CalHFA BOARD OF DIRECTORS

California Housing Finance Agency
Board of Directors

Thursday, November 15, 2007

Burbank Airport Marriott Hotel
& Convention Center
Burbank, California
(818) 843-6000

10:30 a.m.

1. Roll Call.

2. Approval of the minutes of the September 12, 2007 Board of Directors meeting.

3. Chairman/Executive Director comments.

4. Discussion, recommendation and possible action regarding final loan commitments for the following projects: (Laura Whittall-Scherfee/Jim Morgan/Carr Kunze)

NUMBER	DEVELOPMENT	LOCALITY	UNITS
06-078-N	Rubicon Homes	Richmond/ Contra Costa	10

NUMBER	DEVELOPMENT	LOCALITY	UNITS
06-081-N	Alexis Apartments	San Francisco/ San Francisco	206

5. Update on Bay Area Housing Plan. (Bob Deaner/Kathy Weremiuk)

6. Update on Mental Health Services Act Housing Program. (Bob Deaner/Kathy Weremiuk)

7. Discussion, recommendation and possible action regarding Multifamily Architectural Guidelines. (Bob Deaner/Terri Parker)
Resolution 07-31…………………………………………………………………… (HANDOUT)

8. Report on capital markets and possible effects on bond insurers and swap counterparties. (Bruce Gilbertson)

9. Report on status of Homeownership loan portfolio. (Jerry Smart/Chuck McManus)

10. Report on the status to date of the new building strategic project. (Terri Parker/Steve Spears)

11. Report of the Chairman of the Audit Committee regarding Proposition 46 audit, audit of Housing Finance Fund, possible dissolution of Compensation Committee, changes to compensation process, and any other matters discussed at last meeting of the Audit Committee; and possible recommendations to and action by Board. (Jack Shine)

12. Reports **…………………………………………………………………………………..193**

13. Discussion of other Board matters.

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

NOTES

HOTEL PARKING: Day Guest Parking Rate: Guests not registered with the hotel will receive discounted parking at $7.00 inclusive of tax, per car, with no in and out privileges.

FUTURE MEETING DATE: Next CalHFA Board of Directors Meeting will be January 17, 2008, at The Westin, San Francisco Airport, Millbrae, California.

STATE OF CALIFORNIA

CALIFORNIA HOUSING FINANCE AGENCY

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BOARD OF DIRECTORS

PUBLIC MEETING

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Burbank Airport Marriott Hotel & Convention Center
2500 Hollywood Way
Burbank, California

Wednesday, September 12, 2007
9:39 a.m. to 1:40 p.m.

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Reported By: YVONNE K. FENNER, CSR #10909, RPR

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A P P E A R A N C E S

Directors Present:

JOHN A. COURSON, Chairperson
President
Central Pacific Mortgage

PETER N. CAREY
President/CEO
Self-Help Enterprises

EDWARD M. CZUKER
President
E.M.C. Financial Corporation

JEFF DAVI
for Dale E. Bonner
Secretary
Business, Transportation and Housing Agency

CARLA I. JAVITS
President
REDF
(formerly Roberts Enterprise Development Fund)

ELLIOTT MANDELL
for LYNN L. JACOBS
Director
Department of Housing and Community Development

JOHN G. MORRIS
President
John Morris, Inc.

THERESA A. PARKER
Executive Director
California Housing Finance Agency

WILLIAM J. PAVAO
for Bill Lockyer
State Treasurer

JACK SHINE
Chairman
American Beauty Development Co.

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CalHFA Staff Present:

MARGARET ALVAREZ
Director
Asset Management

SANDY CASEY-HEROLD
Staff Counsel IV

BRUCE D. GILBERTSON
Director of Finance

EDWIN C. GIPSON, II
Chief
Multifamily Programs

THOMAS C. HUGHES
General Counsel

JIM LISKA
Loan Officer
Asset Management

JIM MORGAN
Loan Officer
M/F Programs

JOJO OJIMA
Office of the General Counsel

L. STEVEN SPEARS
Chief Deputy Director

RUTH VAKILI
Loan Officer
M/F Programs

KATHY WEREMIUK
Special Lending Programs Manager

LAURA WHITTALL-SCHERFEE
Chief
Multifamily Programs

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Speakers from the Public:

JANE LACISTE, M.A.
Chief, Special Projects, Systems of Care
California Department of Mental Health

Gustavo Lamanna
Attorney at Law
Kane, Ballmer & Berkman

KIMBERLY McKAY
Vice President, Development
Related California

GERALD A. PORTER
Chairman
Cresa Partners

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BE IT REMEMBERED that on Wednesday, September 12, 2007, commencing at the hour of 9:39 a.m., at the Burbank Airport Marriott Hotel and Convention Center, Gala and Celebration Conference Rooms, 2500 Hollywood Way, Burbank, California, before me, YVONNE K. FENNER, CSR #10909, RPR, the following proceedings were held:

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CHAIRPERSON COURSON: Good morning. I will call the meeting to order. I'm sorry we're running about ten minutes late, but between -- since we're in Southern California and the opportunity to have beauty shots taken of members of the Board for the annual report and tie-ups on the freeways, we must be in Southern California. So we are ready to start the meeting, and we'll do that with calling the roll.

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Item 1. Roll Call

MS. OJIMA: Thank you. Mr. Davi for Mr. Bonner.

MR. DAVI: Here.

MS. OJIMA: Mr. Carey.

MR. CAREY: Here.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Here.

MS. OJIMA: Ms. Galante.

(No response.)

MS. OJIMA: Mr. Mandell for --

MR. MANDELL: Here.

MS. OJIMA: -- Ms. Jacobs.

MR. MANDELL: Here.

MS. OJIMA: Thank you. Ms. Javits.

MS. JAVITS: Here.

MS. OJIMA: Mr. Pavao for Mr. Lockyer.

MR. PAVAO: Here.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Here.

MS. OJIMA: Mr. Shine.

MR. SHINE: Here.

MS. OJIMA: Ms. Bryant.

(No response.)

MS. OJIMA: Mr. Genest?

(No response.)

MS. OJIMA: Ms. Parker.

MS. PARKER: Here.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Here.

MS. OJIMA: We have a quorum.

CHAIRPERSON COURSON: Thank you.

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Item 2. Approval of the minutes of the August 9, 2007 Board of Directors meeting

CHAIRPERSON COURSON: The first order of business today is the approval of the minutes of our meeting on August the 9th, which was held in Sacramento. Those are in your binder. Is there a motion to approve the minutes?

MR. PAVAO: So moved.

CHAIRPERSON COURSON: Mr. Pavao moves. Is there a second?

MS. JAVITS: Second.

CHAIRPERSON COURSON: Ms. Javits seconds.

Call the roll.

MR. SHINE: Before you call the roll --

CHAIRPERSON COURSON: Yes, I'm sorry.

MR. SHINE: I'd like to make one minor correction on page 31, line 15. The word "conversant" should be "conversing." That's my little saying, so.

MS. PARKER: See how thorough our Board members read their verbatim Board minutes.

MR. SHINE: Thank you, Mr. Chairman.

CHAIRPERSON COURSON: I really don't know what to say, Mr. Shine. That's impressive.

MR. SHINE: Thank you.

CHAIRPERSON COURSON: Okay. If there is no objection from the maker of the motion or the second, we will make that change.

And now we'll call the roll.

MS. OJIMA: Thank you.

Mr. Davi.

MR. DAVI: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: I'll abstain.

MS. OJIMA: Thank you.

Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Mr. Mandell.

MR. MANDELL: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Yes.

MS. OJIMA: Mr. Pavao.

MR. PAVAO: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: The minutes have been approved.

CHAIRPERSON COURSON: Thank you.

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Item 3. Chairman/Executive Director Comments

CHAIRPERSON COURSON: I'll make just a few very brief comments this morning. As you can see, we have a very long agenda. And our plan is to move through thoughtfully, not try to rush, make sure we have a lot of discussion on items of great importance to CalHFA to discuss today, and we plan to do that in the normal course of business.

We will at -- we have a candidate for the Director of Multifamily position who will be joining us later in the meeting, and when he does join us, and for the purpose of the Board meeting him and interviewing him, we will recess into a closed session. And then we will reconvene in open session to consider the hiring of that candidate. So when that time comes, which I imagine will be probably around 11:15 to 11:30, we'll move through. Then it should be about the right time on our agenda. We will try to accommodate him, however, when we get to that point.

Having said that, I have no further comments, and I'll turn it over to the Executive Director Terri Parker.

MS. PARKER: Okay. A couple things that I wanted to provide information for the Board. I wanted to let you all know that we plan to, in the future at future Board meetings, come back to you and follow up on a discussion from the Board meeting last month and put some time aside to talk about what's happening in the mortgage market and perhaps have the opportunity to bring in some of our partners, either from the mortgage community or the rating community, swap advisors to kind of sort of chat with you all about what they see is going on and how CalHFA fits into some of the aspects of the impact on the marketplace in California specifically.

There has -- continues to be discussion in the Legislature and in California per se about what can be done for those homebuyers caught in the subprime squeeze. To date, we have played a role with continuing to provide education for the Legislature, the Governor, anyone who essentially is looking for information on what the impact might be of subprime market on California. I think that there's a tremendous concern about the impact of foreclosures on the California economy, and we are continuing to evaluate what is happening by some of our sister state HFAs in other states of programs that they are beginning to implement to see whether they may be models that could be replicated in California.

