

**STATE OF CALIFORNIA
CALIFORNIA HOUSING FINANCE AGENCY**



**BOARD OF DIRECTORS
SPECIAL MEETING**



**Holiday Inn Capitol Plaza
300 J Street
Sacramento, California**

**Tuesday, April 23, 2013
10:00 a.m.**



Minutes approved by the Board
of Directors at its meeting held:
November 12, 2013

Attest: 

Reported by: DANIEL P. FELDHAUS
California Certified Shorthand Reporter License #6949
Registered Diplomate Reporter, Certified Realtime Reporter

Daniel P. Feldhaus, C.S.R., Inc.
Certified Shorthand Reporters
8414 Yermo Way, Sacramento, California 95828
Telephone 916.682.9482 Fax 916.688.0723
FeldhausDepo@aol.com

A P P E A R A N C E SBoard of Directors Present

PETER N. CAREY
(Acting Board Chair)
President/CEO
Self-Help Enterprises

CLAUDIA CAPPIO
Executive Director
California Housing Finance Agency
State of California

KATIE CARROLL
for Bill Lockyer
State Treasurer
State of California

RUSSIA CHAVIS
for Brian P. Kelly
Acting Secretary
Business, Transportation & Housing
State of California

JANET FALK
formerly Vice President of Real Estate Development
Mercy Housing

MICHAEL A. GUNNING
Vice President
Personal Insurance Federation of California

MATTHEW JACOBS
Co-Managing Partner
Bulldog Partners, LLC

TIA BOATMAN PATTERSON
General Counsel
Sacramento Housing and Redevelopment Agency

JACK SHINE
Chairman
American Beauty Development Co.

A P P E A R A N C E S**Board of Directors Present***continued*

LAURA WHITTALL-SCHERFEE
for Randall Deems, Acting Director
Department of Housing and Community Development
State of California

--o0o--

Participating CalHFA Staff

VICTOR J. JAMES II
General Counsel

JAMES S.L. MORGAN
Acting Chief
Multifamily Programs

JOJO OJIMA
Office of the General Counsel

--o0o--

Public Testimony

DAVID MADRIZ
California Housing Advocate

--o0o--

Table of Contents

<u>Item</u>	<u>Page</u>
1. Roll Call	5
2. Chairman/Executive Director Comments	6
3. Update, review, discussion, and consideration of current status of Governor's Reorganization Plan II, with regard to California Housing Finance Agency and Department of Housing and Community Development	7
4. Discussion of other Board matters	48
5. Public testimony: Discussion only of other matters to be brought to the Board's attention	
David Madriz, California Housing Advocates	48
6. Adjournment	50
Reporter's Certificate	51

--o0o--

CalHFA Board of Directors Special Meeting – April 23, 2013

1 *BE IT REMEMBERED* that on Tuesday, April 23,
2 2013, commencing at the hour of 10:03 a.m., at the
3 Holiday Inn Capitol Plaza, 300 J Street, Sacramento,
4 California, before me, DANIEL P. FELDHAUS, CSR #6949, RDR
5 and CRR, the following proceedings were held:

6 --oOo--

7 CHAIR CAREY: We are officially in session.
8 And I would like to welcome everyone to the special
9 April 23rd meeting of the California Housing Finance
10 Agency's Board of Directors.

11 --oOo--

12 **Item 1. Roll Call**

13 CHAIR CAREY: Our first item of business is
14 roll call.

15 MS. OJIMA: Thank you.

16 Ms. Falk?

17 MS. FALK: Present.

18 MS. OJIMA: Mr. Gunning?

19 MR. GUNNING: Here.

20 MS. OJIMA: Mr. Hunter?

21 *(No response)*

22 MR. HUNTER: Mr. Jacobs?

23 MR. JACOBS: Here.

24 MS. OJIMA: Ms. Chavis for Mr. Kelly?

25 MS. CHAVIS: Here.

CalHFA Board of Directors Special Meeting – April 23, 2013

1 MS. OJIMA: Ms. Carroll for Mr. Lockyer?

2 MS. CARROLL: Here.

3 MS. OJIMA: Ms. Patterson?

4 *(No response)*

5 MS. OJIMA: Mr. Shine?

6 MR. SHINE: Here.

7 MS. OJIMA: Mr. Smith?

8 *(No response)*

9 MS. OJIMA: Ms. Whittall-Scherfee?

10 MS. WHITTALL-SCHERFEE: Here.

11 MS. OJIMA: Mr. Alex?

12 *(No response)*

13 MS. OJIMA: Ms. Matosantos?

14 *(No response)*

15 MS. OJIMA: Ms. Cappio?

16 MS. CAPPIO: Here

17 MS. OJIMA: Mr. Carey?

18 CHAIR CAREY: Here.

19 MS. OJIMA: We have a quorum.

20 CHAIR CAREY: Good.

21 --oOo--

22 **Item 2. Chairman/Executive Director Comments**

23 CHAIR CAREY: All right, the next item of
24 business is Chair/Executive Director comments.

25 I will defer and turn the microphone to our

CalHFA Board of Directors Special Meeting – April 23, 2013

1 Executive Director.

2 MS. CAPPPIO: And I will hold my comments until
3 the next item.

4 CHAIR CAREY: Great.

5 ---oOo---

6 **Item 3. Update, review, discussion, and consideration**
7 **of current status of Governor's Reorganization**
8 **Plan II, with regard to California Housing**
9 **Finance Agency and Department of Housing and**
10 **Community Development**

11 CHAIR CAREY: Okay, with that, we'll move on to
12 the update, review, and discussion of the Reorganization
13 Plan.

14 MS. CAPPPIO: Good morning.

15 I appreciate the opportunity to meet with the
16 Board today.

17 We are in the midst of some intricate
18 discussions on how to better align and coordinate
19 housing programs and services for Californians.

20 The Board has an important role in this effort.
21 And we thought that a more focused meeting would give us
22 all more time to dive in and have a more substantive
23 discussion than likely could be had at the May Board
24 meeting, where the agenda is already full.

25 To begin, I want to be clear that we are not

1 expecting any type of formal action today but, rather,
2 comments, concerns, suggestions, and questions about what
3 we've outlined in the staff report.

4 The Governor is in the midst of reviewing a
5 proposal; and we cannot fully present that until they
6 have completed their review. But we thought that we
7 would build on the September staff report, where you
8 originally discussed the Governor's Reorganization Plan,
9 the Little Hoover Commission testimony, and our work to
10 date; and have a more substantive discussion. What we
11 can talk about is how it would really work, in terms of
12 realigning certain functions and better coordinating
13 certain activities.

