

CDFNEWS

CDF Division continues to provide financing for partners through difficult economic times.

While many lenders and investors pulled back from the affordable housing market in 2009, Union Bank's Community Development Finance (CDF) group continued to serve as a vital source of financing for developers across the West Coast—from the Pacific Northwest, where the division is expanding its footprint, to Southern California, where it continues to support partners by offering innovative ways to finance transactions.



Grand Opening of the Arbor at Woodbury Apartments in Irvine.

“We are very proud that our division continued to step up and meet the needs of customers throughout the challenges of last year,” said SVP Jim Mather. “In many cases, the CDF division provided financing for our partners when no one else would, making a number of high-impact affordable housing developments possible.”

NOTES

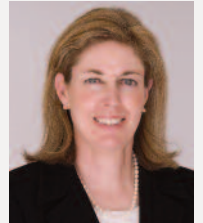
I began my new position this year as the head of Union Bank's Community Development Finance division with great excitement, joining an exceedingly talented and passionate group of bankers who my predecessor Jim Francis led with great skill and dedication since founding the division in 1995.

Our division's core mission of providing the financing critical to creating affordable housing is part of an effort that has been deeply important to me since I began my career in banking more than 20 years ago. After just a few months in my new position, I have an even greater appreciation for the commitment and expertise that our division's bankers and development partners bring to this vital mission.

I look forward to meeting more of our public, private and non-profit partners—and working with them closely in the months and years ahead to meet the fundamental need for high-quality, affordable housing in communities across the West Coast.

Annette Billingsley

Annette Billingsley
SVP & Division Head



Partner
Grand Openings
Fourth Quarter 2009
& First Quarter 2010

**10th & Mission
Family Apartments**
Mercy Housing
San Francisco, CA

**Bishop Swing
Community House**
Episcopal Community Services
San Francisco, CA

**Copperstone Village
Family Apartments**
USA Properties
Sacramento, CA

Fox Courts
Resources for Community Development
Oakland, CA

Inglewood Meadows
Thomas Safran & Associates
Inglewood, CA

Ironhorse Apartments
BRIDGE Housing
Oakland, CA

Oak Knoll Villas
Community HousingWorks
Poway, CA

Palo Verde Terrace
AMCAL
Palmdale, CA

Regent Plaza
Thomas Safran & Associates
Inglewood, CA

The Arbors Apartments
Resources for Community Development
Richmond, CA

**Turnagain Renaissance
Apartments**
Community HousingWorks
Fallbrook, CA

The Arbor at Woodbury
Jamboree Housing Corporation
Irvine, CA

CDF Spotlight

Interview with J. Michael Stedman
Senior Executive Vice President,
Real Estate Industries



How has Union Bank managed to maintain a strong balance sheet despite the challenging economic environment of the past two years?

Union Bank has been fortunate to have a parent company with the ability to support the company with additional capital to ensure that we are well-capitalized at all times. We also maintained comparably good underwriting discipline at the peak of the last cycle, which speaks to the bank's strong underwriting culture and the expertise of our employees.

Our real estate divisions have identified risk early and managed it aggressively, which has allowed us to maintain a higher standard of credit quality than many of our peers and allowed us to continue supporting our important customer relationships both in the affordable housing arena and with our targeted real estate investment clients.

What are some of your priorities for Union Bank's Real Estate Industry division over the next year?

Our first priority is to strengthen our customer relationships and support the investments that they make as the economy recovers. We are focused on maintaining our strong risk management practices to ensure that we retain the ability to support customers. I am also very focused on continuing to strengthen our relationship management teams, because, at the end of the day, the most important differentiating factor for us is the people we put in front of our customers.

Since its founding in 1995, Union Bank's Community Development Finance division has grown substantially—and now oversees more than \$2 billion in affordable housing debt and equity investments. Why has this group been so successful?

You have to give credit to CDF co-founder Jim Francis, who brought an energy and commitment to this business that was a very important part of its success. As he and his team grew the business, they found an organization in Union Bank that was committed to corporate social responsibility. Through the CDF group, Union Bank found that we could create positive change in the community, while also earning a fair financial return.

