

**CHFFA REVENUE BOND FINANCING PROGRAM
EXECUTIVE SUMMARY**

Applicants: Casa Milagro, LLC; A Home for Life, LLC; and Inclusive Communities East Bay, LLC; (the “Borrowers”) (See Exhibit 1 for addresses)

Amount Requested: \$90,000,000
Date Requested: October 28, 2010
Requested Loan Term: 15 years
Resolution Number: 357

Projects Sites: (See Exhibit 2)
Facility Types: Adult Residential Facilities for Persons with Special Health Care Needs, Community Care Facilities (Adult Residential Facilities, Adult Residential Facilities for the Elderly) and Family Teaching Homes.

Prior Borrower: No

Background: The Community Program for Persons with Developmental Disabilities was authorized by the State Legislature in 2004 (AB 2100) and 2005 (SB 643) to facilitate the closure of the Agnews Developmental Center in San Jose and the transition of its 230 residents to approximately 60 residences in Bay Area counties located in the service areas of three Bay Area Regional Centers (San Andreas Regional Center, Regional Center of the East Bay, and Golden Gate Regional Center; hereinafter referred to as “BARCs”). The Agnews Developmental Center closed in 2009. The financing of the acquisition and conversion of the 60 residences involved three BARCs, three non-profit organization (“NPO”) housing corporations, and three limited liability companies (“LLCs”). A summary of each BARC and its corresponding NPO and LLC appears in Exhibit 1. The LLCs were formed by the NPOs for the purpose of owning and managing the residences and their activities are limited to this purpose. The three LLCs financed the acquisition of the residences through loans from the California Housing Finance Agency (“CalHFA”). Between 2007 and 2009, CalHFA loaned an aggregate of \$95.3 million to the LLCs using a revolving line of credit provided by Bank of America (“BA”). CalHFA’s LOC is currently scheduled to expire in February 2011.

Use of Proceeds: The bonds proceeds will be used to refinance the loans from CalHFA to each of the LLCs, to fund a debt service reserve, and to pay the costs of issuance including the fees and premiums of the Cal-Mortgage insurance.

Type of Issue: Negotiated public offering with fixed rate bonds (Minimum \$5,000 denominations)
Credit Enhancement: Cal-Mortgage Insurance (Pending approval on November 9, 2010)
Additional Security: Bay Area Regional Centers Lender Lease Assurance Agreement and a fully funded debt service reserve fund
Expected Credit Rating: A- (S&P) based on Cal-Mortgage Insurance
Senior Underwriters: Bank of America Merrill Lynch
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Financing Team: *Please see Exhibit 3 to identify possible conflict of interest*

Financial Overview: Debt service is paid by loan payments under the Loan Agreements and payments under the Lender Lease Assurance Agreement, and financed by the State of California general fund appropriation with Federal matching funds. The Bonds will be further secured by municipal bond insurance from Cal-Mortgage,

Estimated Sources of Funds:		Estimated Uses of Funds:	
Par amount of CHFFA bonds:		Refunding of tax-exempt	
Tax-exempt	\$54,390,000	LOC	\$51,530,000
Taxable	35,610,000	Refunding of taxable LOC	32,600,000
Prior Debt Service Reserve Fund\$	10,870,000	Debt service reserve fund	9,540,000
		Cal-Mortgage premium	3,860,000
		Cal-Mortg. Cert. & Inspec. fees	360,000
		Cost of issuance	1,450,000
		Underwriter’s discount	830,000
		Original issue discount	700,000
Total Sources	\$100,870,000	Total Uses	\$100,870,000

Legal Review: Staff has received and reviewed the Eligibility, Legal Review, Religious Due Diligence, Savings Pass Through, Seismic, and CEQA documentation. All documentation satisfies the Authority’s requirements.

Staff Recommendation: Staff recommends the Authority approve Resolution Number 357 in an amount not to exceed \$90,000,000 for Casa Milagro, LLC, Inclusive Communities East Bay, LLC, and A Home for Life, LLC subject to a bond rating of at least investment grade by a nationally recognized rating agency. Macias Gini & O’Connell, LLP, the Authority’s financial analyst, and Public Financial Management, the Authority’s financial advisor, concurs with the Authority’s staff recommendations.

INTRODUCTION:

Services for persons with developmental disabilities are funded through a process established by the Lanterman Developmental Disabilities Services Act (“Lanterman Act”), authorized in 1969. The Lanterman Act established an entitlement program under which the State of California is responsible for ensuring that persons with developmental disabilities have access to services that meet their needs in the least restrictive setting possible. The Lanterman Act established both the Department of Developmental Services (“DDS”) and the regional centers (“RCs”). The RCs (non-profit corporations of which there are 21 RCs with separate geographical service areas in the State of California) are responsible for determining the level of services needed and contracting with the service providers on behalf of those persons who meet the Lanterman definition of developmentally disabled. DDS is responsible for promoting the uniformity and cost-effectiveness of the RCs. The funding process starts with State Legislature appropriations to DDS, which then provides the RCs with funds sufficient to meet the RC-determined needs. There are currently about 243,000 persons with developmental disabilities receiving services from 21 RCs in the State of California. Approximately 11% of these persons are served in residences (or homes), a portion of which are licensed by the Department of Social Services (“DSS”).

The Lanterman Act includes a provision (Welfare and Institutions Code section 4688.5(f)) that prohibits RCs from directly acquiring or developing residential housing. The rationale for this prohibition is that such acts could conflict with their responsibility to identify and contract with residential service providers. As a result, the residences are either owned by service providers, owned by third-parties who lease to service providers, or non-profit organizations (“NPOs”) formed for the purpose of owning and developing housing. The RCs’ negotiate or determine, pursuant to statute, the service provider rates, including funding that is used by the service provider for any related debt or lease payments, and other property costs such as insurance, taxes, or maintenance.