14 We wanted to go deeper into some of those
15 general principles. And we are still operating with
16 consistency to the Little Hoover Commission testimony
17 and the overall scope and premise of the Governor's
18 Reorganization Plan.

19 What we've been focusing on during the last
20 few months is how we can actually work together --
21 day-to-day operations, functions, what we share now, and
22 what could be more efficient, what we can build on, and
23 how we can increase capacity if we worked better
24 together.

25 We have gone into that in lurid detail. And

CalHFA Board of Directors Special Meeting – April 23, 2013

1 given the general constraints and established statutory
2 frameworks that CalHFA works within, we need to make sure
3 that the Board has an opportunity to review and consider
4 these issues and give us feedback.

5 In short, I can just safely say, this is a
6 work-in-progress.

7 Before I get into the specific issues, I want
8 to give the Board a sense of the process from here on
9 out.

10 We are still on target to move into the new
11 Business Consumer Services and Housing Agency on July 1,
12 along with HCD.

13 In practical terms, that means that eventually,
14 we'll be working with a different cabinet secretary and
15 within a new agency. And BT&H, as we've known it, will
16 be split up, and Transportation will become its own
17 agency.

18 As we continue to work with the Governor's
19 office, we will eventually finalize the PID, or "*project*
20 *implementation document.*" And there may be legislative
21 changes as part of this. We don't know that. And we
22 will definitely have some, probably technical cleanup
23 changes and other non-substantive changes just to make
24 everything fit together.

25 Once we have sign-off on a Governor's office

1 reorg. proposal, we will be back to the Board for final
2 review and confirmation.

3 Now, onto the issues.

4 I'm going to generally outline these issues,
5 and I believe probably, I should say, go through them;
6 and then we could go through them one by one, or however
7 the Board desires to do this.

8 First, as we've worked together with HCD as a
9 joint executive team these last couple of months, what
10 we have found is that we've been able to capture joint
11 principles and other overall goals and objectives that we
12 share.

13 There is a better -- there is a more detailed
14 discussion as Attachment A to your staff report. But in
15 brief, we believe that a better coordination of housing
16 activities will produce better services and programs;
17 that the connections we're able to make with other
18 initiatives of this administration, such as smart growth,
19 greenhouse gas reduction, and reduction in vehicle miles
20 traveled, points directly to being more targeted and
21 policy-focused.

22 We believe we can improve asset management and
23 financial assistance; and in that way, build a better
24 stock of housing for all Californians who need it.

25 Secondly, we've been keenly aware that CalHFA's

1 financial and operational independence has to be
2 maintained in this effort. Our principles as outlined in
3 the September 2012 staff report are that CalHFA will
4 remain completely self-supporting; that the Board will
5 continue to administer the Agency with primary budget and
6 financial responsibilities; that CalHFA, so as to remain
7 and retain its financial effectiveness and integrity,
8 will continue to be responsible for critical decisions
9 that affect the performance of the Agency, namely, those
10 that have to do with debt obligations and attracting new
11 capital; and that the Executive Director will continue to
12 be appointed by the Governor for a five-year term.

13 Any anticipated statutory changes are not
14 expected at this point to interfere with these basic
15 principles.

16 Third, both CalHFA and HCD, in working
17 together, have reviewed its major functions, both
18 separately and jointly. And we have preliminarily
19 determined those areas that can be integrated immediately
20 and those areas that require further work, so that we can
21 collaborate and consolidate as fits.

22 There's also a third bucket, where there's
23 those functions that are unique to each agency and we
24 don't believe have a lot of integration potential and,
25 therefore, will remain essentially separate.

1 I'll note to you that we're looking at this
2 reorganization effort as essentially remaining separate
3 and independent entities, but having interagency
4 agreements or other ways that we can work together to
5 form a better consolidation of efforts in the affordable
6 housing realm.

7 To date, this effort so far is depicted in
8 Attachment D to your staff report. It's a chart. And as
9 depicted, marketing and communications, housing policy
10 and development are shown to be immediately integrated,
11 along with legislation. We can begin, and we have been
12 working on, fully integrating these departments --
13 meaning, that they will be merged and work for both
14 entities.

15 The next set of functions represents a
16 work-in-progress, and a lot more work in order to get it
17 right. Single-family programs and lending, multiple
18 family programs and lending, and asset management will be
19 further vetted to look at how and in what ways we work
20 together, and how that will look, likely being formalized
21 through an interagency agreement.

22 Those areas that will remain separate include
23 Financing, Fiscal Services, and Accounting, Single-Family
24 Portfolio Management, Codes and Standards on the HCD
25 side, and Internal Audits on the HCD side.

1 I think when you're looking at how to work
2 better together and more closely together, we've tried to
3 really work on the definitions of what we mean by
4 "integration" and what we mean by "consolidation" or
5 "collaboration."

6 In all cases, we are assuming, again, as I have
7 noted, that we will remain formal and separate entities,
8 so that staff will either be employed by CalHFA or HCD.

9 On those functions where we share teams or
10 working groups, we will develop a cost-allocation system
11 to carefully track expenses and staff time. The system
12 is particularly important for CalHFA because we need to
13 demonstrate through our annual auditing process and other
14 cost-containment systems that we are spending CalHFA
15 resources on CalHFA activities.

16 Reporting relationships within those working
17 groups or teams will be based on an already-established
18 lead concept. There will be a lead person designated for
19 that working group, and that person will be responsible
20 for the work, and making sure that the members of the
21 team are working well together.

22 As I mentioned, in the integration concept, we
23 expect a fully integrated team, that we will merge until
24 those functions are fully integrated, and then serve both
25 teams.

CalHFA Board of Directors Special Meeting – April 23, 2013

1 For collaboration, again, mostly we are looking
2 at interagency working groups being formed.

3 It's important to note, again, that CalHFA's
4 funds, we are anticipating, will not be used to support
5 HCD's operations. Thus, the Agency's finances will not
6 be put under further stress.

7 In terms of conflict resolution, which is an
8 important piece of any working together -- at least when
9 you're still getting along, working out how you'll
10 resolve conflicts while you're still getting along -- I
11 have often thought that divorce proceedings should occur
12 in the first part of a marriage, not the last. But at
13 this point, what we are looking at is that those
14 conflict-resolution procedures will be part of any formal
15 interagency agreement; and there has to be a way to vet
16 those tensions, they will necessarily be present when
17 we look at a loan or another project; because we both
18 come from different value sets. That will have to be
19 worked through within the interagency agreement.