We also have had some internal discussions among many of my colleagues, here sitting at the table, of talking about trying to get support within the executive branch on the FHA reforms, and we have submitted a proposal for consideration by the administration on weighing in and essentially using that as a tool to help with the current mortgage situation, in particularly our aspect of the mortgage market, the first-time homebuyers.

We need to essentially look at the ability to use FHA more than we have. It hasn't been a particularly strong vehicle in California because of loan limits, but we -- so we are using that. That is at least one path that we are taking to show leadership on this issue around the state.

I wanted to let you all know that we made some changes in our -- one of our down payment assistance programs, our HiCAP program, that you all are aware of. It's a down payment assistance program that we developed six or seven years ago to really help us do lending in underserved areas. We started out doing it in three counties, primarily in Northern California, but we spread out and we cover Orange, Santa Clara -- I'm not going to list them all.

But we have been tracking that program very closely because of the amount of limited housing assistance trust funds that we have, and we have discovered -- or we know in our management of it -- that we have really brought up the statistics of serving in Santa Clara County and San Diego County to the point that we are now serving Santa Clara County over 200 percent of what per capita would be and San Diego County of almost 180 percent of what per capita would be. Meanwhile, we are under-serving Los Angeles, where we are today, with only about 14 percent of where the -- what their capita is, which is 28 percent.

So we, staff, have made changes so that we are no longer offering those programs in those two counties. There's -- Di and I were asked to come and talk with one of the legislative members from that particular area. And part of the reason why I bring this up is that you all may see where they're to be contacted. We have a full analysis and evaluation of what all we have given as the basis for this consistent with what we have had as guidelines. But we felt that given those limited resources, that it was our obligation to try to make sure that we were moving into areas where we are at least serving on a per capita basis.

The last thing I want to just bring to your attention is that we made some changes internally within CalHFA to recognize programmatic demands on us and also to try to be as efficient and effective as we can with our staff resources. We have done a reorganization. Many of you are aware that we have two chiefs in our Homeownership branch. We're still lacking a director. Gerry Smart has been our No. 2 in leading the staff for quite some time now. And we have a vacancy since one of our prior colleagues, Ken Williams, left, who was over Special Lending.

And what we decided was that we really needed to Go, and to better serve some of our programs, to consolidate Special Lending on the Multifamily side, particularly the HELP program, the RDLP program, and bring Doug and his staff and his resources over and combine them with the Special Lending programs in Homeownership to essentially make a full menu. So it -- we've moved Doug physically and his folks. He's on board and he's doing just a great job, so we think that that's a good improvement in our administration.

We've also added some additional depth to the staff in Legal by hiring Victor James as our No. 2 there to help Tom, who's been working on a number of thorny legal issues, to make sure that the legal staff is well represented and we have broader recruitment efforts to keep the day-to-day legal stuff moving along.

We have announced today to many of you, you can congratulate her, that we have asked that Kathy Weremiuk, to get her promotion in place to lead with the implementation of the MSHA Prop 63 program, and Kathy, along with continuing to do her duties as in the Bay Area Housing Program, will be the Multifamily Director of

Special Lending. And she will continue to report to Edwin, but it is a stronger position for her, recognizing the additional work required to get that program going and implemented, which we will be talking about later.

We've also been working on a team that's going to be working on the MSHA Lending Program. It's from Asset Management, our Financial Services folks, Multifamily, Legal, everyone to get that program and the staff in place to be ready to go when we start getting those applications.

So with that, Mr. Chairman, that concludes my report and remarks. We are continuing to look at ourselves internally and continue to try to keep the trains on time and serve the Agency.

CHAIRPERSON COURSON: Questions of the Executive Director?

MR. DAVI: Mr. Chairman, could I just make a comment?

As one of the three regulators that has been brought up on several hearings over the past six months over the subprime issue and the issue of nontraditional loans, I just want to make a comment and thank Terri for all of her work and for CalHFA's involvement in the interdepartmental working group on nontraditional loans that was formed earlier this year.

It includes HCD, Department of Corporations, my department, and the Department of Financial Institutions as well as CalHFA, which your participation in that has been instrumental in helping us to do the town halls and do the outreach that we're doing, trying to help the people that are in trouble, providing counseling and look at some of the options that are out there and actually make sure we don't do something that would be a mistake and have far worse impact. So I want to thank you for that involvement and, Terri, for your support and help.

CHAIRPERSON COURSON: Thank you.

Actually, Terri and I had a conversation in the Governor's Office early that week regarding this, and one of the things that they are trying to do is put together a public outreach through the Governor's Office in terms of getting borrowers to see their lenders, the opportunities that are out there.

And actually as of this morning, we found that we'd worked yesterday, a sort in the box already put together PSAs and public announcements that we're going to send over -- that have been used in other states that we're going to send over to the Governor's Office, and hopefully they can have this and be ready to move even faster. So working together with the other regulators and so on, I think that we could certainly supply them with what they need to get the word out to the public.

Other questions of the Executive Director?

Seeing none, then our first business agenda item is we have four projects, and I'll turn it over to Laura.

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Item 4. Resolution 07-23, La Vista Apartments

MS. WHITTALL-SCHERFEE: Okay. What we thought we would do this morning is we thought we would start with a discussion of the buyer/seller relationship, the unrelated parties relationship, that's present in the first three deals. You'll see and you probably noticed when you were reading it that there is -- that AIMCO is omnipresent in each of these three deals.

We have been working very, very closely with Stan Dirks and with Orrick to make sure that these are considered unrelated parties. And we thought that the best way to start this discussion today was, before we went into the discussion on the projects, was to ask Stan to come forward and just make sure that everybody was comfortable with how that unrelated parties relationship works.

So at this point I'm going to ask Stan to come forth and explain in a little greater detail than I'm capable of how the unrelated parties on each of these three transactions work.

MR. DIRKS: Thank you. My name is Stan Dirks, D-i-r-k-s. I'm with the law firm of Orrick, Herrington and Sutcliffe.

The unrelated parties question is a tax issue. And the bottom line is that for bonds to be issued to acquire and rehabilitate a project, the buyer of the project, the entity for whom the bonds are issued, must be unrelated to the seller of the project. And that -- the two parties, two entities, in this case usually limited partnerships, are unrelated if a majority of their ownership is distinct and separate, is different.

So you can have -- stated the other way, you cannot have the same group of parties or entities or ultimate owners having a majority interest of both the buyer and the seller. This -- the ownership relationship is not simply a matter of looking at the names of the partnerships and seeing that they're different. You have to delve into who owns the partnerships and what each interest is of each of those partners.

Because the rule is applied not only to capital interests, that is to say if the partnership were liquidated today who would get what, but also profits interest, that is, over the next 20, 30 years who's going to get what. So each partnership agreement needs to be parsed through to see which entities have which interests and how they relate to, if at all, any of the entities that -- entities or persons who are owners of the buyer.

So again, the buyer must be unrelated to the seller. We've done the due diligence to look through these documents as they currently exist, the partnership agreements, and we'll keep track of it as we're going forward to make sure things don't shift and change and things don't change. But the seller of the project and the buyer of the project must be unrelated parties in that the relationship test is a majority ownership test.

I'd be happy to answer questions. I'm sure I've used jargon that's not necessarily familiar.

CHAIRPERSON COURSON: Are there questions?

Obviously, in reading it I was -- noted that the three were interrelated and thought it would be appropriate before we look at that to make sure we understand the relationships.

MR. DIRKS: So in each of these cases, for example, AIMCO cannot have a majority interest of both the seller and the buyer. And their interest on at least one of those sides has to be a minority interest, and in some cases it's almost a trivial interest. But they are -- even though they exist on both sides of the transaction, that's okay as long as they and their relationships and so on don't have majority interest on both sides.

CHAIRPERSON COURSON: Mr. Pavao.

MR. DIRKS: That's simply the tax question. Public policy issues are not governed by the same instances.

CHAIRPERSON COURSON: Mr. Pavao.

MR. PAVAO: So in these instances, is AIMCO going to be the GP in both the seller and buyer ownership?

MS. WHITTALL-SCHERFEE: Well, we have -- on La Vista, what they're going to end up being is be both. They're part of the seller structure, and they're going to be the co-general partner and developer on La Vista.

On the other two projects, they will be only the investor. They're the seller, and they're the investor on the two projects that you'll hear about, Ridgewood La Loma and Casa de las Hermanitas.

MR. DIRKS: In all those she says they are the seller. It may be that they're just the general partner of the seller.

MS. WHITTALL-SCHERFEE: True.

MR. DIRKS: So be very careful about what interests you're talking about.

MR. PAVAO: And the question you're answering is or speaking to is their ownership interest --

MR. DIRKS: Yes.