The Bay Area Housing Plan (“BAHP”), also referred to as the Community Program for Persons with Developmental Disabilities (“CPPDD”), was authorized by the State Legislature in 2004 (AB 2100) and 2005 (SB 643) to facilitate the closure of the Agnews Developmental Center in San Jose (“Agnews”) and the transition of its 230 residents to approximately 60 residences in Bay Area counties located in the service areas of three Bay Area Regional Centers (“BARCs”). The policy goal was to move the Agnews residents from an institutional setting into a more community-based environment to benefit residents and to reduce service costs. Residents were relocated during the period from 2007 to 2009; and Agnews closed in 2009.

The financing of the acquisition and conversion of the 60 residences involved three BARCs, three non-profit organization housing corporations, and three limited liability companies (LLCs). Each of the three BARCs has an NPO subsidiary that wholly-owns an LLC. The LLCs were formed by the NPOs for the purpose of owning and managing the residences and their activities are limited to this purpose. The NPOs had been previously formed to own and develop housing for persons with developmental disabilities and to conduct a broad range of activities.

Within this overall structure, debt payments will be made by the service providers to the CHFFA Bond Trustee on behalf of the LLCs via an electronic funds transfer (EFT), while other rent components (e.g. property taxes, property insurance, maintenance expense) will be paid directly to the LLCs. Debt payments to the Bond Trustee will be guaranteed by the BARCs under a “Lender Lease Assurance Agreement.” This Agreement requires the BARCs to make payments directly to the CHFFA Bond Trustee if and when there is any interruption in payments from the service provider. The potential risks of interrupted payments are also addressed by a payment priority requirement contained within a Memorandum of Understanding (“MOU”) that states that the BARC will pay monthly debt costs prior to use of its funding for any other purpose. Other protections include a “Joint and Severally Liability” feature in the Lender Lease Assurance Agreement, which makes each of the BARCs responsible for the others’ payments, lines of credit (“LOCs”) maintained by each BARC, and the CHFFA Bonds debt reserve.

Until recently, the Authority did not have express statutory authority to finance some types of these residences. With the passage of AB 1629 on October 6, 2010; however, the Authority’s statutes were amended to remove that exclusion.

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I. PURPOSE OF FINANCING:

The purpose of this transaction is to refinance the loans from the California Housing Financing Agency (CalHFA) used to finance the acquisition and conversion of certain group homes located in the San Francisco Bay Area pursuant to the Bay Area Housing Project (“BAHP”). The LOC was obtained from Bank of America (“BA”) with the intent that CalHFA would issue bonds at some point to pay off the LOC. Unfortunately, due to the general collapse of the mortgage-backed securities market, CalHFA is unable to issue bonds at cost-effective interest rates to provide long-term financing to BAHP.

The residences range in size from 1,720 square feet to 3,100 square feet and typically house three to five residents. The majority of these homes are single-family dwellings, which have been extensively remodeled to accommodate the residents. The purchase price (including the cost of remodeling) averages approximately \$1.4 million per residence (excluding financing costs and reserves). The CHFFA Series 2010 Bonds will be structured as a 15-year principal period with an estimated average annual debt payment of \$9.5 million.

<i>Refinancing the loans</i>	\$84,130,000
Approximately \$54.4 million of the Bonds will be tax-exempt, as 35 of the residences, to be refinanced, are operated by non-profit service providers. On the other hand, \$35.6 million will be taxable. Although the LLCs are non-profit, the taxable portion represents the portion of the debt associated with the loans used to acquire 25 residences operated by for-profit service providers.	
<i>Debt Service Reserve Fund</i>	9,540,000
<i>Cal-Mortgage Premium</i>	3,860,000
<i>Cal-Mortgage Certification and Inspection Fees</i>	360,000
<i>Cost of issuance</i>	1,450,000
<i>Underwriter’s Discount</i>	830,000
<i>Original Issue Discount</i>	<u>700,000</u>
Total Uses of Funds	<u>\$100,870,000</u>

II. COVENANTS, SECURITY AND DISCLOSURES:

Cal-Mortgage Insurance. The Authority's approval of the issuance of the Bonds will be subject to the requirement that the Bonds are insured by the Office of Statewide Health Planning and Development ("Cal-Mortgage"). As the insurer for the Bonds, Cal-Mortgage will take the responsibility for negotiating the covenants with the Borrowers and the Regional Centers (defined below) that it decides are necessary for this transaction. These covenants will be incorporated into the Regulatory Agreement which the Authority will be a party to, however, Cal-Mortgage is granted the power to amend, modify or terminate the terms of the Regulatory Agreement (including the covenants) without the Authority's consent.

The following covenants are applicable to this transaction. Because of the role of Cal-Mortgage as the insurer of the Bonds, the covenants described below (other than the unconditional promise to pay) may be subject to change and further negotiation after the Authority's Board takes action on the Resolution relating to the Bonds.

Unconditional Promise to Pay. Each Borrower agrees to pay the Trustee all amounts required for principal, interest or reserve deposits and other payments and expenses designated in such Borrower's Loan Agreement. The primary source of payment for each Borrower's obligations under its Loan Agreement will be the monthly base rent payable by certain service providers for such Borrower's facilities as a portion of the total monthly rent payable by such service providers under long-term residency lease agreements with such Borrower. In addition, the San Andreas Regional Center, the Regional Center of the East Bay, Inc, and the Golden Gate Regional Center, Inc., each a California nonprofit corporation (collectively, the "Regional Centers"), will agree to provide funds for the payment, among other things, of the monthly base rent pursuant to a Lender Lease Assurance Agreement, to be executed by the Regional Centers, the Authority and Cal-Mortgage. All Revenues (which will include payments by the Borrowers under the Loan Agreements and payments by the Regional Centers under the Lender Lease Assurance Agreement) and any other amounts held in a designated fund or account under the Bond Indenture are pledged to secure the full payment of the Bonds.