20 At the end of the day, what I will note to you,
21 though, is that as recommendations come up through those
22 working groups, they will be vetted independently by HCD
23 or CalHFA. So in other words, if there is a loan and
24 CalHFA has a loan in the deal and HCD has a grant or
25 subsidy in the deal, hopefully, that final deal will be

1 agreed upon, and then separately acted by you as the
2 Board or me as the Executive Director, if it's less than
3 \$4 million; and similarly, through the HCD process, which
4 they have a loan and grant committee, ultimately signed
5 off on by the Executive Director.

6 If there is a conflict, we'll have to follow
7 the conflict-resolution procedures.

8 Lastly, and just to note to you before we get
9 into the discussion, we will be housed in separate
10 offices. We have a long-term lease at 500 Capital and
11 in West Sac; and HCD has to move out of their offices in
12 June or July because they're currently owned by PERS,
13 and PERS needs the space. So they have entered into a
14 long-term lease in Sacramento, in the Natomas area. So
15 we will be essentially separate, but we will be still
16 working together, but that will present necessarily
17 practical considerations.

18 And finally, in this effort, we've been able to
19 talk with, and will continue to talk with states that
20 have gone through similar efforts recently, most notably,
21 Louisiana and New York. They have insights and comments
22 that I think would be very informative and helpful.

23 With that, that ends my presentation.

24 But I would be glad -- Chair, I don't know how
25 you want to do this, maybe take them one by one -- the

1 issues one by one, and see if there's any concerns or
2 discussion about them.

3 CHAIR CAREY: Will that work?

4 MR. GUNNING: Yes.

5 CHAIR CAREY: Okay, sure.

6 MS. CAPPPIO: So, first, overall shared goals
7 and objectives. Pretty self-explanatory. But that's
8 what -- we've been working with that list; and,
9 obviously, it may expand over time. But we think we have
10 a solid basis for mutual and shared objectives.

11 Secondly --

12 CHAIR CAREY: Do you have a sense of what --
13 how would you envision that first point in the shared
14 overall, in terms of elevating affordable housing's
15 presence in state policy?

16 MS. CAPPPIO: I think a unified presence with
17 us with a single executive leadership team, as we are
18 formulating, would be better coordinated and better able
19 to respond to legislative inquiries or Governor's office
20 inquiries. And we know more about what each other is
21 doing by the mere nature of working together.

22 CHAIR CAREY: HCD has had a sort of traditional
23 role in some issues licensing housing element
24 enforcement.

25 Do you see that changing in any way?

CalHFA Board of Directors Special Meeting – April 23, 2013

1 MS. CAPPPIO: No. That would remain an HCD
2 function.

3 CHAIR CAREY: Okay, great.

4 MR. GUNNING: Mr. Chairman?

5 CHAIR CAREY: Yes, Mr. Gunning?

6 MR. GUNNING: And I don't know how to say this,
7 but just to say it; but as you described that, the phrase
8 "separate but equal" pops into my head. And we know that
9 didn't work.

10 And so can you help me understand why this is
11 different, and why this isn't separate but equal?

12 MS. CAPPPIO: I think that because of the
13 statutory constraints that CalHFA now has, we need to
14 develop firewalls as necessary in order to maintain our
15 separate and independent authority. That doesn't mean
16 that we are in a box, not sort of understanding or in any
17 way interested in what else is happening.

18 We have worked together for years -- both
19 agencies have worked together for years. Some of that
20 work has been very good.

21 I'm interested in institutionalizing the best
22 parts of that good working relationship, and being able
23 to resolve conflicts in a more positive way than has been
24 from time to time demonstrated by both agencies.

25 And I believe that those walls, once we are

1 working together regularly, particularly as a unified
2 executive team, will be breaking down. This is about
3 breaking down silos and working better together.

4 Does that help you?

5 MR. GUNNING: It's getting there.

6 MS. CAPPPIO: Okay.

7 MR. GUNNING: Let's keep talking about it.

8 CHAIR CAREY: One question -- go ahead, Janet.

9 MS. FALK: I'm just going to throw this out
10 there. I understand why CalHFA has to be separate.

11 Why not just merge HCD into CalHFA? It seems
12 to me that there's -- what you're creating is just like
13 more work. It's not simplifying things because you're
14 invoicing each other and all of this -- I mean, there are
15 separate approvals.

16 MR. JACOBS: But the rating agencies won't --
17 I mean, will the rating agencies be okay with that?

18 MS. FALK: I'd really like to understand the
19 basic rationale for why that hasn't happened.

20 I understand why CalHFA can't become part of
21 the State agency; but why can't it go the other way?

22 MS. CAPPPIO: We run on different fuel. We run
23 on -- we are total self-supporting and not subject to any
24 budgetary or any other influence of the State.

25 If we merged, that would be a factor we'd have

CalHFA Board of Directors Special Meeting – April 23, 2013

1 to deal with; and definitively, that would potentially
2 affect our ratings with the bond-rating agencies.

3 MS. FALK: But don't many states have all of
4 their housing functions in one agency?

5 MS. CAPPIO: Yes.

6 MS. FALK: So a housing finance agency and
7 performs the function -- you know, allocates tax credits
8 and does grants and other things.

9 So how do they do it?

10 MS. CAPPIO: They're statutorily established
11 differently.

12 And, Victor, do you want to chime in here?

13 MR. JAMES: Sure, yes. The fundamental
14 differences are the means by which, as Claudia said,
15 we're fueled differently. The fundamental means by which
16 each is funded is from a different source. CalHFA is, of
17 course, funded through the commercial market, selling
18 bonds in the private sector; and it feeds itself on the
19 difference between what it borrows money for and what it
20 lends money for. And we have our own independent credit
21 rating for those reasons.

22 And as opposed to HCD, which is funded by way
23 of grants or Propositions 1C and 46. And they are also
24 controlled through the General Fund statutorily, and are
25 subject to all of the State regulatory requirements with

1 regard to appropriations of staffing, and also those
2 limitations imposed by outside forces with regard to
3 grants, the source of revenue that they receive.