MR. PAVAO: -- as a general partner is minimal.
MR. DIRKS: Right.
CHAIRPERSON COURSON: Mr. Shine.
MR. SHINE: Question. Just glancing through, am I clear that what's going on here is a purchase, refinance and rehabilitation?
MS. WHITTALL-SCHERFEE: It's a sale.
MR. SHINE: Sale. And the sale from one hand to another will generate around $6 million between the three projects, acquisition costs?
MS. WHITTALL-SCHERFEE: But the ownership is going to change on the other two projects.
MR. SHINE: I understand that part.
CHAIRPERSON COURSON: Mr. Czuker --
MR. SHINE: How long --
CHAIRPERSON COURSON: I'm sorry.
MR. SHINE: How long have they had those projects, these folks?
MS. WHITTALL-SCHERFEE: These are -- approximately 1980.
MR. SHINE: These folks have been in it --
MS. WHITTALL-SCHERFEE: Yes.
MR. SHINE: -- in the deal since 1980?
MS. WHITTALL-SCHERFEE: Yes.
MR. SHINE: And now they're refinancing,

rehabilitating, and restructuring.

MS. WHITTALL-SCHERFEE: Selling.

MR. SHINE: And the money is going out around $6 million, going out to do the acquisition side?

MR. CZUKER: That's just the acquisition of the property. The test here with tax exempt bonds, which is one of the clarifications that I was going to add, it relates to there needs to be sufficient rehab that's done, otherwise the change of ownership is irrelevant and the use of tax exempt bonds becomes illegal.

And so the requirement would be are they not only acquiring but is there a substantial enough and significant enough rehabilitation to reposition the asset, not just a change of ownership, but specifically to reposition the asset with construction and rehabilitation. And that's perhaps something when we get into the project specific they can spend more time and detail. Because sometimes it's done cosmetically and sometimes it's done substantially. And these buildings back in -- built in 1980 could already have some of their capital expenditure requirements for building systems, roofs, painting, electrical, plumbing, in addition to cosmetics.

The ripe or the mailable question I would ask is what happened to the original loans? And those original loans would have had reserves for capital expenditures for the life cycle of the buildings, and were those dollars applied. And if not, where are those dollars recycling so that we're not just lending money on top of money that was already set aside for specific purposes.

MS. WHITTALL-SCHERFEE: And we will discuss that when we talk about the individual projects.

CHAIRPERSON COURSON: Any other questions regarding ownership and the relationship on these loans?

Okay. Mr. Dirks, thank you very much.

All right. Let's move through the first project, which is the La Vista Apartments.

MS. WHITTALL-SCHERFEE: And you will notice today the slides are a little bit slow. Jason is sitting with me because we're doing this remotely. So the good news is we didn't put dozens and dozens of slides together on each of these projects, but it's going to take a while for the slides to show.

Margaret Alvarez is going to join me, and Jim Liska is joining me for the first project, which is La Vista Apartments.

La Vista Apartments is a 75-unit family project. It's located in Concord in Contra Costa County. The current owner of the property is La Vista Associates Limited. It's a limited partnership whose general partner is AIMCO, which is Apartment Investment and Management Company.

The complex was constructed in 1982 and has a hundred-percent Section 8 contract on the project. The buyer of the project is going to be La Vista Preservation, a limited partnership, whose managing general partners will be AIMCO La Vista, LLC, which is a Delaware limited liability company, and Affordable Housing Access, Inc., which is a California nonprofit corporation.

Even though there is a hundred-percent Section 8, we are doing a single loan structure. The acquisition rehabilitation loan is going to be in the amount of $5,550,000 -- $5,545,000 at our variable rate that we use for our construction loan program, 12 months interest only, and it's tax exempt money.

All of the projects that we are talking about in this morning, the first three, are at CDLAC awaiting CDLAC allocation. We have been told that they are expected to be approved. They were on the initial list for approval.

The permanent loan will be 5,545,000 at 5.2 percent. It will be a 30-year fixed loan, and it will be prepayable after the qualified project period using tax exempt financing.

And Jim is going to describe more about the project and what is going to be done to the project.

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

As Laura indicated, the project is located in the City of Concord, Contra Costa County. It's located off a major arterial street, and it runs east-west. And down here is basically where you see the corridor, the 624 that runs into Solano County and Southern Alameda County. Also located just about a mile to a mile and a half away is the downtown Concord area.

Next slide. It's slow. This is the site. Located off across the street here are condominiums, single family residences. To the west here is a day care center. Back here is a -- it's called Windsor Rehabilitation Center for Seniors. And over on the east side is the Salvation Army Community Church. It's located in an established area, 95-percent built up, built in 1982.

And the next slide, as we discussed, you can see where basically we're doing -- there's five years remaining on the current HAP contract, on a 30-year total HAP Section 8 loan. We have a letter from HUD that we recently received indicating that they are prepared - once the last five-year term expires, that they are going to give us a -- the project a new 20-year HAP agreement based upon annual renewals. Since the Section 8 grants are 903 versus the 60-percent level 874, $1,015 versus a 1,006, 1143 to 1106 on the three bedroom, I basically am recommending one combined loan for the 30-year amortization period, which is due for prepayment after the 15th year.

As indicated, we have unrelated partners -- parties in this relationship from seller to buyer. However, it's our policy that equity is not left out of a project during the sale transaction like this. So the sales price reflects that portion of AIMCO's selling fees. Their 5-percent ownership fee, their approximately 10-percent disposition fee has been rolled over into a residual receipt note to be paid when the project is paid off. There's no prepayment on this loan. The outstanding balance right now is $1,800,944. The current interest rate is 9.13 percent. When we did the calculations refinance, we found out there was no prepayment penalty.

As far as hard costs, rehabilitation, this is one of the criteria that HUD also looks for when they do a renewal of their HAP contract agreements. They consider this substantial rehabilitation. Just the hard costs, the materials that's installed, the labor, is $2,155,825 or $28,744 a unit, which is substantial.

It will be used for improving remaining roofs, dual pane windows. We need some -- this site is basically terraced, and we're going to need to reinforce retaining walls that are already in existence on the site, perimeter fencing, security. We're doing interior kitchen cabinets, flooring, appliances, bathrooms. The decking and the wood stairwells need to be redone on the exteriors, and we're doing -- redoing that. Finally, we're redoing baseboard heating in the units as well as the air conditioning.

As far as relocation, in this budget you'll see a normally larger budget than what you've seen on past projects. It's $225,000 or about $3,000 a unit. And in my write-up I put down two to three days. And really, I should have mentioned that they're contemplating up to 30 days. They've giving a very conservative estimate as far as how long people will be out of their units. This is a hundred-percent occupied unit, as well as they have an individual agency monitoring the relocation.

Our Phase I indicated no adverse conditions, and the seismic was okay as well.

Looking at capitalization rates in Contra Costa County, the past three years they run anywhere from 5 and a half percent up to 8 percent. The average right now is

5.92 percent.

Looking at transaction sales in the last three years, based on 46 sales, average score for costs is $143. And if you look at the average unit price per sale, it's 117,000. This project is being purchased for $71,000. So we think this project fits the parameters for selling underwriting.

With that, I would like to take any questions that you may have.

CHAIRPERSON COURSON: Any questions on the La Vista project?

MR. DAVI: If I can just comment on one thing. I normally would use a gross multiplier on apartments, and, actually, that's even better than the cap rate numbers. I just want to support your value. You've got a very valued property here. It's a 10.22 gross multiplier. In that market you could see 14, 15, I mean in certain areas of Contra Costa 16 gross multipliers. So there's value in the property, so I think you've done a very good job of being conservative in the numbers, I can just tell you that.

CHAIRPERSON COURSON: Mr. Czuker.

MR. CZUKER: Yes. Thank you, Mr. Chairman.

I just wanted to comment that I believe this is a good request, and I'm happy to see these type of requests come before us. I think we're fortunate to have strong sponsors in this case. I've heard good things about Affordable Housing Access, Inc., and about Bill Hirsch and Jonathan Webb over many years. And their reputation and experience is certainly well-known in the industry, and similarly with NHP and AIMCO, who have specialized in affordable housing for a long time. So I think that we have an experienced team on both sides, which, you know, in terms of knowing your borrower and having strong experienced people, I think it's a very strong, positive thing for us, to be working with us and convinced staff to bring this forward.

Equally, the debt service coverage ratios on this deal, for example, is above our normal minimums, and so we have a fairly safe debt coverage from conception all the way through the amortization of the loan. And so I commend that to you for being prudent in the loan structure. And, you know, with that, if there's no other comments, I'd be happy to recommend approval.

CHAIRPERSON COURSON: Is that a motion to approve?

MR. CZUKER: Move to approve.

MR. DAVI: Second.

CHAIRPERSON COURSON: There's a second.

Is there any further discussion on the project?

MS. JAVITS: Yes, I have some.

CHAIRPERSON COURSON: Ms. Javits.

MS. JAVITS: Thank you.

I just wondered in relation to the question you raised earlier, I don't think we heard an answer to that.

MS. WHITTALL-SCHERFEE: Is that regarding the existing replacement receipts? Is that the question you're asking?

MS. JAVITS: Yeah. So previously they set aside replacements reserves.

MS. WHITTALL-SCHERFEE: They stay --

MR. LISKA: We had --

MS. WHITTALL-SCHERFEE: Go ahead, Jim.

MR. LISKA: We had an existing replacement reserve of $110,000, and this will be transferred over to the new buyer, and this will be used towards the relocation of the project.

MS. JAVITS: So their original replacement reserves were just insufficient for the needs of the project?

MS. ALVAREZ: The loan term ends in -- the original loan term in 2012, five years. So one could argue that the reserves did what they were supposed to do. If we did nothing today, this building could get to the end of its loan term where the Agency paid off and the tenants will have been well served and had a good apartment. And that's -- if you're asking would the reserves last another 30 years, the answer is no. And that's exactly why we're here recapitalizing these today, is for questions like you're leading to.