Mortgage or Deed of Trust. Each Borrower's obligations under its Loan Agreement will be secured by a Deed of Trust on its facilities that are being refinanced with the proceeds of the Bonds. The Authority should note that the lien of the Deed of Trust can be released with the consent of Cal-Mortgage but without the consent of the Authority.

Pledge of Gross Revenues. Each Borrower pledges to deposit all revenues, income, receipts and money received into a Gross Revenues Fund over which the Trustee has a control deposit account agreement.

Negative Pledge Against Prior Liens. Each Borrower agrees not to create or assume any Lien upon Borrower's Property other than the Permitted Encumbrances.

Limited Permitted Encumbrances. Each Borrower is subject to a restrictive set of allowable encumbrances it may incur pursuant to the Loan Agreement.

Debt Service Reserve. The Bonds shall be secured by a Bond Reserve Fund that will be funded at the time of issuance of the Bonds in an amount equal to maximum annual debt service on the Bonds. The Bond Reserve Fund is available to make principal and interest payments if any of the Borrowers fail to deposit timely loan payments.

Debt Service Coverage Requirement. The Loan Agreement does not contain a debt service coverage requirement; the Regulatory Agreement will contain a debt service coverage requirement based on 1.0 times annual debt service. A debt service coverage requirement is a ratio measuring ability to make interest and principal payments as they become due by assessing the amount of revenue available to meet debt service payments. This ratio can be based either on annual debt service for the next 12-months or maximum annual debt over the life of the bonds.

Additional Debt Limitation. Each Borrower agrees not to incur additional Indebtedness unless authorized by such Borrower's Loan Agreement.

Disposition of Cash and Property Limitations. Each Borrower agrees not to sell, lease or dispose of any property, plant or equipment or liquid assets unless authorized by such Borrower's Loan Agreement.

Comply with SEC Rule 15c2-12. The Borrowers and the Regional Centers will take such action as is necessary to comply with SEC Rule 15c2-12. The rule prohibits underwriters from underwriting municipal bond deals unless the issuer or borrower contractually agrees to disclose designated financial and operating information to the marketplace during the life of the bonds and to report designated "material events" such as missed debt service payments, any change in bond ratings, defeasance, redemptions, etc.

Staff has reviewed the entirety of this financing package and finds it to be acceptable.

The following covenants are not applicable to this transaction:

Cash or Liquidity Requirements. Borrower promises to periodically measure the balance of their liquid assets and maintain them at a prescribed level (e.g. 30 days).

Debt to Capitalization Requirement. A ratio limiting how much debt can be incurred based on the liquid assets and debt then in place.

Financial Statements:

Staff attaches three audited financial statements for the Bay Area Regional Centers and three compiled financial statements from the three Limited Liability Corporations (the Borrowers and legal owners of the residences).

These financial statements are included to illustrate the funding mechanisms, obligations and current financial positions of each of the relevant entities. Though staff has performed and included the ratio calculations for the board's review, these calculations have not been confirmed or audited by outside parties and they are subordinate to the overarching importance of (1) the unique funding stream flowing from the state of California and the federal matching funds, (2) the Cal-Mortgage insurance and (3) both statutory language and related written agreements that make clear that the regional centers have provided assurances and guarantees the payments will be made.

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III. FINANCIAL STATEMENTS AND ANALYSIS:

Guarantors' (BARCs) Financial Statements¹:

Golden Gate Regional Center, Inc. Statement of Activities

	For the Year Ended June 30,		
	2009	2008	2007
Revenue, gains, and other support:			
Grants	\$ 58,348,336	\$ 61,242,471	\$ 59,667,821
Federal awards	116,810,324	93,555,311	82,582,788
Donations	-	-	-
Net assets released from restrictions	30,374	45,605	31,742
Interest income	238,206	767,578	945,842
Total revenue, gains, and other support:	175,427,240	155,610,965	143,228,193
Expenses:			
Purchase of services:			
Out of home	45,590,310	59,207,018	34,227,855
Day programs	36,661,699	38,531,018	37,936,161
Other services:	73,067,186	37,456,672	50,299,999
Operating:			
Salaries and benefits	14,986,232	15,177,560	13,862,499
Office occupancy	1,784,254	1,610,365	2,417,749
Other expenses	3,337,559	3,628,332	4,483,930
Total expenses	175,427,240	155,610,965	143,228,193
Change in net assets:	-	-	-
Unrestricted net assets - beginning of year	-	-	-
Unrestricted net assets - end of year	\$ -	\$ -	\$ -

¹ The three BARCs (via funds from the state of California and federal matching funds) are ultimately the responsible parties for repaying the CHFFA Bonds.