4 And their fundamental model is, of course, just
5 different in the way they administer their grant
6 programs, their financing programs. And so you would be
7 taking what is a traditional governmental construct and
8 placing it in a component unit, a non-governmental, or
9 at least not completely governmental construct, which
10 would offer a lot of questions -- arguably confusion --
11 over how that single budget would be allocated, because
12 you would be part state government appropriation process
13 and part not. Because as the Board well knows, all
14 CalHFA's operating budget comes to the Board, and the
15 Board sets its staffing levels; as opposed to HCD, whose
16 staffing level goes through the legislative process and
17 through the Governor's State Budget Act.

18 So those practical kinds of concerns with basic
19 operational differences are quite large.

20 The other entities that Ms. Cappio mentioned,
21 both Louisiana and in New York, are two interesting
22 models that we will look at.

23 *(Ms. Patterson entered the meeting room.)*

24 MR. JAMES: In New York, what they did was they
25 integrated, or more collaborated, between five or so

1 entities. They've put them together, but they still
2 remain separate in their financial obligations, their
3 financial operations. The City of New York's Housing
4 Finance Agency is still a separate entity. And they have
5 a shared CEO, but they don't share financial statements.
6 And they have shared administrative services, some of
7 the personnel services and other basic administrative
8 services. But they otherwise remain separate to ensure
9 the integrity of, I guess, the confidence of the capital
10 market with regard their bond issuances. I presume
11 that's their policy decision for doing so.

12 Louisiana has done a complete merger, which is
13 recent. But the other big, big difference with Louisiana
14 and us, in particular, is that with Louisiana, their bond
15 issuances are individually rated. And our capital
16 structure includes a general obligation, as you all know.
17 Our Housing Finance Fund has its own obligation, its own
18 rating, and we obligated that in many of our indentures.

19 And so the capital market looks at our ability
20 to manage our risks in our financial structure and our
21 capital structure generally as an entity. And to the
22 extent that that would be as is pointed out in the memo
23 that Claudia has prepared, to the extent that that would
24 be politicized in some way with regard to the traditional
25 state budgeting process, it would make it unsettled and,

1 thus, not have the stability that the capital market
2 wants and needs.

3 MR. JACOBS: Are we going to run this sort of
4 final plan by the agencies before we, as a board, vote?
5 Run this by the credit agencies, just to make sure
6 they're kind of comfortable with the split?

7 MR. JAMES: I'm sorry, could you repeat --

8 MR. JACOBS: Are we going to run our final plan
9 by the credit agencies just for their kind of blessing,
10 before we as a board vote on it?

11 MR. JAMES: Well, we hadn't thought about
12 running it by the credit agencies. I imagine we could
13 raise it with them. But we are talking to our auditors
14 and our outside counsels. They are also -- the auditors,
15 in particular, are very, very critical to this process.

16 MR. JACOBS: Right.

17 MR. JAMES: Because all of our indentures
18 and all of our other debt obligations have to meet
19 Governmental Auditing Standards. And so they need -- and
20 those have specific requirements that deal directly with
21 this board's independence, separate from that State
22 Budget Act process.

23 And to the extent that that is interfered with
24 in some way, it would make it problematic for an auditor
25 to reach the findings that we meet those auditing

1 standards which satisfy our indenture requirements.

2 MR. GUNNING: But on the same hand, too, is
3 point -- I mean, as we go forward and because of the
4 scrutiny between the two agencies, some sort of letter or
5 some sort of heads-up that we're doing this would make
6 sense, or at least some outreach.

7 MR. SHINE: From the agencies -- from the
8 rating agencies?

9 MR. GUNNING: To the rating agencies, that the
10 State of California is considering this, would this have
11 an impact, do you care, do you want to know?

12 MR. JACOBS: But, yes, these are not state
13 obligations; this is an independent agency.

14 MR. JAMES: Right.

15 MR. JACOBS: Just to make it clear.

16 MR. JAMES: Right, right.

17 Well, and also, to be clear, frankly, we've
18 just recently issued a preliminary official statement on
19 a refunding that we recently did. And we've addressed
20 that.

21 And at this point, as Ms. Cappio has said, the
22 statutes haven't changed. Our statutory authority and
23 our independence under our statutes haven't changed.
24 So, I mean, we're making those representations right now.

25 We will continue to apprise -- we can

1 affirmatively reach out to them and let the rating
2 agencies know, "This is the structure." But as I said to
3 you, we have already reached out to our auditors and our
4 outside attorneys.

5 And as we refine this process, we'll reach out
6 to them; and as we get closer to a more definitive
7 construct of what that looks like, we will certainly
8 reach out to them.

9 MR. GUNNING: But the reorg. was written up in
10 the OS, and so they're aware of it? The rating agency
11 was aware of it?

12 MR. JAMES: Well, the reorg. wasn't written up,
13 meaning, restated in the OS?

14 MR. GUNNING: Yes.

15 MR. JAMES: No, no, it wasn't.

16 MR. GUNNING: So that we're going through this
17 process, none of that was in the official statement?

18 MR. JAMES: I honestly can't recall whether we
19 expressly said that there is this Governor's reorg. going
20 on.

21 I think we did. I think we did refer to it.
22 But I am certain that what we said was that -- we must
23 have referred to it, because I'm certain that what we
24 said is, there is no statutory change to our statutory
25 independence.

CalHFA Board of Directors Special Meeting – April 23, 2013

1 MS. CAPPPIO: And through the Chair, Board
2 Member Gunning, I will also note to you that we've been
3 keeping the ratings agencies informed. We talk to them
4 all the time.

5 MR. GUNNING: Okay, that's the answer. That's
6 the answer.

7 MS. CAPPPIO: That may be just part of the job
8 at this point in our rating history. And they have been
9 very inquisitive, and asked some pointed questions about
10 that. So they're very interested in maintaining the
11 management capacity and structure of CalHFA, because it's
12 been solid through the storm that we have been through.
13 So they're highly aware.

14 MR. GUNNING: So let me follow up on Janet's
15 question.

16 So Louisiana didn't work.

17 What was the other example?

18 MR. JAMES: New York.

19 MR. GUNNING: New York?

20 And then that doesn't give us a different
21 integration model that could work?

22 MR. JAMES: Yes, New York has remained separate
23 in its operations. Its financial and operational -- it
24 has remained financially and organizationally separate as
25 an operation, as an ongoing concern from that entity that

1 it is a part of.

2 MR. SHINE: So is it fair to say that
3 unofficially, you have an open line of communication with
4 the rating agencies, and they have not frowned but,
5 rather, smiled on your comments thus far?

6 MS. CAPPPIO: I think that's safe to say.

7 MR. JACOBS: Maybe it would help if we could
8 walk through just a typical multifamily project, with a
9 loan and a grant, and how -- who would handle what, just
10 to kind of illustrate. I mean, would that -- or maybe at
11 the next meeting, just to do that.