MS. JAVITS: I just wanted to ask a couple of other questions since this will relate to several of the other projects and excuse my ignorance. I'm sure there's things that some understand, but can you just explain a little bit more about the acquisition? What's the purpose of the acquisition in this case? Why is the property being sold and purchased by somebody else?

MR. LISKA: The property is being sold as we've led into in previous explanations. It's an older project now, 25 years old. It needs to be recapitalized. One of the avenues open is to do a sale with a new legal entity, and this opens up the avenue to provide for tax credits for additional equity. And with the combination of using the minimal existing reserve we have, $110,000, plus the tax credits and the whole syndication of this new financing transaction, we're able to do a couple million dollars' worth of needed rehabilitation for the project.

MS. JAVITS: So it's essentially to make the property --

MR. LISKA: More competitive --

MS. JAVITS: -- competitive for other --

MR. LISKA: -- habitable, livable, give the tenants in place a new sense of dignity.

MS. JAVITS: Okay. So then in that, I guess related to that, then, can you explain a little bit about the -- the fees that are -- that result. For example, we have a $1.2-million developer profit line under costs. In each of these projects, there's a cost item related to --

MR. LISKA: The developer is allowed a developer fee under tax credits, and it's based upon, I believe, acquisition costs and it's based upon the contemplated rehabilitation. And so that's all eligible basis as far as providing an incentive for a new buyer, developer, to enter into this type of transaction and share that fee between themselves as well as the tax credit investor.

MS. WHITTALL-SCHERFEE: So what you'll also see frequently is that a lot of the fee ends up being deferred, and that is truly the case in La Vista.

MR. LISKA: In La Vista the entire 1,190,000 is deferred.

MS. WHITTALL-SCHERFEE: The other comment I'd like to add to what Jim said is, because this loan really matures in five years, by coming back we're actually providing extended affordability because we have a

30-year loan. Granted it could be repaid after year 15, but that still gives a lot more affordability to existing tenants and keeps the project affordable. That's really the goal behind these portfolio sales.

MS. JAVITS: Thank you.

MR. LISKA: Any other questions?

CHAIRPERSON COURSON: Question from the Board?

Mr. Czuker.

MR. CZUKER: Also for clarification purposes, I mean the total sources are in excess of $10 million. The CalHFA is being asked to contribute or participate in the five-and-a-half-million range, so roughly a little over 50-plus percent. The balance of the sources are coming from tax credits and other means, so it's a way of capitalizing and stretching CalHFA resources with the use of tax credits and other means and spending a significant dollar amount towards rehab, rehabilitation to reposition the asset, which that investment would typically not be capitalized from other sources for affordable housing.

CHAIRPERSON COURSON: Other questions or comments?

Mr. Pavao.

MR. PAVAO: Could you tell me a little bit more about what the Agency's policy is at it relates to pulling equity out of deals in circumstances like this.

MR. LISKA: Our policy is that right now we do not allow equity out. Even though it's unrelated parties, there is recognized as the -- they will remain as a limited general partner at 10 percent. It's just been our policy not to let equity out.

MR. PAVAO: And so then did I hear you say is AIMCO taking back paper on this one or --

MR. LISKA: Yes. AIMCO is taking back paper from their -- they're part of the original selling entity. They're taking back -- what we did, we've deleted their closing costs from the sales price. We've deleted -- or not deleted, but we've made into a residual receipt for the mortgage in place, the 5-percent ownership, plus or minus, as well as the distribution fee of their entitlement of any funds owed them upon settlement of this property. So, yes, they are contributing, you know, almost three quarters of a million dollars with this transaction. So they do have an interest in this property, and they maintain it and continue the affordability.

CHAIRPERSON COURSON: Other questions or other comments?

Is there any comment from the public?

Seeing none, we have a motion to approve the project. Let's call the roll.

MS. OJIMA: Thank you.

Mr. Davi.

MR. DAVI: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Mr. Mandell.

MR. MANDELL: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Yes.

MS. OJIMA: Ms. Pavao.

MR. PAVAO: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 07-23 has been approved.

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Item 4. Resolution 07-24, Ridgewood Apartments and La Loma Apartments

CHAIRPERSON COURSON: Okay. The next --

MS. WHITTALL-SCHERFEE: The next project --

CHAIRPERSON COURSON: -- project.

MS. WHITTALL-SCHERFEE: -- I'm going to ask Jim Morgan to come up. Terri did announce some changes within CalHFA, and I'd like to announce a change that took place a couple months ago. Jim Morgan has been with the Agency for I think almost five years, maybe even longer, and Jim was recently promoted to be a loan officer. So this is his first presentation to the Board, but he has actually participated in many write-ups and many projects before, just behind the scenes, so I'd like to welcome Jim.

CHAIRPERSON COURSON: Jim, welcome and come up to the table.

MR. MORGAN: Thank you. I would have worn a blue suit, but I'd be like another ten individuals here.

MS. WHITTALL-SCHERFEE: This too is a portfolio sale. The one thing that's a little bit different about this project from just about any other project we've presented to you is that this is at CDLAC waiting for CDLAC approval, but it had to be submitted as two separate projects. Ridgewood Apartments and La Loma Apartments are approximately 13 miles apart. They are, however, one loan in our portfolio. For CDLAC purposes, however, they did not recognize these two projects as qualifying for a single allocation, so we actually have two allocations currently at CDLAC, one for Ridgewood Apartments and the other for La Loma. Both of them are scheduled to be approved.

So we chose to continue this project and are looking at this project as a single project. It's in our portfolio that way, and our goal is to continue it that way. The Section 8 is coterminous. Everything is happening with these projects in a combined fashion, from the construction rehab contract to the Section 8 discussions.

So Ridgewood Apartments and La Loma Apartments are two projects. Ridgewood is a 41-unit family project located in Sacramento, and La Loma is a 34-unit family project that is located in Rancho Cordova, a suburb of Sacramento. The seller of the project is La Loma Associates, a limited partnership with a general partner that we've discussed already of AIMCO. The new borrowing entity will be RL Affordable LP, and the managing general partner will be RLHAP limited partnership and Las Palmas Foundation, a California nonprofit corporation. They will own the project.

Both projects have a 100-percent Section 8 contract, and the contract is set to expire on May 22nd of 2020. The loan terms are more traditional. They're more of what you've seen before. We have a first mortgage, and then we have our second mortgage, which is based on the Section 8 portion.

The first mortgage is in the amount of $3,075,000 at our variable rate loan which is currently 5.2 percent, and it's a 24-month interest only tax exempt acquisition rehab loan. The second mortgage, which stays in place after the permanent loan is in place, is in the amount of $1,160,000 at 5.2 percent for 14 years. It's a fully amortizing tax exempt loan. When the loan goes to a permanent loan, it will be in the amount of $3,165,000 at 5.2 percent. It will also be a 30-year loan that is prepayable after year 15, and it's going to be tax exempt financing.

There are a couple of -- there is a change that Jim Morgan will address a little further, and that is the change to the replacement reserve. On page 130 it says it's at $450 a unit, and it is actually going to be at -- increased to $500 a unit.

And with that, Jim will take you through the project and the slides and explain the rehab.

MR. MORGAN: Thank you.

RLAGP is made up -- is comprised of Bentall Residential. This will be the tenth project -- Ridgewood La Loma will be the tenth project that Bentall Residential has brought to CalHFA in the last three, four years.

On this slide here we have the Ridgewood project outline. Looking west we will see Highway 99 and 47th -- Highway 99 running north-south and then 47th Avenue goes east-west.

With the closer view, this has a setback. There's a slight frontage road next to 47th Avenue located just north of the property.

This is one of two entrances to the property, coming from the west end.

Right after Ridgewood will be La Loma as well. As Laura mentioned, this is an existing portfolio loan for one loan for two projects, and both projects were submitted to CDLAC for separate allocations -- separate applications for separate allocations. Combined, both -- the construction costs for both projects will be approximately $2.2 million, just slightly below $29,000 per project.

Approximately almost 50 percent of that will be for the building's exterior and the building itself. The majority of that rehab, mostly siding, windows and roofs. About 700 an -- about a million-20 for the siding and roofs. The majority -- the remaining part is $725,000 is for residential units.

Our relocation expense has been set aside of

$60,000. It has been budgeted. And most of the rehab will take place around unoccupied units; however, $60,000 has been set-aside for relocation of the tenants. Most of these rehab -- the material, interior units, are rehabed with prefab cabinets, flooring, so usually it's one or two days maximum that the tenant is out of pocket.

Both Ridgewood and La Loma have the same design, same exterior/interior building design, same siding, same layout. Ridgewood is slightly larger at 41 units and La Loma is 34 units.

We have an initial deposit of a thousand dollars per unit on the replacement reserve, and in addition to, as Laura before mentioned, we've increased the replacement reserve, the annual replacement reserve to $500 per unit.

There's the La Loma project. It's slightly -- La Loma is located facing -- this is facing south. Highway -- Folsom Boulevard is just along this arterial here. And just further south is Highway 50, which goes west-east from Sacramento up to Lake Tahoe.

This project is surrounding mostly -- almost all -- almost mostly by market rating. Those are all market rates apartments around the project.