We have been able to differentiate ourselves with our people and our approach. Union Bank typically does well in niches that lend themselves to expertise—and community development finance is an area that has a lot of complexity and uses a lot of different financing products. Over the course of building this business we have been able to attract and retain talent with tremendous expertise in this area.

At the end of 2009 Annette Billingsley became the head of Community Development Finance. How do you think Annette will help this division to achieve its goals moving forward?

Annette brings an energy and passion for real estate, particularly affordable housing, which will be a real asset for this group. She has a deep understanding

continued on page 6

CDF Division continues to provide financing for partners through difficult economic times. continued from page 1

Key investments included:

Pacific Northwest

In Seattle, Washington, Union Bank invested \$3.9 million in tax credit equity in the Rose Street Apartments, a 71-unit affordable multifamily complex developed by Housing Resources Group. The complex is part of an innovative mixed-use redevelopment in one of the most diverse areas of Seattle and will transform a vacant building that was an eyesore into affordable housing and ground floor retail space.

Among other CDF investments in the Pacific Northwest, the bank purchased \$5.9 million in tax credit equity in New Tacoma Senior Apartments, a 75-unit affordable senior housing complex developed by Intercommunity Mercy Housing. Located in Tacoma, Washington, in a formerly distressed area that is undergoing revitalization, New Tacoma Senior Apartments will include 58 units for seniors earning 30 percent or less than the area median income, with rental support provided through a U.S. Department of Housing and Urban Development program.



Construction on New Tacoma Senior Apartments.

“Situated on a hill overlooking downtown Tacoma, the New Tacoma Senior Apartments will beautify and help revive the surrounding neighborhood, while meeting the overwhelming need for quality, affordable housing for the area’s low-income seniors, many of whom rely on Social Security as their only income source,” said VP Bryan Friend, the CDF division market manager in the Pacific Northwest.

Northern California

Union Bank invested \$5.9 million in tax credit equity in the acquisition and rehabilitation of The Arbors Apartments in Richmond, which preserved it as affordable for 36 families. Rehabilitated by Resources for Community Development, a non-profit affordable housing developer focused on Northern California’s East Bay communities, The Arbors was completed in January 2010 and now features significant renovations in its community areas and major upgrades, including solar panels that were installed by local residents in a green jobs training program.

In Napa, Union Bank financing proved critical for the Ecumenical Association for Housing (EAH) in rehabilitating Rohlffs Manor, a 355-unit senior property. The bank signed on to provide EAH with a \$15.7 million construction loan for the complete upgrade of the property’s units and community areas. When the original



Rohlffs Manor in Napa, California

continued on reverse



Rittenhouse Square

equity investor dropped out of the transaction, placing the renovation of Rohlffs Manor in jeopardy, Union Bank agreed to also provide a \$5.8 million tax credit equity investment.

Southern California

Union Bank provided \$4.5 million in tax credit equity for the acquisition and rehabilitation of Village Green Apartments by Wakeland Housing Development Corporation, a recent recipient of a capacity-building Cornerstone grant from the Union Bank Foundation. After its renovation is complete, the 94-unit complex in San Diego will feature unique green building elements and serve low-income working families.

Also in San Diego County, Union Bank provided Community HousingWorks (CHW) with a \$3.1 million acquisition loan and was prepared to make a construction loan to finance the purchase and rehabilitation of the Oak Knoll Villas in the community of Poway.

The original investor walked away from the transaction at a time when the economic turmoil was causing a scarcity of tax credit investors. Union Bank stepped in to provide the \$2.5 million tax credit equity investment and alternative financing was found for the construction loan. The rehabilitation of the 52-unit affordable family housing development included the installation of rooftop solar panels, the renovation of all building interiors and exteriors, and the replacement of hot water systems, insulation, and rooftops.

During 2009, the bank provided Jamboree Housing Corporation with \$15.6 million of tax credit equity to finance the construction of the Arbor at Woodbury in Irvine. An innovative multifamily development serving 90 families in the heart of a major job center, these apartments were named the “Project of the Year” as part of the Kennedy Commission’s Affordable Housing Awards.