12 MS. CAPPPIO: Okay, I think we could probably do
13 that now. But I wanted to get back to Janet's query
14 about it being more complicated and, therefore, why are
15 we doing this.

16 Well, one of the broader mandates of the
17 Governor's Administration is for government to work more
18 effectively. And to the extent practical, we've been
19 trying to figure out how that exactly works.

20 And cost-allocation systems, we do that now,
21 and so does HCD, with a federal grant or -- so the
22 systems, to some degree, are in place. All what we're
23 working with, to some degree, is in place. What we're
24 trying to do, is figure out how to raise the game and
25 work better together in a fundamentally more coordinated

1 manner.

2 My dream is to have a single portal where
3 someone coming in for a project would be vetted by a
4 joint working group, perhaps even CDLAC and TCAC. And
5 at the beginning, those funding sources and sort of what
6 we have available, they could rely on rather than the way
7 it works now, which both you and I know is less than
8 ideal.

9 And so that may be my Pollyanna-ness; but I
10 really want to make sure that we aspire to that kind of
11 service for the folks who create affordable housing in
12 our state.

13 MS. FALK: I completely agree. And I'm being a
14 little bit of a gadfly here just to get some of these
15 issues on the table.

16 MS. CAPPPIO: Yes, absolutely.

17 MS. FALK: But one of the things that you
18 mentioned was that there are different value sets in the
19 agencies. And having been a customer of both of them,
20 I can certainly attest to the fact that that's true. And
21 I think that that's an impediment to making some of this
22 work.

23 Do you actually have some thoughts about
24 actually just addressing that head-on instead of having
25 it just be two different groups with two different value

1 sets?

2 MS. CAPPPIO: Yes. I mean, I -- believe me,
3 that's been apparent.

4 I think one of my values is that I'm not
5 attached to either value set at this point; I'm just
6 seeking to understand each value set, and then figuring
7 out ways that they can be brought closer together.

8 We have been attacking that head on. And I
9 want to get to Matt's example of a loan project --
10 because I think we could give you a real one. We have a
11 couple of real ones recently that we could walk you
12 through.

13 But we do the same stuff, we have different
14 emphasis. And I think part of bringing cultures
15 together, is agreeing on a common set of values. And
16 we have to catch up on the HCD side. But we plan to do
17 that. And I think it would be really important to work
18 from the same values as housing entities working on
19 affordable housing for the State of California.

20 So there will be organizational development and
21 team-building as part of this effort. There has to be,
22 so that we both can understand each other.

23 Right now, some meetings remind me of
24 interplanetary gatherings. But there is a -- you know,
25 there's a lot of opportunity here. And it's interesting,

CalHFA Board of Directors Special Meeting – April 23, 2013

1 because the more that we've joined together and really
2 gotten down into the weeds, I think the more common
3 ground there is.

4 CHAIR CAREY: It is difficult culturally,
5 because when you're a lender, your goal is to make a deal
6 work. When you're managing funds that you're a steward
7 for, that came from someplace else, you're inherently
8 worried about what could go wrong. And those two value
9 sets get in the way.

10 If there is that same shared value of trying to
11 work together to work for the customer, then it helps a
12 little bit; but it is a challenging conflict of cultures.

13 MS. CAPPPIO: So if you'll indulge me, I'll
14 briefly take Project X, which is only loosely based on a
15 real event.

16 CHAIR CAREY: No names used?

17 MS. CAPPPIO: Right, exactly, so we keep
18 everyone safe.

19 So this project was a small risk preservation
20 project in an area of California where there was -- the
21 refinancing -- yes, refinancing of a CalHFA loan -- and
22 there also happened to be a loan on it from HCD.

23 The lead entity was CalHFA, and we went merrily
24 along. And then we ran into some concerns and issues
25 regarding rent levels. And that's where the cultures

1 basically -- there was tension, because from HCD's point
2 of view, the maintenance of maintaining those lower rent
3 levels, even though they hadn't been raised in years,
4 even to where they could be, was more important than --
5 that that was the most important value, where we wanted
6 to make the deal work, and wanted to underwrite in a
7 manner where the deal would be viable to our investors
8 and to the nonprofit entity.

9 As we've gone through those theoretical and
10 real examples, it's interesting to note that if there
11 were those kinds of discussions at the beginning, those
12 detailed, very critical discussions on what exactly is
13 happening and what's being proposed, I think we could
14 have headed off a lot of conflict.

15 And, Jim, do you have anything to add to that?

16 MR. MORGAN: I will be succinct.

17 We've taken that particular example and
18 expanded on it.

19 MS. CAPPPIO: The theoretical example?

20 MR. MORGAN: The theoretical example, and have
21 actually, from the chief level down, have made direct
22 communication with section chiefs, frontline managers,
23 and staff, to make sure any subsidy from either agency
24 that's in the deal, the calls are directed -- either
25 directed by CalHFA and HCD.

CalHFA Board of Directors Special Meeting – April 23, 2013

1 So those calls come in.

2 We initiate the call, and I've told staff: We
3 shall initiate the call to make sure we are all together
4 in concept meetings, and also on what it is, the
5 structure of the deal, so we can talk up-front and behind
6 the scenes to make the process go smoothly.

7 MS. WHITALL-SCHERFEE: And I would just like to
8 add, that these conversations haven't just been happening
9 within CalHFA, they have been happening between HCD and
10 CalHFA. Because we recognize, on both sides, that this
11 cooperation is really, really important. So it is
12 certainly not limited to CalHFA.

13 MS. CAPPIO: I also think that one of the
14 hidden advantages of working more closely together, is
15 that the nonprofit and other sponsors of affordable
16 housing, there will be one entity or a working group
17 responsible for that project. And we could have a
18 similar set of expectations and communications; and they
19 can't pit one side against the other. There will be a
20 common set of information needs and other kinds of
21 standards that will be applied, so everyone will know
22 what the other one is doing, which has distinct
23 advantages as well. Because as we have gone into the
24 examples that haven't worked so well, that has been a key
25 concern, that the other entities that were involved in

1 the deal didn't know exactly what was happening, and it
2 was fairly critical information.

3 Do you have other questions?

4 MS. FALK: No. The only thing I would add, is
5 that I notice that throughout what you wrote, there is
6 an emphasis on developing best practices. And that, I
7 think, is very key to making it all work.