Golden Gate Regional Center, Inc.
Financial Position

	As of June 30,		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
ASSETS			
Cash and cash equivalents	\$ 14,117,984	\$ 11,825,871	\$ 16,457,670
Contract receivable	42,971,918	27,268,313	13,590,913
Other receivables	37,783	70,542	174,461
Client funds receivable	84,840	88,442	150,024
Prepaid expenses	446,379	418,288	386,481
Security deposits	525,718	525,718	2,100,194
BAHP deposits	2,898,792	2,898,792	-
Furniture and equipment	1,134,785	1,134,785	867,382
Total assets	<u>\$ 62,218,199</u>	<u>\$ 44,230,751</u>	<u>\$33,727,125</u>
LIABILITIES AND NET ASSETS			
Accounts payable and other liabilities	\$ 11,483,290	\$ 11,590,886	\$ 9,514,434
Contract advance	48,296,123	30,494,826	21,743,657
Net assets held for others	1,151,582	859,828	1,422,270
Investment in state equipment	1,134,785	1,134,785	867,382
Total liabilities	<u>62,065,780</u>	<u>44,080,325</u>	<u>33,547,743</u>
Net assets:			
Unrestricted net assets	-	-	-
Temporarily restricted net assets	152,419	150,426	179,382
Restricted net assets	-	-	-
Total net assets	<u>152,419</u>	<u>150,426</u>	<u>179,382</u>
TOTAL LIABILITIES AND NET ASSETS:	<u>\$ 62,218,199</u>	<u>\$ 44,230,751</u>	<u>\$ 33,727,125</u>

Financial Ratios:

	Proforma (a)		
	<u>FYE June 30, 2009</u>		
Operating debt service coverage (x) (b)	1.00	1.00	1.00
Debt/Unrestricted Net Assets (x) (c)	0.00	0.00	0.00
Operating Margin (%) (d)	0.00	0.00	0.00
Current Ratio (x)	1.00	1.00	1.01

^(a) Recalculates FY 2009 audited results to include the impact of this proposed financing.

^(b) The Debt Service Coverage ratio is equal to one since the regional center operates under an annual total cost-reimbursement contract with the Department of Developmental Services (DDS) of the State of California under the Lanterman Developmental Disabilities Services Act.

^(c) The Debt to Unrestricted Nets Assets ratio is equal to zero since the regional center has no unrestricted net assets.

^(d) The Operating Margin ratio is equal to zero since the regional center's revenue equals its expenses.

Regional Center of the East Bay
Statement of Activities

	For the Year Ended June 30,		
	2009	2008	2007
Revenue and Support			
Grant income	\$ 128,552,735	\$ 114,162,480	\$ 96,502,152
Federal awards	149,418,831	134,077,192	124,977,063
Donations	481,508	472,961	411,513
Interest	822,797	1,687,349	1,875,112
Net assets released from restrictions	10,779	9,746	11,871
Total revenue	279,286,650	250,409,728	223,777,711
Expenses			
Purchase of services:			
Out of home	70,328,210	54,922,504	53,643,854
Day programs	66,939,062	68,369,207	61,525,933
Other services	107,593,439	95,796,039	80,895,089
Operating:			
Salaries and benefits	27,338,781	24,972,991	21,693,685
Office occupancy	2,398,503	2,245,223	2,070,937
Other expenses	4,688,655	4,103,764	3,948,213
Total expenses	279,286,650	250,409,728	223,777,711
Change in net assets from operations	-	-	-
Change in defined benefit plan expense	(1,429,375)	2,638,974	(306,392)
Cumulative effect of adopting SFAS 158			7,468,718
Change in net assets	1,429,375	(2,638,974)	(7,162,326)
Unrestricted net assets (accumulated deficit):			
Beginning of year	(9,801,300)	(7,162,326)	-
End of year	\$ (8,371,925)	\$ (9,801,300)	\$ (7,162,326)

Regional Center of the East Bay
Financial Position

	As of June 30,		
	2009	2008	2007
ASSETS			
Cash and cash equivalents	\$ 13,559,780	\$ 20,557,523	\$ 18,440,541
Cash and cash equivalents held for others	2,527,869	-	-
Contract receivable	71,083,236	43,743,524	51,661,232
Notes receivable	580,000	-	-
Other receivables	81,027	55,795	255,596
Client funds receivable	-	-	-
BAHP deposits	4,679,415	4,679,415	-
Prepaid expenses	639,205	550,787	528,792
Lease deposits	79,628	79,628	2,479,254
Furniture and equipment	1,469,381	1,488,865	1,593,854
Total assets	<u>\$ 94,699,541</u>	<u>\$ 71,155,537</u>	<u>\$74,959,269</u>
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable	\$ 22,748,667	\$ 19,384,428	\$ 17,119,817
Contract advance	67,896,718	48,558,011	53,776,789
Net assets held for others	2,473,697	1,622,507	2,383,221
Investment in State equipment	1,469,381	1,488,865	1,593,854
Underfunded defined benefit plan liability	8,371,925	9,801,300	7,162,326
Total liabilities	<u>102,960,388</u>	<u>80,855,111</u>	<u>82,036,007</u>
Net assets:			
Unrestricted net assets	(8,371,925)	(9,801,300)	(7,162,326)
Temporarily restricted net assets	111,078	101,726	85,588
Restricted net assets	-	-	-
Total net assets	<u>(8,260,847)</u>	<u>(9,699,574)</u>	<u>(7,076,738)</u>
TOTAL LIABILITIES AND NET ASSETS:	<u>\$ 94,699,541</u>	<u>\$ 71,155,537</u>	<u>\$ 74,959,269</u>

Financial Ratios:

	Proforma (a)		
	<u>FYE June 30, 2009</u>		
Operating debt service coverage (x) (b)	1.00	1.00	1.00
Debt/Unrestricted Net Assets (x) (c)	0.00	0.00	0.00
Operating Margin (%) (d)	0.00	0.00	0.00
Current Ratio (x)	0.92	0.88	0.72

^(a) Recalculates FY 2009 audited results to include the impact of this proposed financing.

^(b) The Debt Service Coverage ratio is equal to one since the regional center operates under an annual total cost-reimbursement contract with the Department of Developmental Services (DDS) of the State of California under the Lanterman Developmental Disabilities Services Act.

^(c) The Debt to Unrestricted Nets Assets ratio is equal to zero since the regional center has no unrestricted net assets.

^(d) The Operating Margin ratio is equal to zero since the regional center's revenue equals its expenses.