Again, siding, reroofing are issues at both Ridgewood and La Loma, and both will be addressed with the rehab. You can see some lifting shingles on the roofs, which will be replaced.

And another typical kitchen picture.

The rents, you will see that both for Ridgeway and La Loma, both of the Housing Assistance Payment contracts will expire in May of 2020. The borrower, Bentall, is -- has -- will receive an annual -- will receive an extension or renewal of that HAP contract, the annual renewals. The Section 8 rents are slightly higher than the market rate rents and the cap is adjusted accordingly. We don't trend the rents up until the year eight for that subsidized portion.

Also, in this project we have a transition operating reserve of $159,000, if we were to lose our Section 8 rents. That represents one year of subsidizing to make that transition to market or whatever we would have to do to make the rents more affordable.

MS. WHITTALL-SCHERFEE: And with that, we'd be happy to answer any questions. We apologize for the slow slide presentation.

CHAIRPERSON COURSON: Questions on Ridgewood or La Loma?

Mr. Czuker.

MR. CZUKER: I have a potential conflict, so I'd like to disclose that to our attorney for his input, which is I've done some past partnerships as well as present partnerships with Las Palmas Foundation, a nonprofit cosponsor of this project. And I don't know if I should recuse myself from participating in the discussion or voting.

MR. HUGHES: First, let me ask Laura, was this one of the projects where we got the letters?

MS. WHITTALL-SCHERFEE: Yes. Yes, we -- this is the letter we forwarded to you.

MR. MORGAN: Right. We received a letter from Joe Michaels, Las Palmas Foundation, and as chairman of the board as well that there are no dealings whatsoever with them, with Las Palmas, with Ed Czuker or Ed Czuker and any of Las Palmas properties. We did that because we knew that had come up in the past.

MR. HUGHES: And it would be helpful, I think, just for me to very briefly reiterate the rules on conflicts, because they are quite complex. And, of course, as the Board can see from the other documents in front of you, the analysis is quite complex.

There are two general sources of conflict law that we need to be sensitive to. One is the Political Reform Act, and two is Government Code section 1090. The Political Reform Act is a very complex analysis, an eight-step test, and we can't do it sitting here. It's just not really possible in most cases. And that goes to a Board member disqualifying himself.

Government Code 1090, on the other hand, which prohibits a public official from having financial interests in a contract, disqualifies the entire Board if any Board member has a conflict, and recusal is not an option. So the issue that we always need to keep in mind is if there is any financial interest, our Board is disqualified and we can't proceed. So generally we need to do that analysis ahead of time in order to be able to give any comfort to the Board that the action will be permitted.

In this case particular case I think we sought out, anticipating these issues because we've noticed in the past you've disclosed that you had those relationships, although not the projects at issue, so we contacted these folks to try and make sure that there was nothing there that would suggest that there was a financial interest. And based on this letter and the facts that we've ascertained, there does not appear to be one.

But I wanted to have that caveat. I know in the past when we've had Board members join I've written memos to the Board that we really need to deal with the complications ahead of time so that we're able to give some assurance of comfort to the Board.

In this particular case, again, based on these letters, it appears that everything is okay.

CHAIRPERSON COURSON: Are there any other questions or comments on the project?

Mr. Carey.

MR. CAREY: Two quick questions. Given the nature of the rehab and all the siding replacement, are you reasonably sure that they are structurally sound?

MR. MORGAN: Yeah. We -- our seismic consultant, URS out of Southern California, performed seismic reviews both on Ridgewood and La Loma, and we are structurally sound. That may not be -- that's not the case on the next project coming up on Casa de Las Hermanitas, but on Ridgewood and La Loma, yes, we are structurally sound.

MR. CAREY: And the other one is very minor, but I noticed that the relocation plan for this and the previous project are almost word for word the same, but the budget on this one is almost four times.

MS. WHITTALL-SCHERFEE: Yeah, this is more traditional in terms of what we see as relocation budgets. I think Jim did mention -- Jim Liska did mention in his earlier presentation that they are -- that maybe he miswrote a little bit in La Vista because what they really intended to do was to keep a 30-day relocation budget, whereas these projects need closer to four to five days per unit, and that was why it was so large.

60- to 65,000 on an 80-unit, 75-unit project is traditionally what we're seeing. Bentall has had a lot of experience with this relocation, and that is historically what they have seen. They need about six to seven hundred dollars a unit on this type of rehab. So we're comfortable that the rehab -- the relocation budget on Casa de Las Hermanitas and on Ridgewood and La Loma will be sufficient.

CHAIRPERSON COURSON: Other questions?

Ms. Javits.

MS. JAVITS: I just want to make sure I understand just from the perspective of, say, the public good of using CalHFA's money to make a positive contribution that what we -- sort of what we're purchasing in a sense is about two and a half million dollars of rehab to make the project more sound and, you know, a good place to live and then, second, longer term affordability.

MS. WHITTALL-SCHERFEE: Yes.

MS. JAVITS: Longer term affordability, much longer term affordability. And that's essentially the net benefit. And then on the cost side or I guess on the profit side, the developer nets about $800,000 and then about a million a year? Is that -- is that correct?

MR. MORGAN: Well, the developer is -- out of 818,000 of his fee, he's leaving in 668,000 of that fee over the ten years.

MS. JAVITS: Over the ten years, but at the end of the ten years --

MR. MORGAN: That's correct.

MS. JAVITS: -- he'd get that back.

MR. MORGAN: That's correct.

MS. JAVITS: And then we're -- and then netting about -- is it -- is it 90,000 a year?

MS. WHITTALL-SCHERFEE: Well, it depends on where you're looking.

MS. JAVITS: Net operating income.

MS. WHITTALL-SCHERFEE: Year one it would be 46,000. After the rehab it will be 46,041 in year one.

MS. JAVITS: So this is per year.

MS. WHITTALL-SCHERFEE: That's per year.

MS. JAVITS: Okay.

MS. WHITTALL-SCHERFEE: And that's assuming all your expenses are correct. That's not a lot of money when you --

MS. JAVITS: Right. Yeah.

MS. WHITTALL-SCHERFEE: -- think about what you have.

MS. JAVITS: Right. Right. Vacancy rates could change.

MS. WHITTALL-SCHERFEE: Insurance.

MS. JAVITS: Insurance. Okay. Thank you.

CHAIRPERSON COURSON: Other questions or comments?

There is on page 145 a resolution to approve these projects. Do I have a motion to approve the resolution?

MR. DAVI: I would so move.

CHAIRPERSON COURSON: Mr. Davi moves. Is there a second?

MS. JAVITS: I second.

CHAIRPERSON COURSON: Ms. Javits seconds.

Is there any other discussion from the Board?

Any discussion from the public?

Seeing none, we'll call the roll.

MS. OJIMA: Thank you.

Mr. Davi.

MR. DAVI: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Mr. Mandell.
MR. MANDELL: Yes.
MS. OJIMA: Ms. Javits.
MS. JAVITS: Yes.
MS. OJIMA: Mr. Pavao.
MR. PAVAO: Yes
MS. OJIMA: Mr. Morris.
MR. MORRIS: Yes.
MS. OJIMA: Mr. Shine.
MR. SHINE: Yes.
MS. OJIMA: Mr. Courson.
CHAIRPERSON COURSON: Yes.
MS. OJIMA: Resolution 07-24 has been approved.

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Item 4. Resolution 07-25, Casa de Las Hermanitas Apartments

MS. WHITTALL-SCHERFEE: We're moving pictures as we speak a little earlier so that we can get through this a little faster.

The next project is Casa de Las Hermanitas Apartments in Los Angeles Royal Heights. This is a portfolio sale. This is also at CDLAC for approval.

We are requesting approval for acquisition and permanent financing. This is an 88-unit senior project. The other two were actually family projects. The current owner is Casa de Las Hermanitas, a limited partnership, whose general partner is AIMCO. The buyer is CDLH Affordable LP. And the general partners are CDLHAGP Limited Partnership and Las Palmas Housing and Development Corporation.

This project also has a hundred percent Section 8. That Section 8 expires on January 21st of 2012.

This is structured very similarly to Ridgewood La Loma. We have an acquisition loan that has two mortgages. The first mortgage is in the amount of 4,265,000 at our variable rate, which is currently 5.2. It's a 24-month interest only tax exempt first. The second is based on the remaining Section 8, and it's in the amount of 1,035,000 at 5.2. It's for seven years. It's fixed, and it's fully amortized, and it's tax exempt.

At the time the permanent loan goes into place, the second will be subordinated to the permanent first, and that permanent loan will be in the amount of $4,490,000 at 5.2 percent, 30 years, but it can be prepaid after year 15 in the qualified project period, and it will be tax exempt.

The surprise that we had on this project, it's a portfolio loan and yet when we had our seismic review done, we discovered that, in fact, there were seismic issues, and this project needs approximately $650,000 of hard seismic retrofitting costs. When you add everything else in, it's closer to $750,000. So that was something that we did not expect when we were originally discussing this.

And Jim is going take you through and show you the project and explain a little bit more about the rehab.

MR. MORGAN: Right. Here's the outline with Casa de Las Hermanitas. Again, this will be the 11th project that Bentall is bringing to us, the tenth one was just previous. Highway 5/10 is just to the west. This is located in East Los Angeles, well, it's right off. Adjacent to the property is a Food 4 Less grocery store.