8 And I really commend you for pursuing that
9 line.

10 MS. CAPPIO: Thank you.

11 So if we can --

12 CHAIR CAREY: Oh, I'm sorry, a quick question.

13 MS. PATTERSON: It's more of a statement.

14 So along the lines of the best practices --
15 because I have seen an agency act as lender and act as
16 grant administrator. Our agency is a perfect example of
17 that, Sacramento Housing and Redevelopment Agency, even
18 though they have separate independent entities, our
19 redevelopment stayed separate, its credit rating stayed
20 separate. We administered it by common staff.

21 And one of the ways in which we got to best
22 practices is we adopted a set of multifamily lending
23 guidelines. So whether it is our lending component or
24 whether it is our grant component, we marry those funds
25 together, and we are able to leverage several millions

1 of dollars, in that it went to our governing boards, and
2 there was a standardized set of multifamily guidelines.
3 So whether it's administration of a grant or the
4 administration of a loan, we had, you know, certain
5 underwriting guidelines in that set of common -- and
6 that's how we established our best-practices model. And
7 it has worked quite well.

8 And culturally, it worked together because we
9 had the same cultural -- we were all going for the same
10 goals. And so it's worked for 40 years. So it can be
11 done.

12 I think the governance structure is extremely
13 important in how is you set it up on the front end. And
14 I see where this was problematic. Because it's like,
15 they didn't ask the right questions, I think, on the
16 front end to be able to help it more efficiently fit
17 together. But it is possible.

18 CHAIR CAREY: Thank you.

19 MS. CAPPIO: On to the next issue, perhaps --
20 or just general questions at this point?

21 We've touched on this a little bit, but CalHFA
22 resources obviously need to be spent on CalHFA
23 activities. And the main details in this is that systems
24 need to be set up accordingly by both CalHFA and HCD.
25 We're just beginning to get into the guts of this. But

1 we don't think it is insurmountable. It will be more
2 work initially. But once the systems are established,
3 it will be much like administering another program that
4 we have from time to time -- for instance, KYHC, where we
5 bill separately. We have to bill back, or CalHFA gets
6 reimbursed, and vice versa.

7 CHAIR CAREY: Are there any statutory limits
8 there or bond-financing-related limits there in terms of
9 CalHFA resources only being used for CalHFA? Or is it
10 just a principle?

11 MS. CAPPPIO: I think it's statutory. It is
12 statutory.

13 MR. JAMES: Yes, it's effectively all of the
14 above.

15 By statute, our statutes have been created so
16 that we're not subject to direction or control, nor can
17 our funds be borrowed by another governmental entity.
18 And it's for those reasons.

19 And then there is also, of course, our
20 fiduciary obligation, which is to make sure that our
21 financial strength is maintained, and that has to do with
22 the way we go about spending our revenues -- structuring
23 debt, capital restructuring or loan structures, or
24 whatever it is that we do. All that we do is, of course,
25 to fulfill our fiduciary obligations to the Agency and

1 its mission.

2 CHAIR CAREY: Okay, great. Thanks.

3 MS. CAPPPIO: Next, maintaining the stability,
4 confidence, and independence of the CalHFA executive team
5 I guess can't be underestimated, again, given that this
6 has been a big plus for us in working with our rating
7 agencies, and the stability and competence of that team
8 needs to be maintained.

9 That said, this effort will take time; but we
10 at this point don't anticipate that time will in any way
11 materially affect the stability of the CalHFA executive
12 team.

13 CHAIR CAREY: So just circling back a little
14 bit, you haven't seen any really positives or negatives
15 in terms of impact on our ratings or whatever from this
16 restructuring?

17 MR. JAMES: No.

18 CHAIR CAREY: It's a neutral reaction?

19 MR. JAMES: Correct.

20 CHAIR CAREY: Okay, great.

21 MS. CAPPPIO: And I will note to you, just in
22 case you didn't read it, that in the last rating write-up
23 we got, they complimented the management team. So
24 they've known about this. And I've reported on it during
25 conference calls and in person for at least a year. They

1 know what's happening. They get the packets. And we
2 will continue to have that kind of communication with
3 them.

4 CHAIR CAREY: That's good.

5 And you're right.

6 MS. CAPPPIO: Exactly.

7 CHAIR CAREY: That's been a theme through years
8 of audits and ratings.

9 MS. CAPPPIO: It's been big.

10 CHAIR CAREY: And it's been pretty critical to
11 us.

12 MS. CAPPPIO: Yes.

13 Any other general or specific concerns or
14 questions as we roll through this?

15 CHAIR CAREY: Yes?

16 MR. GUNNING: In your write-up, Claudia, you
17 mentioned here that both CalHFA and HCD will be working
18 with different cabinet secretaries?

19 MS. CAPPPIO: Oh, well, we will be changing
20 cabinet secretaries soon.

21 MR. GUNNING: But it would be the same one?

22 MS. CAPPPIO: It will be the same one.

23 MR. GUNNING: Okay. Not...

24 MS. PATTERSON: Do we have a problem?

25 MS. CAPPPIO: Thank goodness.

CalHFA Board of Directors Special Meeting – April 23, 2013

1 CHAIR CAREY: Claudia, it may be premature, but
2 I'm wondering, the reference to the executive leadership
3 team and such, at the moment, the Agency has an executive
4 director in you, and HCD does not have a current
5 director?

6 MS. CAPPPIO: There's an acting executive
7 director, Randy Deems --

8 CHAIR CAREY: Right.

9 MS. CAPPPIO: -- who is the chief deputy
10 director.

11 CHAIR CAREY: And if I recall, the PID said
12 that this agency would report through HCD.

13 Is that still the -- can you share what the
14 picture for that governance structure is?

15 MS. CAPPPIO: At this point, I am still in
16 process with that with the Governor's office, so I can't
17 go into detail with that. But that's a lot of what we
18 are trying to work through right now with the final
19 recommendations going to the Governor's office. So I
20 anticipate that I will be able to discuss that at the
21 May meeting.

22 CHAIR CAREY: What is the -- the New York
23 model, you said they have one CEO, in essence?

24 MR. JAMES: Yes.

25 CHAIR CAREY: And who is that CEO employed by?

1 MR. JAMES: That CEO is the former cabinet --
2 what would be our secretary -- if we had a secretary of
3 housing, or a secretary of Business, Transportation and
4 Housing.

5 CHAIR CAREY: Yes, I think that's a great idea,
6 secretary of Housing.

7 MR. JAMES: It's the former secretary -- or
8 current secretary -- at their state level. And they've
9 brought five organizations within that umbrella.