San Andreas Regional Center
Statement of Activities

	For the Year Ended June 30,		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Support and revenue			
Grant income	\$120,226,825	\$ 97,052,455	\$ 77,462,899
Federal awards	137,197,038	128,671,170	120,846,907
Donations	24,242	27,509	40,504
Interest income	10,619	1,196,283	1,268,141
Net assets released from restrictions	15,653	15,116	20,411
Total support and revenue	<u>257,474,377</u>	<u>226,962,533</u>	<u>199,638,862</u>
Expenses:			
Purchase of services:			
Out of home	74,294,625	61,464,727	54,132,513
Day programs	71,657,746	66,023,871	59,294,846
Other services:	82,683,310	71,663,293	60,057,482
Operating:			
Salaries and benefits	21,486,298	21,396,081	20,518,296
Office occupancy	1,804,874	1,789,563	1,535,274
Other expenses	5,547,524	4,624,998	4,100,451
Total expenses	<u>257,474,377</u>	<u>226,962,533</u>	<u>199,638,862</u>
Change in net assets from operations	-	-	-
Non operating activities			
Defined benefit plan liability change	1,106,247	83,039	(279,343)
Cumulative effect of adopting SFAS 158			(9,073,501)
Change in net assets			
Unrestricted Net assets (accumulated deficit):			
Beginning of year	<u>(9,269,805)</u>	<u>(9,352,844)</u>	-
End of year	<u>\$ (8,163,558)</u>	<u>\$ (9,269,805)</u>	<u>\$ (9,352,844)</u>

San Andreas Regional Center
Financial Position

	As of June 30,		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
ASSETS			
Cash and cash equivalents	\$ 13,233,160	\$ 18,160,658	\$ 12,294,081
Contract receivable	39,474,194	40,595,978	30,249,424
Client funds receivable	43,006	50,400	14,390
Other receivables	780,226	1,330,209	2,215,962
Prepaid expenses	189,075	188,389	196,679
Cash restricted for BAHP	12,320,636	\$ 12,188,140	\$ 11,824,185
Furniture and equipment	377,834	377,834	339,005
Security deposits	40,966	41,372	41,972
Total Assets	<u>\$ 66,459,097</u>	<u>\$ 72,932,980</u>	<u>\$ 57,175,698</u>
LIABILITIES AND NET ASSETS			
Accounts payable	\$ 23,566,219	\$ 19,661,666	\$ 15,213,057
Contract advance	61,283,133	42,544,737	29,256,259
Deferred earned interest	185,860	-	-
Funds/net assets held for others	2,390,167	1,757,820	2,241,197
Bay Area Housing Plan Advance	663,005	663,005	6,126,064
Other payables-Regional Centers	7,929,570	7,857,083	3,929,566
Investment in State equipment	377,834	377,834	339,005
Accrued pension liability	8,163,558	9,269,805	9,352,844
Total liabilities	<u>104,559,346</u>	<u>82,131,950</u>	<u>66,457,992</u>
Net assets:			
Unrestricted net assets	(8,163,558)	(9,269,805)	(9,352,844)
Temporarily restricted net assets	63,309	70,835	70,550
Restricted net aAssets	-	-	-
Total net assets	<u>(8,100,249)</u>	<u>(9,198,970)</u>	<u>(9,282,294)</u>
TOTAL LIABILITIES AND NET ASSETS:	<u>\$ 96,459,097</u>	<u>\$ 72,932,980</u>	<u>\$ 57,175,698</u>

Financial Ratios:

Proforma (a)
FYE June 30, 2009

Operating debt service coverage (x) (b)	1.00	1.00	1.00
Debt/Unrestricted Net Assets (x) (c)	0.00	0.00	0.00
Operating Margin (%) (d)	0.00	0.00	0.00
Current Ratio (x)	0.63	0.88	0.86

^(a) Recalculates FY 2009 audited results to include the impact of this proposed financing.

^(b) The Debt Service Coverage ratio is equal to one since the regional center operates under an annual total cost-reimbursement contract with the Department of Developmental Services (DDS) of the State of California under the Lanterman Developmental Disabilities Services Act.

^(c) The Debt to Unrestricted Nets Assets ratio is equal to zero since the regional center has no unrestricted net assets.

^(d) The Operating Margin ratio is equal to zero since the regional center's revenue equals its expenses.

Borrower's (LLCs) Compiled Financial Statements²:

Casa Milagro, LLC
Compiled Statement of Activities

	<u>For the Year Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Revenue:		
Rent Payments	\$ 5,953,796	\$ 920,118
Property Tax Reimbursements	356,930	225,286
Property Insurance Reimbursements	37,202	42,860
Replacement Reserve Payments	84,896	68,861
Interest and Other Income	748	1,571
Total Revenue	<u>6,433,572</u>	<u>1,258,696</u>
Expenses:		
Mortgage Interest	1,074,706	920,118
Property Tax	353,159	226,431
Property Insurance	37,202	42,860
Depreciation	661,104	348,300
Amortization	6,379	3,756
California LLC Tax and Fees	15,090	-
Total Expense	<u>2,147,640</u>	<u>1,541,465</u>
Net Income:	4,285,932	(282,769)
Member Equity, Beginning of Period	(275,959)	6,811
Member Contribution	15,090	-
Member Equity, End of Period	<u>\$ 4,025,063</u>	<u>\$ (275,958)</u>

² The LLCs do not have audited financials. A compilation of the financials for FYs 2009 and 2010 was made available for the Cal-Mortgage feasibility study. They are included in this report for the purpose of explaining the financing structure of this project.