This is a close-up version where you can see the grocery store, the Food 4 Less. Directly behind it is an elementary school to the east.

Surrounding units are mostly multifamily housing.

As we go through the pictures, rehab of this structure is going to be approximately two and a half million dollars, slightly under $28,000 per unit. Out of that two and a half, 1.6, slightly more than $1.6 million is going to be rebuilding, which includes that 650,000 seismic -- $650,000 seismic retrofit. Our seismic consultant, again URS, did a site visit and just with their inspections found there's some sick shear wall and anchorage issues where steel bolts and shot pins were used instead of anchor bolts.

And so what is taking place is that the borrower has hired a seismic engineer, a structural engineer, to go forward with the seismic retrofit, and those estimated costs, as Laura said, are around 650-, 700,000 dollars. The remaining portion of the rehab, approximately 700,000, will be for residential units, flooring, cabinets, sinks, counters, et cetera.

Most of this renovation is -- will take place around the existing units, and $61,400 has been set aside for relocation.

This -- this -- because of the -- the existing replacement reserve is $705,000. The exterior of this building, the interior buildings -- the exterior of the building is in pretty decent shape. The interior, with some of the floors and dated cabinets, is where the majority of that replacement reserve will be used.

MS. WHITTALL-SCHERFEE: In addition because we had the seismic issue come up a little late, one of the things that we elected to do, and was approved by our senior staff when we presented it, was we elected to not require the CalHFA operating expense reserve. That reserve is something that helps fund costs when there are vacancies, and this is a senior project with no vacancies.

Instead, we have a very, very strong transitional operating reserve. The important difference between the transitional operating reserve and the expense reserve is that the transitional operating reserve stays with the project. Even if Section 8 goes for the remaining term of the loan, the $290,000 that we've set aside for the transitional operating reserve does not get returned to the borrower. It doesn't get returned to anybody. It stays with the project, and it is used for either project improvements or some sort of tenant benefit.

So our feeling was that because the seismic is a very, very important part of this whole structure that we were proposing that we eliminate the operating expense reserve but keep a very strong transitional operating reserve in place.

MR. MORGAN: More kitchen pictures.

MS. WHITTALL-SCHERFEE: But a different kind of kitchen.

MR. MORGAN: Okay. As you can see our Section 8 rents are higher than the market, and, again, we didn't trend those rents for the subsidized piece until after year 8. So we left those rents flat up until year 8 and then we trend them upward. You'll see two 50-percent rents. The one that's more yellowish green is 50-percent TCAC and the one that's more darker green is 50-percent CalHFA.

MS. WHITTALL-SCHERFEE: I just want to make one little clarification. This is only for seven years, and so actually for the remaining seven years of the Section 8, there is no trend. They don't go up at any point. If you look at the cash flow, it stays at the same amount.

MS. PARKER: On page?

MS. WHITTALL-SCHERFEE: On page 160.

MR. MORGAN: As Laura mentioned, the housing assistance contract expires in January 2012. We built in a one-year transitional operating reserve, and we've also -- she just wanted me to show you that indeed the borrower has a very successful track record of obtaining HAP renewals or new HAP contracts with annual renewals. On the cash flow we wanted to show you that if they were not able to get any HAP renewal whatsoever, the project would still debt service at least one times coverage. With HAP renewal, the debt service would be over 1.8. I just wanted to make that clear.

MS. WHITTALL-SCHERFEE: And with that we'd be happy to answer any questions you have, and we are requesting your approval of the project.

CHAIRPERSON COURSON: Questions, comments on this project?

Mr. Carey.

MR. CAREY: The earthquake standards, is that state code standards or is that CalHFA standards?

MS. WHITTALL-SCHERFEE: That's CalHFA standards, which are higher than the state standards, but they're standards that we impose on all our projects.

CHAIRPERSON COURSON: Other questions or comments?

There's a resolution on page 167 to approve the project. Is there a motion?

MR. SHINE: So moved.

CHAIRPERSON COURSON: Mr. Shine moves.

Is there a second?

MR. MORRIS: Second.

CHAIRPERSON COURSON: Mr. Morris seconds.

Any other comments or questions from the Board?

Any comments or questions from the public?

Seeing none, we'll call the roll.

MS. OJIMA: Thank you.

Mr. Davi.

MR. DAVI: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Mr. Mandell.

MR. MANDELL: Yes.

MS. OJIMA: Ms. Javits?

MS. JAVITS: Yes.

MS. OJIMA: Mr. Pavao.

MR. PAVAO: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 07-25 has been approved.

MS. PARKER: Thanks, Jim. You now have your --

MS. WHITTALL-SCHERFEE: He's been indoctrinated.

MS. PARKER: Yes.

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Item 5. Resolution 07-26, Lion Creek Phase II

MS. WHITTALL-SCHERFEE: The next project, Ruth Vakili is going to join us and help explain. Lion Creek is the project that you did receive a new insert. You should have received a new page 171 and page 172. Aside from the fact that we were creating the largest buildings ever known to mankind with 37,654 stories each, we needed to see if anybody was really reading the Board packages. The more important reason we gave you new pages is because the one that we submitted to you had estimate -- estimated appraised values, and we did receive the actual appraisal, and we wanted to make sure that you had an opportunity to see the information on the new appraisal. And we did want to correct the number of stories for the building, too.

In addition, we included a new page 172 because we took the information provided in that appraisal on market rate rents and inserted them so you could see what actually is being used for rents on the project compared to what the average market is. That's the purpose for those two new pages.

This project may be familiar to some of you and may not, depending on how long you've been on our Board. This project, formerly known as Coliseum Gardens was approved by the Board back in September -- oh, I'm sorry, I think it was July of 2005. We are coming back you to with a loan modification request, which was not totally unexpected. When this project was first submitted, the expectation was that if the borrower obtained Section 8, that they would ask us to come back for a Section 8 piece.

There have been some cost increases, and Ruth is going to explain a little bit about what's been happening with the project, but what we are returning today is to ask for a loan modification to fund a third mortgage in the amount of 620,000 at a rate of 5.25 percent. It will be for ten years, fully amortized, and it will be using tax exempt money.

This project is a bond refunding. The City of Oakland was the bond issuer, and Wells Fargo was the construction lender, and so our role in this is as a permanent lender, a take-out lender. And Ruth is going to walk you through the project.

MS. VAKILI: Good morning. The area that you're looking at -- the area that you're looking at is a very old area, 2005 when we took this project to the Board. Phase II is now complete or will be, final billing. They'll get their certificate of occupancy in the next week. The project is about 45 percent of the pipe. The rest of the project is -- Phase I, of course, is complete. Phase III is under construction. It's about 20, 25 percent complete currently. Phase III should be completed in June of next year, and we have a construction and permanent loan on that phase as well.

So the site looks substantially different, fortunately. In the next slide you'll see an elevation of the entire site as it's built out, which should give you a better picture of where things are.

MS. WHITTALL-SCHERFEE: We just ask for your patience.

CHAIRPERSON COURSON: More kitchens coming up?

MS. WHITTALL-SCHERFEE: Very few pictures actually. Thankfully.

MS. PARKER: I think there has been a number of members of the Board who have been to this project as it's gone through its phases. We've had a number of grand openings and site presentations, and I know some people last year even gave out MHP grants. We had a lot of fun with that. Nothing draws people like giving money out. It's an outstanding project. It sits in the middle of nowhere in Oakland.

MS. VAKILI: As you can see from the elevations, Phase II is how it looks now. The park itself is completed and operational and Phase I, fully occupied. And again, Phase II, nearing occupancy. We're expecting full occupancy by the end of this month and expecting to close the permanent loan shortly thereafter.

These are pictures of the completed project, looks very similar to Phase I. It's a beautiful project.

The borrowers did obtain a Section 8 housing assistance payment contract. The contract is for ten years with two five-year renewal options. Our loan is based on the Section 8 contract, and the rents have already been established and approved at 1,350 for two bedrooms, 1,675 for three bedrooms.

Relative to the HAP contract, we will be asking for the Housing Authority to comply with CalHFA requirements for Section 8 HAP contracts. I would like to add that the contract does substantially comply with our underwriting requirements.

And with that, I guess we could move on to the rents. I can hum a few tunes while we wait.

MS. WHITTALL-SCHERFEE: Well, maybe we can just ask you if you have any questions. We'll continue showing the slide presentation, but if you have questions, please ask us now.

CHAIRPERSON COURSON: Mr. Morris.

MR. MORRIS: Could we go back to the aerial. This is -- have you had any discussions about what Phase III is and where Phase III is on the aerial and a little on who's participating on Phase III as well?

MS. WHITTALL-SCHERFEE: We're going to ask our technological expert to get us back there faster.

MR. MORRIS: All right.

CHAIRPERSON COURSON: While you're doing that, are there other questions?

Ms. Javits.

MS. JAVITS: I just had a couple questions. On the budget, the budget for the service base dropped pretty significant. Do you know why?

MS. VAKILI: I think that's a redistribution in terms of the actual costs for that portion of the building. With the updated budget, we are seeing actuals based on the contract.

MS. JAVITS: And then I was just curious, the operating per unit for this project is about 1800. For the other deals we looked at today, they were all around 800. I just wondered what explains the difference.