In South Los Angeles, the bank provided \$14.7 million of tax credit equity for the development of Rittenhouse Square, a 100-unit property serving low-income seniors. Completed in early 2010 by Thomas Safran & Associates, the development offers integrated services and activities for residents, high-quality unit amenities, and large community areas, including a common room, fitness center, and courtyard with rock waterfalls. “Our development partners have come to trust in Union Bank’s unwavering commitment to create affordable housing,” said VP Johanna Gullick, the CDF division market manager for Southern California. “As the market improves moving forward, we will continue to look for opportunities that make the greatest impact in communities, whether it is to meet the housing needs of working families, seniors, or the formerly homeless.” ●

Union Bank and Google Announce Innovative Arrangement.

Union Bank and Google have launched an innovative arrangement to finance affordable housing in California, through which the bank's Community Development Finance (CDF) division will syndicate and manage approximately \$25 million in Low-Income Housing

Tax Credit (LIHTC) investments on behalf of Google. The arrangement marks a rare entrance into the LIHTC market by a company outside of the financial services industry.

Two affordable senior housing

developments—one of which is within eight miles of Google's global headquarters in Mountain View, CA—will receive financing: Fair Oaks Senior Housing in Sunnyvale, CA and Regency Towers Apartments in Inglewood, CA. ●



Fair Oaks Senior will serve 123 low-income seniors in Sunnyvale, CA.

CDF swaps out federal tax credits for state.

This year, CDF closed two 9 percent tax credit equity investments that originally had been awarded federal tax credits, but were able to exchange a portion of the federal credits for California state tax credits instead.

The developers and Union Bank worked together to request a swap-out of the federal credits with state credits. Union Bank purchased the state tax credits and increased the dollar amount of the equity pay-in.

The bank's development partners voluntarily returned their federal tax credits based on a commitment from Union Bank to purchase the state tax credits, for which the pool of investors is usually much smaller. The swap had the added benefit of freeing up some of the scarce allocation of 9 percent federal tax credits, which were made available for use elsewhere to create affordable housing in California.

"Executing the transaction speaks to the

kind of trust that Union Bank seeks to build with its development partners," said Los Angeles-based CDF VP, Milo Peinemann.

"There comes a point where you need to hold hands and take the leap together," Peinemann said. "Moving forward, we'll continue to look for ways to bring more value to our partners, who are doing everything in their power to deliver quality affordable housing." ●

CDFNEWS

200 Pringle Avenue, Walnut Creek, CA 94596

CONTACT THE TEAM

Union Bank's CDF group employs an expert staff with decades of experience in finance and a passion for community development. Members of the CDF team serve as trusted partners and advisers for their customers, helping them to work through the often very complex financial and regulatory issues to make affordable housing development possible. For more information please email cdinfo@unionbank.com or contact a member of the team by phone directly.

Management

Annette Billingsley
*Senior Vice President
and Division Head*
(925) 947-2486

Judy Kong-Cheung
Senior Vice President
(925) 947-2457

Jim Mather
Senior Vice President
(925) 947-2403

Terce Sandifer
*Vice President/
Originations Manager*
(925) 947-2473

Rick Toney
*Vice President/Director
of Asset Management*
(925) 947-2458

Northern California & Northwest Markets

Jonathan Klein
*Vice President/Northern
California Market Manager*
(925) 947-2461

Bryan Friend
*Vice President/Northwest
Market Manager*
(425) 452-1486

Fiona Hsu
Vice President
(925) 947-2449

Ted Holman
Vice President
(925) 947-2491

Southern California

Johanna Gullick
*Vice President/Southern
California Market Manager*
(310) 551-8967

Brian Frankel
Vice President
(925) 947-2479

Milo Peinemann
Vice President
(310) 551-8968

Perica Bell
Assistant Vice President
(310) 551-8964

CDF Spotlight

continued from page 2

of customer service and appreciates the importance of delivering on commitments as well as anyone in this business.

Annette is also well-positioned to move this business forward because people like to work for her—and she has taken the reins of an expert team that really understands the nuances of financing affordable housing and is very committed to it. I am very confident that this group will continue to build on the tremendous success that they have had. ●

Financing subject to credit and collateral approval. Other restrictions may apply. Terms and conditions subject to change.