Casa Milagro, LLC
Compiled Financial Position

	As of June 30,	
	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,252	\$ 100
Accounts receivable	6,991	4,212
Total current assets	15,243	4,312
Property and Equipment, at cost:		
Land	19,073,603	11,670,575
Buildings	28,189,932	14,342,474
Accumulated Depreciation	(1,115,342)	(454,238)
Total Property and Equipment, Net	46,148,193	25,558,811
Other Assets:		
Loan Fees, Net	103,272	58,941
Restricted Deposits and Funded Reserves:		
Debt Service Reserve	5,819,460	3,199,868
Replacement Reserve	248,671	170,186
Total Restricted Deposits and Funded Reserves	6,068,131	3,370,054
Total Assets	\$ 52,334,839	\$ 28,992,118
LIABILITIES AND NET ASSETS		
Long-Term liabilities:		
Mortgages Payable	\$ 48,309,776	\$ 29,268,077
MEMBER EQUITY:		
Equity:	4,025,063	(275,959)
TOTAL LIABILITIES AND NET ASSETS:	\$ 52,334,839	\$ 28,992,118

Financial Ratios:

Proforma (a)
FYE June 30, 2009

Operating debt service coverage (x)	5.61	1.08
Debt/Unrestricted Net Assets (x)	12.00	(106.06)
Operating Margin (%)	0.67	-22.47%
Current Ratio (x)	NA	NA

^(a) Recalculates FY 2009 audited results to include the impact of this proposed financing.

Home for Life, LLC
Unaudited Statement of Activities

Ordinary Income/Expense	For the Year Ended June 30,	
	2010	2009
Income:		
Interest Income	\$ 44	\$ 3
Miscellaneous Income	-	750
Property Management	31,200	59,765
Rental Income	370,476	467,878
Total Income	401,719	528,396
Expenses:		
Bank Fees	-	754
Depreciation	133,719	124,153
Insurance	-	16,595
Interest Expense	370,476	379,221
Property Taxes	-	71,381
State Taxes	-	-
Total Expense	504,195	592,104
Net Income:	\$ (102,475)	\$ (63,708)

Home For Life, LLC
Compiled Financial Position

	As of June 30,	
	2010	2009
ASSETS		
Current assets:		
Checking/Savings		
Bank of America Checking	\$ 8,067	\$ 8,067
Reserve Accounts	2,665,875	1,480,893
Accounts Receivable	4,526	4,526
Total current assets	2,678,468	1,493,485
Fixed Assets:		
Accumulated Depreciation	(277,604)	(143,885)
Building	8,385,910	5,349,817
Improvements	19,651	14,321
Land	8,385,910	5,349,817
Total Property and Equipment, Net	16,513,868	10,570,070
Total Assets	\$ 19,192,336	\$ 12,063,555
LIABILITIES AND EQUITY		
Current Liabilities:		
Due to GGRC	\$ 4,371	\$ 4,371
Due to West Bay Housing	1,550	(10,980)
Total Current Liabilities	5,920	(6,610)
Long Term Liabilities:		
Loan	19,376,391	12,157,665
Total Liabilities	19,382,312	12,151,056
EQUITY		
Unrestricted (retained earnings)	(87,501)	(23,793)
Net Income	(102,475)	(63,708)
Total Equity	(189,976)	(87,501)
TOTAL LIABILITIES AND EQUITY	\$ 19,192,336	\$ 12,063,555

Financial Ratios:

Proforma (a)
FYE June 30, 2009

Operating debt service coverage (x)	1.08	1.16
Debt/Unrestricted Net Assets (x)	(221.44)	(510.98)
Operating Margin (%)	-25.51%	-12.06%
Current Ratio (x)	452.41	(225.96)

^(a) Recalculates FY 2009 audited results to include the impact of this proposed financing.

Inclusive Communities East Bay, LLC
Compiled Statement of Activities

	For the Year Ended June 30,	
	2010	2009
Support and Revenue:		
Lease Income	\$ 1,064,129	\$ 501,240
Reimbursements	300,155	271,171
Interest Income	18,560	30,656
Total Support and Revenue	1,382,844	803,067
 Expenses:		
Professional Fees	3,084	450
Audit and accounting	33,009	21,081
Legal	-	628
Office Expense	929	239
Mileage and travel	2,764	5,402
HOA dues	-	1,010
Property and equipment maintenance	26,307	0
Program expenses	32,514	65,268
Insurance	20,205	23,962
Taxes and licenses	131,141	96,875
Interest and fees	449,261	517,063
Depreciation and amortization	396,967	255,839
Total Expenses	1,096,181	987,817
 Change in Net Assets:	286,663	(184,750)
 Net assets, beginning of year	(218,060)	(33,310)
Net assets, end of year	\$ 68,603	\$ (218,060)

Inclusive Communities East Bay, LLC
Compiled Financial Position

	As of June 30,	
	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents	\$ 44,836	\$ 8,052
Receivables:		
Contracts receivable	23,332	22,490
Related parties receivable	1,618	15,426
Prepaid assets	-	1,572
Total current assets	69,786	47,540
Restricted Deposits		
Debt service reserves	2,479,216	1,913,249
Replacement reserve	83,459	43,092
Tax/Insurance impound	9,597	6,943
Property and equipment-net	19,066,326	14,814,761
Deferred costs-net	54,003	49,319
Total assets	\$ 21,762,387	\$ 16,874,904
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts Payable and accrued expenses	\$ 20,723	\$ 5,794
Total current liabilities	20,723	5,794
Long term liabilities		
Notes payable- net of current portion	21,673,060	17,087,170
Total liabilities	21,693,783	17,092,964
NET ASSETS:		
Unrestricted	68,604	(218,060)
Total net assets	68,604	(218,060)
TOTAL LIABILITIES AND EQUITY:	\$ 21,762,387	\$ 16,874,904

Financial Ratios:

Proforma (a)
FYE June 30, 2009

Operating debt service coverage (x)	2.52	1.14
Debt/Unrestricted Net Assets (x)	315.92	(78.36)
Operating Margin (%)	20.73%	-23.01%
Current Ratio (x)	3.37	8.21

^(a) Recalculates FY 2009 audited results to include the impact of this proposed financing.