MS. VAKILI: I'm sorry, which line are you looking at?

MS. JAVITS: Well, on page 176, there is a per unit operating and maintenance cost for the 18-month.

MS. WHITTALL-SCHERFEE: Well, these are bigger projects. This is 146 units and so you're going to -- I'm sorry? And so we also require more on-site management. But maybe Ruth can explain it beyond that. I just know that we have a -- with 146 units, you'll have on-site managers, assistant managers.

MS. VAKILI: There is substantial community space, as you can see, in the project. Reason being is that there are a lot of services that are provided to the tenants within the budget. That's how they're paying for it. They have a Head Start program, various services provided. So everything on site is what the operating budget is paying for.

MS. JAVITS: Thank you.

MS. WHITTALL-SCHERFEE: Any other questions before we get back to the aerial?

MR. MORRIS: You can show us on here, just point out where Phase III is and what it's going to be.

MS. VAKILI: Without having benefit of the site --

CHAIRPERSON COURSON: I think we're going to get it, whether it's one way or another.

MS. VAKILI: We're going to wing it on this. This is -- okay. So this is roughly Phase II. The park is here. Phase I, I believe, is on this side, and Phase III is along here. Correct me if I'm wrong, Kim.

MS. McKAY: It's a little off.

MS. PARKER: Please come up and identify yourself.

MS. McKAY: The road to the right is actually --

MS. WHITTALL-SCHERFEE: Kim, you need to come up here.

MS. VAKILI: You can come up and do the pointer.

MS. McKAY: Actually, this is Phase I. It's finished over here. I think this must have been from -- this actually is Phase II here, and then this is actually Phase III here. So it's a little hard to get oriented, but the park is here and the creek is running through here.

MR. MORRIS: So what's highlighted right there is actually Phase III.

MS. McKAY: It actually is. But you guys have been so generous with lending approval on the money, but Phase III -- Phase II, Phase III basically looks like this. It's over here.

MR. MORRIS: That's, what, 146 units?

MS. McKAY: Correct.

MR. MORRIS: And then what's the plan for Phase III?

MS. McKAY: There's 206 units that's under construction will be done next -- late spring.

CHAIRPERSON COURSON: Any other questions or comments on this project?

There is a resolution on page 211 in your Board binder. Is there a motion?

MR. PAVAO: So moved.

CHAIRPERSON COURSON: Mr. Pavao moves.

Is there a second?

MS. JAVITS: Second.

CHAIRPERSON COURSON: Ms. Javits seconds, sorry. Any other comments, questions?

Anything from the public?

Seeing none, we'll call the roll.

MS. OJIMA: Thank you.

Mr. Davi.

MR. DAVI: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Mr. Mandell.

MR. MANDELL: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Yes.

MS. OJIMA: Mr. Pavao.

MR. PAVAO: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 07-26 has been approved.

MS. WHITTALL-SCHERFEE: Thank you very much.

CHAIRPERSON COURSON: Thank you, Laura. Thank you and your team. We appreciate the presentation this morning.

MS. PARKER: Mr. Chairman, I just wanted to make a note for our colleagues and Board members that I had gotten an e-mail this morning at 4:00 o'clock, 4:00 a.m., from Cynthia Bryant who had planned to attend the Board meeting today, director of the Department of Planning and Research. The session went until 3:30 last night, and although Cynthia was looking at the idea of getting up in 30 minutes -- or 90 minutes to take a flight to come down here, she was very apologetic saying she wouldn't be joining us today. So I wanted to just for the record have the colleagues know that Cynthia tried to come here and meet. I sent her a note back at 6:30, said we certainly understood and that she had our blessing in getting some sleep.

CHAIRPERSON COURSON: Thank you.

MS. PARKER: Thank you.

CHAIRPERSON COURSON: Let me talk some logistics. We're going move into our next agenda item, which is the report of the Audit Committee, and then after we finish that agenda item, we'll take a brief break and then come back and continue with our agenda.

I should also add, because I'll forget otherwise, that sometime between the hours of 12:00 and 1:00 there is going to be a fire alarm, but don't be alarmed because it's only a test.

MS. OJIMA: It's only a test.

CHAIRPERSON COURSON: Having said all that, I will turn it over to Mr. Shine.

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Item 6. Report of the Chairman of the Audit Committee...

MR. SHINE: Thank you, Mr. Chairman.

As you know from our last meeting, we have been working with the Manatt Phelps firm in Los Angeles to do an investigation and ascertainment of the situation in connection with certain allegations that were made anonymously to this Board. We have -- I'm here to report to you today that the initial part of that investigation is complete. It has been reviewed by the Audit Committee, and the Audit Committee would like to report to you what that said and then call for your approval, if you're of a mind to give it.

Before I actually get into my side of it, I'd like to have John Morris pick up on the pinpoint issue of my own involvement as President of Board of Directors of Habitat for Humanity in my local area and the discussions that were had between me and this Agency in connection with the Agency's discussions with me and other Habitat folks throughout the state to make a program for financing which was included in the five-year plan.

So, John, do you want to pick it up from there?

MR. MORRIS: Okay.

One of the issues, as Jack said, was - was there a conflict created by Jack's dual role as a board member of the CalHFA and a volunteer chair of the San Fernando/Santa Clarita Habitat for Humanity organization. And the reports from the -- from Manatt, Steve Nissen's work, was that there was no violation of any law, regulation or codes of conduct. And additionally their findings found clearly there was no evidence that the Habitat for Humanity loan purchase program was a product of any kind of collaboration between Jack Shine. Clearly it was a product of CalHFA's staff collaboration with numerous Habitat affiliates.

MR. SHINE: Okay. Thank you.

The second, the balance of the report deals with two major issues, two broad issues. One is the process by which compensation was set for key exempt management, and other was the relationship between our chairman, John, and his company and CalHFA, based on certain allegations that were made.

I would like to paraphrase for you the findings. First, Manatt found no evidence that John Courson's dual role as chair of CalHFA Board and president of his company violated any laws or regulations governing CalHFA. Such a dual role is common -- is contemplated and sanctioned by statutes that, in fact, govern CalHFA.

Second, they found no evidence that Mr. Courson's conduct as chair of CalHFA compensation committee violated any laws or regulations governing CalHFA.

And third, they say that it appears that CalHFA followed the letter of the law governing compensation for key executives recently enacted Senate Bill 257. They go on to mention, however, that the process in which the independent salary survey was conducted and upon which key management compensation was set has the ability to be improved, which we should consider.

Fundamentally the Audit Committee reviewed these things and is making the recommendation that this Board accept the report from Manat and put those issues to rest. And I might add that the Audit Committee was unanimous in feeling that this in no way changes our ongoing committed support to staff here at CalHFA.

People who shoot arrows all the time, it doesn't mean they're right. People that say things all the time, it doesn't mean that they're right. And we believe that the Manatt firm did a thorough, complete, comprehensive look at the allegations that were made and found the conclusions that you have just heard.

And so with that, we would like to recommend this Board approve the report from Manat.

CHAIRPERSON COURSON: So the motion is to?

MR. SHINE: I don't think I can make a motion on my own report.

MR. MORRIS: I have a question.

CHAIRPERSON COURSON: All right. Mr. Morris.

MR. MORRIS: I'm a little confused as to what we're doing here. In other words, I don't understand what the purpose is to approve the acceptance of the report. You know, I think that there was a thorough analysis done of the issues that we discussed in the audit committee. There's several recommendations.

You know, the finding was that there wasn't any violation of law, but there clearly were some problems with the process, very -- what I consider to be -- I'm probably the only one on the Board that feels this way, but I felt there were some serious violations of the spirit of the legislation and the process.

What I'm hoping will result from all of this is that it will improve process so when we go through this -- again, I don't know whether this is going to be next calendar year or the following year -- that we're able to implement some changes to the types of things that occurred this year, that I felt were inappropriate, don't continue.

There were several recommendations made by Manatt, which you have in front of you. I additionally had some recommendations. I don't know if today's meeting is the time that we're going to discuss that or if it's a future meeting, but if you want to vote to accept the report, fine. And then maybe we can discuss how are we going to deal with the recommendations that were made as it relates to dealing with future salary surveys and setting of salaries for the exempt employees.

MR. SHINE: That is exactly what we I had in mind, but the first leg of that -- of that action is, at least in my opinion, that we accept their findings. And that is what we're moving to request from this Board.

CHAIRPERSON COURSON: Mr. Carey.

MR. CAREY: In following up on that, I think that in the discussion that we had the other day, the issue in part and perhaps most significantly, is to put behind us the allegations made in the anonymous memos. I think that we are all in agreement that the Manatt report, which was extensive and expensive, involved several days of the audit committee's time as well as extensive time of the staff, determined that there is no substance to the specific issues that we gave to them to investigate. We had already determined that there was no substance to the remaining issues in those three memos that warranted concern.

So for the integrity of the organization and the leadership of the organization, I think it's important that we accept the factual findings of those reports, recognizing that we discussed ways to improve perhaps the compensation-setting process in the future and I think agreed that that would be a follow-up discussion, so that the Board can fully participate in that. There are issues in those recommendations that need some thought and aren't quite as clear.

John, since you -- Mr. Morris, since you mentioned your own concerns, I appreciate them very much. I do -- I feel I want to read one -- two sentences out of the report from Manatt, because I -- while I agree that we can do things better, I don't concur personally that there are serious shortcomings.