10 And it was really -- well, my personal view,
11 just from looking at the structure, I have not talked to
12 their counsel yet, though I plan on doing so this week --
13 my personal view is, it was largely to -- at least with
14 regards to the housing finance agencies -- to coordinate
15 administrative support, because they've otherwise
16 remained separate.

17 And, again, that's because of the business
18 model that they use, which is just like our business
19 model.

20 And to the point about the current draft of
21 the reorganization that CalHFA is in Business,
22 Transportation -- excuse me, Housing and Community
23 Development, that is true. But, of course, with the
24 exception of that provision, all of our other statutory
25 provisions remain the same, as you know.

CalHFA Board of Directors Special Meeting – April 23, 2013

1 So we continue to be as we are in terms of our
2 statutory independence and our mission and our business
3 model.

4 CHAIR CAREY: Yes?

5 MS. PATTERSON: Have you all looked at perhaps
6 a joint powers authority that would serve as a staffing
7 entity, perhaps, in which CalHFA would remain a separate
8 independent agency with a separate independent board, HCD
9 would remain a separate, independent department of the
10 State of California, but you would have a governmental
11 staffing entity that would provide the governance that
12 would provide the common staff, the common policies, but
13 then those entities remain separate independent entities?
14 But that would give you the governance structure perhaps
15 to be able to operate and do things -- I mean, because
16 that's the hard part, is trying to figure out what is the
17 governance structure and what does that look like.

18 And so one of the issues seems like, how do
19 you marry staff and obtain these efficiencies while
20 maintaining the independence of each of these
21 different -- this department and this board.

22 And so I just throw that out there. Under
23 California law, there is the ability for municipal
24 governments to create joint powers authorities. And
25 one of the purposes of those, kind of, is to provide a

CalHFA Board of Directors Special Meeting – April 23, 2013

1 staffing entity, so to speak, that would be able to
2 provide those services.

3 MR. JAMES: One of the practical problems --
4 one of the practical problems that we face is, again,
5 the governance, the underlying economic -- or the
6 financial obligations of us versus them, the sources for
7 appropriations, the sources for spending authority.

8 CalHFA is largely exempt from most governmental
9 constraints or requirements. We're exempt from the
10 contracting process, for example, which is huge. And
11 part of the reason for that is when we were created,
12 however many years ago, in 1975, was to make us
13 operationally nimble. Because, you know, it's one of the
14 those unfortunate realities that when it comes time to
15 let a contract, in much of government service, it takes
16 six, eight months, a year or longer to get a contract
17 let, when we can do so pretty quickly.

18 We still, obviously, go through our diligence
19 and make sure that it's a responsible contract and all
20 that stuff.

21 Staffing is another huge area where CalHFA, by
22 virtue of this board having the authority to set its
23 staffing levels, can decide if we need -- our current
24 staffing, our current allocation, I think, is in the
25 neighborhood of 340 or something. If you decided we

CalHFA Board of Directors Special Meeting – April 23, 2013

1 needed 350 because we have this huge demand on loan
2 servicing, you could say -- we could come to you and ask
3 for that authority, and you could grant that.

4 In most of government service, they have to go
5 back and there is an elaborate process to make that
6 happen. And it's dependent, of course, on the overall
7 budget from the Governor's office.

8 CHAIR CAREY: Which is not to say, we haven't
9 experienced some of those gray areas that exist.

10 MR. JAMES: Right. That's right.

11 MS. CAPPIO: Like furloughs.

12 CHAIR CAREY: Exactly.

13 MR. JACOBS: But theoretically, CalHFA staff
14 could be contracted to administer grants on behalf of --
15 or to service?

16 MR. JAMES: Yes, sure, sure. We do that. I
17 mean, our MHSA program, we charge an administrative fee,
18 and we run that program on behalf of --

19 MR. JACOBS: So that might be an efficient way,
20 just for entire programs?

21 MR. JAMES: I guess that's a possibility.
22 I mean, statutorily, we can -- HCD has statutory
23 authority to contract out programs. But I think those
24 become sort of the operational business kinds of
25 decisions that have to be worked through.

CalHFA Board of Directors Special Meeting – April 23, 2013

1 MR. JACOBS: Right.

2 MR. JAMES: Because -- the other side of that
3 is, when you look at allocation of resources, allocation
4 of staff, HCD is basically appropriated year by year for
5 its funding. And if they don't get enough appropriation,
6 then their staff would get cut, or they might want more
7 staff because they have a greater service need, and they
8 ask for more money to hire more staff to provide this
9 service. But it might be decided that they can't have
10 it, and so they do without.

11 It might be that they don't have sufficient
12 appropriations for overtime. And so what happens is,
13 they just -- I don't mean to be pejorative about it,
14 but they kind of stop working. Obviously, people will
15 continue to work and they will do what they have to do to
16 be professional and responsible; but at some point, they
17 might not get paid overtime for the overtime that they
18 might otherwise incur.

19 We at CalHFA are freed from those constraints.
20 We, obviously, have our budgetary constraints that, you
21 know, we have to be consistent with our operating budget
22 that we present to the Board. But we are much, much
23 more nimble than that. And so if you were, for example,
24 to come to CalHFA and ask us to manage one of their
25 programs, one of HCD's programs, the question would be:

1 Are there sufficient appropriations to meet the needs?
2 And so if they ran out of money -- because they project
3 X-amount of dollars. And if at the end of the eight,
4 nine months they run out of money and they can't pay the
5 bill anymore, what do we do? Well, that would become an
6 expense of CalHFA.

7 And I'm not suggesting that we couldn't do
8 those kinds of things, but I think they would have to be
9 thought through.

10 And all of that would go to our obligations,
11 our fiduciary obligations to ensure our financial
12 strengths of the Agency.

13 MS. WHITALL-SCHERFEE: I think there's a
14 fundamental difference, too, of the job classifications.
15 We're under different job classification structures. So
16 that is another area that needs to be explored more
17 before we can really talk about how we could work more
18 closely, as you're describing it.

19 MR. JACOBS: I mean, it just could be so much
20 more efficient on one loan, if there's a grant and just
21 to have one person.

22 MR. SHINE: Or not. Or not.

23 MR. JAMES: Ultimately, you would still --
24 well, presumably, it may still very well go back to those
25 respective appointing powers for the authorization for

1 the loan.