Financial Discussion:

Revenues ultimately used for Series 2010 Bond debt payments are provided primarily by the State of California's General Fund, subject to annual appropriations, and by reimbursements from the Federal government. These revenues are provided to the DDS, which then appropriates funds to the BARCs. Under the payment structure for the 60 residences, the BARCs negotiate a monthly rate for each resident with the service provider, including a property cost component which includes a share of CHFFA Bond debt payments. The service provider then pays the Series 2010 Bond debt component of the property cost portion of its negotiated rate to the Series 2010 Bond Trustee and the non-debt component (e.g. property taxes, property insurance, maintenance expense and reserves) directly to the LLC.

Debt Service Payment Mechanism:

- Payment of operating expenses, including debt payments for the CHFFA Bonds, will be funded by the State of California budget appropriations. After appropriations are approved by the State Legislature, funds are then distributed to DDS. These funds, combined with Federal funds, which equate to 43% of the projected DDS' FY 2011 revenues, are then transferred to the three BARCs.
- The BARCs, charged with oversight, contract with service providers responsible for the operations of the residences.
- Debt payments will be made by the service providers to the CHFFA Bond Trustee on behalf of the LLC via an electronic funds transfer (EFT), while the other property-related payments (e.g. property taxes, insurance, and maintenance) will be paid directly to the LLCs.
- Debt payments to the Bond Trustee will be guaranteed by the BARCs under a "Lender Lease Assurance Agreement." This Agreement requires the BARCs to make payments directly to the CHFFA Bond Trustee if and when there is any interruption in payments from the service provider.
- A joint and several liability agreement among the BARCs obligates each of the BARCs to make up any CHFFA Bond debt service payment shortfall.
- The potential risks of interrupted payments are also addressed by a payment priority requirement contained within a Memorandum of Understanding ("MOU") that states that the BARC will pay monthly debt costs prior to use of its funding for any other purpose.
- Other protections include a "Joint and Several Liability" feature in the Lender Lease Assurance Agreement that makes each of the BARCs responsible for each other's payments, lines of credit ("LOCs") maintained by each BARC, and the CHFFA Bonds debt reserve.
- The amount of each LLC's debt service obligation is proportionate to the amount of loans associated with the residences of each LLC, as well as each LLC's proportionate amount of taxable and tax-exempt loans.

IV. LICENSURE, CERTIFICATION AND ACCREDITATION:

A total of 23 of the residences are licensed by the Department of Social Services as “Adult Residential Facilities for Persons with Special Health Care Needs”; a total of 27 of the residences are licensed as Community Care Facilities that are either “Adult Residential Facilities” or “Adult Residential Facilities for the Elderly”; and a total of 10 of the residences are certified as “Family Teaching Homes”.

V. DUE DILIGENCE:

Due diligence has been completed with regard to the following items:

- **Section 15438.5(a) of the Act (Savings Pass Through):** the Borrowers properly completed and submitted the “Pass-Through Savings Certification,” in addition to a narrative explaining how it intends to pass through savings.
- **Section 15491.1 of the Act (Community Service Requirement):** the Borrowers properly completed and submitted this certification and indicated that Medi-Cal and Medicare patients are accepted.
- **Compliance with Seismic Regulations:** the Borrowers properly completed and submitted a description of its seismic requirements.
- **Compliance with Section 15455(b) of the Act (California Environmental Quality Act):** the Borrowers properly submitted documentation to the Authority, if applicable, demonstrating the proposed project has either complied with Division 13 (commencing with Section 21000) of the Public Resources Code, or is otherwise not a project under that division.
- **Religious Due Diligence.**
- **Legal Review.**

EXHIBIT 1

BORROWERS' ADDRESSES

Casa Milagro, LLC

(Bay Area Housing Corporation - Sole Member)
100 Church Street, Suite #4
Los Gatos, CA. 95033

A Home for Life, LLC

(West Bay Housing Corporation - Sole Member)
1390 Market Street, Suite 405
San Francisco, CA 94102

Inclusive Communities East Bay, LLC

(Housing Consortium of the East Bay - Sole Member)
1736 Franklin Street, 6th Floor
Oakland, CA 94612

**Table 1: Community Program for Persons with Developmental Disabilities
Summary of Key Parties.**

Regional Center	Non-Profit Org.	Limited Liability Corp.	Providers	County
San Andreas Regional Center	Bay Area Housing Corp.	Casal Milagro	8	Santa Clara
Regional Center of East Bay	Housing Consortium of the East Bay	Inclusive Communities East Bay	4	Alameda/ Contra Costa
Golden Gate Regional Center	West Bay Housing Corp.	A Home for Life	11	San Mateo

EXHIBIT 2

PROJECTS' SITES

The Casa Milagro Facilities: *(approximately \$50,000,000 of the proceeds of the Bonds will be used to refinance these facilities)*

625-627, 629-631, and 637-639 Vasona Avenue, and 663-665 Vasona Ct., Los Gatos, California; 4865 Wellington Park Dr., 1446 Flora Ave., 649 Empey Wy., 826 Calero Ave., 895 McKendrie, 1616 Corte De Medea, 373 S Henry Ave., 1320 S. Baywood, 2334 Oak Flat Rd., 506-508 Northlake, 1527-1529 Eden, 5486 Yale Dr., 15134 Charmeran Ave., 1502 Constanso Wy., and 2917 Penitencia Creek Rd., San Jose, California; 1750 Westmont Ave., 173 Westridge Dr., and 771 Jill Ave., Santa Clara, California; 441 N. Milton Ave. and 1173 Salerno Dr., Campbell, California; 10506A and 10506B, 10516A and 10516B, 10526A and 10526B, and 10536A and 10536B N. Foothill Blvd., Cupertino, California; 205 Ginger Wy., 19175 Taylor Ave., 15470 La Alameda Dr., and 275 W. Dunne Ave., Morgan Hill, California.

