments</td>
<td>4,500</td>
<td>4,590</td>
<td>4,682</td>
<td>4,775</td>
<td>4,871</td>
<td>4,968</td>
<td>5,068</td>
<td>5,169</td>
<td>5,272</td>
<td>5,378</td>
</tr>
<tr>
<td>Annual Tax Increase</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Replacement Reserve</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Percentage Increase Yearly</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL EXPENSES</td>
<td>412,998</td>
<td>424,713</td>
<td>436,778</td>
<td>449,205</td>
<td>462,003</td>
<td>475,185</td>
<td>489,811</td>
<td>503,793</td>
<td>518,193</td>
<td>533,025</td>
</tr>
</tbody>
</table>

#### NET OPERATING INCOME

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
<th>Year 9</th>
<th>Year 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>71,011</td>
<td>68,976</td>
<td>66,784</td>
<td>64,429</td>
<td>61,904</td>
<td>59,200</td>
<td>55,262</td>
<td>52,181</td>
<td>48,900</td>
<td>45,411</td>
<td></td>
</tr>
</tbody>
</table>

#### DEBT SERVICE

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
<th>Year 9</th>
<th>Year 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>CalHFA - 1st Mortgage</td>
<td>14,081</td>
<td>14,081</td>
<td>14,081</td>
<td>14,081</td>
<td>14,081</td>
<td>14,081</td>
<td>14,081</td>
<td>14,081</td>
<td>14,081</td>
<td>14,081</td>
</tr>
<tr>
<td>CalHFA - Bridge Loan</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</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>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>MHP Required DS</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>None</td>
<td>20,744</td>
<td>20,744</td>
<td>20,744</td>
<td>20,744</td>
<td>20,744</td>
<td>20,744</td>
<td>20,744</td>
<td>20,744</td>
<td>20,744</td>
<td>20,744</td>
</tr>
<tr>
<td>Cash flow after CalHFA debt service</td>
<td>56,930</td>
<td>54,895</td>
<td>52,704</td>
<td>50,348</td>
<td>47,823</td>
<td>45,119</td>
<td>41,181</td>
<td>38,101</td>
<td>34,819</td>
<td>31,330</td>
</tr>
<tr>
<td>CASH FLOW after all debt service</td>
<td>38,186</td>
<td>54,895</td>
<td>52,704</td>
<td>50,348</td>
<td>47,823</td>
<td>45,119</td>
<td>41,181</td>
<td>38,101</td>
<td>34,819</td>
<td>31,330</td>
</tr>
</tbody>
</table>

#### DEBT COVERAGE RATIO

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
<th>Year 9</th>
<th>Year 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.04</td>
<td>1.98</td>
<td>1.92</td>
<td>1.85</td>
<td>1.78</td>
<td>1.70</td>
<td>1.59</td>
<td>1.50</td>
<td>1.40</td>
<td>1.30</td>
<td></td>
</tr>
</tbody>
</table>
RESOLUTION 06-11

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Villa Vasconcellos, L.P., a California Limited Partnership (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in Walnut Creek, Contra Costa County, California, to be known as Villa Vasconcellos (the "Development"); and

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

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

WHEREAS, on January 3, 2006, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

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

<table>
<thead>
<tr>
<th>PROJECT NUMBER</th>
<th>DEVELOPMENT NAME/ LOCALITY</th>
<th>NUMBER OF UNITS</th>
<th>MORTGAGE AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>05-015-C/N</td>
<td>Villa Vasconcellos Walnut Creek, Contra Costa County, California</td>
<td>70</td>
<td>$11,435,000 (construction)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$121,518 (permanent)</td>
</tr>
</tbody>
</table>
2. The Executive Director may modify the terms and conditions of the loans or
loans as described in the Staff Report, provided that major modifications, as defined below,
must be submitted to this Board for approval. "Major modifications" as used herein means
modifications which either (i) increase the total amount of any loans made pursuant to the
Resolution by more than 7%; or (ii) modifications which in the judgment of the Executive
Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily
Programs of the Agency, adversely change the financial or public purpose aspects of the final
commitment in a substantial way.

I hereby certify that this is a true and correct copy of Resolution 06-11 adopted at a duly
constituted meeting of the Board of the Agency held on March 9, 2006 at Sacramento,
California.

ATTEST: ____________________________
Secretary