2 Very clearly, a CalHFA loan would have to come
3 back either to the Board or to the Executive Director,
4 even if you had the loan prepared, originated by someone
5 other than a CalHFA staff member.

6 But I think the practical side of that is --
7 and we are talking to each other right now on this
8 collaborative process. And if I may, I think it's a very
9 powerful -- these conversations that are going on are
10 very powerful, and I'm very, very optimistic that it's
11 going to work well. And the key, truthfully, is the
12 collaboration -- the talking -- at the very beginning of
13 that process, of the loan origination, and getting very
14 clear on what the ultimate end game is and what each
15 interest needs. And when you're clear on that, and
16 you've got conviction or confirmation from each other and
17 you're committed to that, then you get to that closure
18 much more quickly and efficiently for everyone, for
19 the borrower -- particularly for the borrower.

20 Because right now, or historically, they've
21 sort of bounced between meeting CalHFA's needs, meeting
22 HCD's needs, and other localities, and that sort of
23 thing.

24 So I think that this collaborative process that
25 Claudia is referring to is a huge -- will be sort of a

1 landmark.

2 MS. FALK: I guess I would like to caution that
3 in this process, I could just see -- I'll take an example
4 of, say, documents you need for a loan, that HCD has
5 these, CalHFA has those. And so they all -- you know,
6 nothing gets eliminated; they just all get -- it gets
7 worse instead of better. And, I mean, there is a real
8 danger, I think, that that could happen.

9 In many ways, the asset management, it's the
10 same thing. If you go down to the lowest common
11 denominator of everybody, then it becomes even a more
12 cumbersome process; and it needs to become a more simple
13 process.

14 MS. CAPPIO: A point well taken. And, yes, we
15 really need to watch it with that.

16 But I think, as Victor has said, as we've
17 gotten into the weeds a little bit, there are big
18 opportunities for better coordination of standardized
19 agreements; doing only one report, one time, but having
20 it be used by both agencies, like a Phase I. That just
21 required just another sentence in our own agreement or in
22 HCD's own agreement of, this can be used by either agency
23 rather than doing it twice.

24 Those things, I think, cumulative, as Victor
25 mentioned, are very powerful to work better.

CalHFA Board of Directors Special Meeting – April 23, 2013

1 CHAIR CAREY: A shared vision will do a lot to
2 get to that point.

3 MS. CAPPPIO: And, you know, I will note to you,
4 this is not for the faint of heart.

5 CHAIR CAREY: Right.

6 MS. CAPPPIO: But for me, it is really
7 worthwhile doing. And this is one of the reasons why
8 I make the daily trip up here: To really make sure that
9 we could make this kind of impact, if we can.

10 So I remain fully committed.

11 CHAIR CAREY: Are there other questions or
12 thoughts?

13 *(No response)*

14 CHAIR CAREY: Did you want to make any other
15 points about specifics in the rest here?

16 MS. CAPPPIO: No. I've written down some
17 comments that you have had. And we will take those and
18 continue to work with them.

19 The rating agency, the communication with the
20 rating agency's best practices, the multiple family
21 guidelines, I thought, was a really wonderful suggestion.
22 I'm going to ask for a copy.

23 And if there is anything else that the Board
24 members wish to impart, we will be glad to listen at this
25 point as we move forward.

CalHFA Board of Directors Special Meeting – April 23, 2013

1 CHAIR CAREY: At this point, the timing is that
2 the revised PID is in process?

3 MS. CAPPPIO: Yes, that's correct.

4 CHAIR CAREY: And will be complete as part of
5 the May Revise or...

6 MS. CAPPPIO: Likely not. But I can't say.

7 We are on a journey here.

8 CHAIR CAREY: Right.

9 MS. CAPPPIO: So all I know is, this week I have
10 what I need, up to the Governor's office. It's in their
11 court.

12 CHAIR CAREY: Okay.

13 MS. CAPPPIO: Okay. I really appreciate your
14 time and the ability to get into a little bit more
15 focused discussion.

16 Thank you.

17 CHAIR CAREY: I think it was good to be able to
18 get this on the table outside of a construct of a regular
19 meeting. I think that was very helpful, because it gives
20 us room to think. And also for those members that
21 weren't able to be here, to be able to think through it a
22 bit and perhaps they may have some questions at the
23 meeting which is in just -- two weeks?

24 MS. CAPPPIO: Two weeks.

25 CHAIR CAREY: Two weeks.

1 Thank you.

2 MS. CAPPPIO: Thank you.

3 --oOo--

4 **Item 4. Discussion of Other Board Matters**

5 CHAIR CAREY: Any other Board matters?

6 *(No response)*

7 --oOo--

8 **Item 5. Public Testimony**

9 CHAIR CAREY: Seeing none, this is an
10 opportunity for public testimony.

11 If there's anyone in the audience who would
12 like to address the Board on a matter not on the agenda,
13 we would be open to that at this time.

14 Yes?

15 MR. MADRIZ: Can I make a comment?

16 David Madriz from California Housing Advocates.

17 I was just hearing Ms. Cappio's testimony,
18 and I just had a little comment on the merger that the
19 Governor -- Part 2 of the Governor's plan states, "The
20 two entities shall share the same basic mission: To
21 provide leadership programs and policies, directions to
22 expand affordable housing opportunities for
23 Californians."

24 So I see that as a way the Governor, as telling
25 these two agencies to expand housing for Californians for

1 not only high-income people, but also for low-income
2 people. And I'm eager to see this merger.

3 And I'm kind of -- the discussion done earlier,
4 I kind of see that the two entities -- that CalHFA does
5 not want to merge.

6 I see it would be better for them to merge so
7 we can get different policies in the way to administer
8 the funding to get more Californians to get housing in
9 California.

10 As a housing counselor, I think CalHFA needs a
11 lot of work.

12 And I notice there's new Board members. I
13 really would like you to take special attention to the
14 audit that CalHFA has, the 2010 audit. I think that's
15 very important while you're considering what you're
16 considering right now.

17 I'm not sure if CalHFA has -- the Board has any
18 power, how they work with the Governor, because this is
19 the Governor's final say, it's my understanding, from
20 Claudia's testimony.

21 Basically, those are the only two points I
22 wanted to make right now, hearing the testimony. And I
23 appreciate it.

24 Thank you very much.

25 CHAIR CAREY: Thank you.

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 the 29^h day of April 2013

DANIEL P. FELDHAUS
California CSR #6949
Registered Diplomate Reporter
Certified Realtime Reporter

**THIS PAGE
INTENTIONALLY
LEFT BLANK**