The Home for Life Facilities: *(approximately \$17,000,000 of the proceeds of the Bonds will be used to refinance these facilities)*

1219 Sabrina Court, 1415 Gordon, and 445 Sequoia Ave., Redwood City, California; 460 Bodega St., Foster City, California; 2990 St. Cloud Dr. and 2830 Medina, San Bruno, California; 740 Palm Ave. and 1112 Sunnyside Dr., South San Francisco, California; 227 Prague, 680 Edna Wy., 3508 Martin Dr., 633 Vanessa, and 1720 Pierce St., San Mateo, California.

The Inclusive Communities Facilities: *(approximately \$23,000,000 of the proceeds of the Bonds will be used to refinance these facilities)*

8101 Meadowlark, 5772 Dichondra Pl. and 5242 Bristol Pl., Newark, California; 35649 Carnation Wy. and 36743 Montecito Dr., Fremont, California; 32724 Fairfield St. and 32744 Olympiad Ct., Union City, California; 2508 Regent Rd. and 2654 Chablis Wy., Livermore, California; 1169 Sand Beach Pl. and 1908 Otis Dr., Alameda, California; 24615 Patricia Ct., Hayward, California; 21763 Shadysprings Rd. and 5508 Jasmine Ct., Castro Valley, California; and 1447 Stonehedge Dr., Pleasant Hill, California.

EXHIBIT 3

FINANCING TEAM

CHFFA's Financial Advisor: Public Finance Management

Guarantors: San Andreas Regional Center
Golden Gate Regional Center
Regional Center of the East Bay

Guarantors' Counsel: Musick, Peeler & Garrett

State of California: Department of Developmental Services
(Office of Legal Affairs)

Current Lender: California Housing Finance Agency

Bond Insurer: Office of Statewide Health Planning and
Development
(Cal-Mortgage Loan Insurance Division)

Bond Trustee: Bank of New York
Deutsche Bank
U.S. Bank
Wells Fargo

Bond Counsel: Orrick, Herrington & Sutcliffe LLP

Underwriters: Bank of America Merrill Lynch

**Underwriter's
Counsel:** Sidley Austin LLP

EXHIBIT 4

UTILIZATION STATISTICS

The following table shows utilization statistics of Borrowers for the fiscal years ended June 30, 2009, 2008 and 2007:

	2009	2008	2007
Totals	230	230	230

EXHIBIT 5

OUTSTANDING DEBT:

The three borrowers collectively have approximately \$84 million in long-term debt. This amount represents the credit lines that were used to acquire and renovate the 60 residences to be refinanced by the CHFFA Bonds.

EXHIBIT 6

BACKGROUND, GOVERNANCE AND LICENSURE

Background

The Bay Area Housing Plan (“BAHP”), also referred to as the Community Program for Persons with Developmental Disabilities (“CPPDD”), was authorized by the State Legislature in 2004 (AB 2100) and 2005 (SB 643) to facilitate the closure of Agnews Developmental Center in San Jose (“Agnews”) and the transition of its 230 residents to approximately 60 residences in Bay Area counties located in the service areas of three Bay Area Regional Centers (“BARCs”). The policy goal was to move the Agnews residents from an institutional setting into a more community-based environment to benefit residents and to reduce service costs. Residents were relocated from Agnews to these 60 residences during the period from 2007 to 2009, and Agnews was closed in 2009.

The residences typically house three to five persons with developmental disabilities and the services are provided by separate non-profit and for-profit organizations, referred to as service providers. There are three housing models for the 60 Residences: (i) 23 licensed medical model Residences (the “Specialized Medical Homes”) with four and five clients per Residence for a total of 111 clients, (ii) 10 family teaching home model Residences (the “Family Teaching Homes”) with three clients per Residence, for a total of 30 clients, and (iii) 27 licensed specialized residential model Residences (the “Specialized Residential Facilities”) with three and four clients per Residence, for a total of 87 clients. The Residences provide homes for approximately 230 clients. There are currently 20 service providers (16 for-profit and four non-profit) serving the occupants of the 60 residences.

Licensure, Certification and Accreditation

A total of 23 of the residences are licensed by the Department of Social Services as “Adult Residential Facilities for Persons with Special Health Care Needs”; a total of 27 of the residences are licensed as either “Adult Residential Facilities” or “Adult Residential Facilities for the Elderly”; and a total of 10 of the residences are certified as “Family Teaching Homes”.

Governance

Each Residence is owned by a limited liability corporation, whose sole corporate member is a nonprofit housing entity affiliated with one of the three Bay Area Regional Centers. Residences located in Santa Clara, San Benito, Monterey and Santa Cruz counties are owned by Casa Milagro, LLC, of which the Bay Area Housing Corporation is the sole member, and which is affiliated with the San Andreas Regional Center. Residences located in Alameda and Contra Costa counties are owned by Inclusive Communities East Bay of which the Housing Consortium of the East Bay is the sole member, and which is affiliated with the Regional Center of the East Bay. Residences located in San Francisco, Marin and San Mateo counties are owned by A Home For Life of which the West Bay Housing Corporation is the sole member, and which is affiliated with the Golden Gate Regional Center.