The conclusion said:

> "We understand that because of the very recent enactment of SB257, the above-described events reflect the first time that CalHFA has embarked on a process to set management

compensation through the use of an independent salary survey company. The CalHFA Board chair, John Courson, should be commended for taking the initiative to lead this inaugural process as chair of the Compensation Committee. As with all first-time endeavors, there are many lessons to be learned so that the process may improve over time. In that spirit we make a series of recommendations and observations."

I think that that's a fairly clear statement to me that there was nothing untoward or inappropriate in the process, albeit there is opportunity for us to do an even better job in the future.

MR. MORRIS: Well, let me just make one comment.

CHAIRPERSON COURSON: Mr. Morris.

MR. MORRIS: You know, I have been critical about the process from the very beginning, so that's nice what was said in the report, but well before we even had a Compensation Committee, I was the one that anticipated problems and suggested forming a Compensation Committee. Additionally, at our very first meeting have had serious complaints about the process, so I understand Manatt's findings. I understand the law. I understand the legislation. I also -- I also was involved in meetings, some of which were closed which you were not involved in, where -- which we can't discuss, where I have additional concerns. That's the reason I make these comments.

MR. SHINE: And recognizing those comments, step two, if we can get through step one, will be to address the ascertaining and means by which we're going to deal with the issues that have been raised that recommend certain changes, additions, deletions or modifications.

So I think what I'd like to do is just wait and see what kind -- if we can get a vote here or what on the findings, and then I'd like to discuss the next issue, which would be No. 2 on the list.

CHAIRPERSON COURSON: Mr. Pavao.

MR. PAVAO: I suppose my question is a point of order; that is, this wasn't listed as an action item, so are we --

MS. PARKER: It's a possible action.

MR. SHINE: I think we're right after the last deal.

MR. PAVAO: I'm sorry, are we on number --

MR. HUGHES: It's No. 6.

MS. OJIMA: No. 6.

MR. PAVAO: Okay. And so the possible action contemplated is the formal adoption.

MR. DAVI: Accepting the report, right?

MS. PARKER: I think that there was an

expectation that the Board would look at the report that was given by Manatt Phelps and in that sense make an independent decision about whether they wanted to concur with the findings and accept the report. So I think in that sense, that's what the staff had put together for the expectations.

CHAIRPERSON COURSON: The agenda does allow action on this item.

Mr. Davi is first and then Mr. Morris.

MR. DAVI: Okay. Thank you.

I just a have a question for counsel. I believe the Audit Committee is bringing this report to us; is that correct? They could make the motion and one of us could second it, and I believe that's allowable. Is that true?

MR. HUGHES: Well, the Audit Committee members here sit as Board members. The Audit Committee, per se, doesn't have any delegated authority. The charter for the Audit Committee gives them the power to make recommendations to the Board that the Board can adopt. So the entire Board -- any member, including an Audit Committee member, can make that motion, certainly, but the full Board has to act.

MR. DAVI: All right. So where are we now? So if you agree that you made a motion to accept this report and concur with its findings and resolve the issue of the anonymous letter, then I will second that motion.

CHAIRPERSON COURSON: Ms. Javits.

MS. JAVITS: I guess just being new to the Board, I just wanted to confirm from my reading at least -- I appreciate these comments about the past, not having been here -- that I read it I guess in a similar spirit to Mr. Carey, that there were -- there are certainly improvements that could be made and that in general the Director of the Board conducted himself in a way to affirm the spirit of the law. And with that also I think we'll see it in the future.

CHAIRPERSON COURSON: Mr. Morris.

MR. MORRIS: So we're accepting the report without the recommendations?

CHAIRPERSON COURSON: Mr. Shine.

MR. SHINE: My request first was to deal with the allegations and the findings.

MR. MORRIS: We're just approving the findings.

MR. SHINE: Yes.

MR. DAVI: So that's the motion, and I seconded.

CHAIRPERSON COURSON: I didn't hear the motion. Is there a motion?

MR. SHINE: I was just told I made a motion.

MR. DAVI: And I seconded.

CHAIRPERSON COURSON: And let's be clear what the motion is.

MR. SHINE: I move that this Board on the recommendation of the Audit Committee accept the findings of Manatt Phelps with respect to the allegations that they were charged with dealing.

CHAIRPERSON COURSON: And Mr. Davi, you second it.

MR. DAVI: Yes. Correct.

CHAIRPERSON COURSON: Is there further discussion on the motion?

MR. DAVI: I would just like to echo the comments of the prior Board members, Mr. Carey and Ms. Javits, that I concur that the findings were basically to exonerate any accusations that were made, and I am pleased with it. Although it cost a lot of money, I regret that fact, but I'm glad that we took the allegations seriously and we did do a very good third-party independent investigation to resolve that issue. And I would concur that there's always going to be opportunity for improvement, and we should look to the future to implement improving recommendations as we discover them, as we look at what we've done in the past.

CHAIRPERSON COURSON: Thank you.

Is there any comment or discussion from the public?

Seeing none, we'll call the roll.

MS. OJIMA: Thank you.

Mr. Davi.

MR. DAVI: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Mr. Mandell.

MR. MANDELL: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Yes.

MS. OJIMA: Mr. Pavao.

MR. PAVAO: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: We have a quorum; the motion has passed.

CHAIRPERSON COURSON: Thank you.

MR. HUGHES: Mr. Chair, as we don't have a resolution, not knowing what the resolution would be, I'll prepare a resolution, and I'll send a copy to the Board members that will be given as I've stated it just so.

CHAIRPERSON COURSON: And with that if there are any specific comments, they can respond back to you.

MR. HUGHES: Correct. And as I understand the motion, it's -- what we will prepare is a basic resolution that says that the Board accepted the findings of the report and deferred consideration of the recommendations.

CHAIRPERSON COURSON: Thank you.

Mr. Shine.

MR. SHINE: Okay. Having said that and not changing any comments or feeling that the Audit Committee had with regard to the wonderful job staff is doing, there were a number of recommendations, comments made by counsel and some by Mr. Morris independently, as he was out have town and sent it in by mail. I'm not prepared today to sit down and give you a somewhat final list of the items that we think that we're going to recommend to the Board that we -- that we address in terms of ways in which we can improve.

And as you said, there's always room for improvement forever. But there are certain things that even though these findings, if you will, exonerate, I think was the word that was used, those issues, that doesn't mean that we can't do better to try and assure that if not by letter of the law or staying inside the envelope the appearance or even the hint of an appearance of something that might appear to be other than what some people think would be appropriate needs to be addressed.

And it is my intention, unless someone objects, to meet with the Audit Committee sometime between now and the next Board meeting to try and, first, establish a list of to-do's, of things that we want to address, then to discuss them. And those that we believe should be addressed, we will bring back to this Board for action on or comment, as the case may be. And the ones we don't, we'll inform you what they were and why we thought that that wasn't appropriate.

So we'll try and be as -- what's the word of the day -- transparent as possible in this process. But if we're going to do it well and right and correctly, I think that's the process we should follow, because then it will come back to this Board having had some thought by the members of the Audit Committee.

CHAIRPERSON COURSON: Mr. Czuker -- let me make a comment on that, if I may.

Yeah, I agree. I think that's obviously the process. I would also urge that if there's any member of the Board that now has any thoughts having looked at the report and many of us have been through this process, that in addition to the recommendations made in the Manatt Phelps letter, you should convey those to Mr. Shine, maybe through counsel, if you want, that, so that -- any concerns. I mean there may be recommendations above the ones that have been put forth in the report that they should consider, and we should do this all at one time.

And I'll tell you, sort of jumping around, that as you know for the last couple meetings I have just for discussion purposes, but I have no sense of one way or the other of just entering into a discussion of the Board as to dealing with the Compensation Committee. There's some other alternatives. I've seen in other organizations, we talked about this a little bit last month, of having the entire Board serve as the Compensation Committee and have all the matters come -- because all we do is in public anyway, all the matters of Board -- of the compensation might be as a committee of the whole as opposed to compensation.

So as opposed to talking about that today as the agenda -- as the next agenda item, I would ask Mr. Shine if he would add that to his list of items to discuss in your Audit Committee, because it is another element and another consideration for that Board.

MR. SHINE: All right. That's a very good idea. Thank you much, Mr. Chairman.

CHAIRPERSON COURSON: You're quite welcome.

MR. SHINE: We will certainly address the issue.

CHAIRPERSON COURSON: Mr. Czuker.

MR. CZUKER: I think we've had a lot of meaningful discussion and comments being made, but just by way of helping us remember, who is on the Audit Committee? Can you perhaps remind us again which members are --

CHAIRPERSON COURSON: Yes. Mr. Shine is the chair. Mr. Carey, Ms. Galante and Mr. Morris are other members. The meetings are open. They're public. Any director that obviously wants to attend or listen or comment is free to do that. They're also free to submit, as I've suggested and I already have one item, submitting additional items for their consideration. And I think our target would be at our next meeting, which will be November, to have those recommendations as -- just for discussion of the Board.

MR. SHINE: And we will try to figure out a way to get together and most importantly how to communicate back and forth with each other in that period of time so that when -- we will come back with something that you can feel is meaningful and worthwhile.

CHAIRPERSON COURSON: Okay.

MR. HUGHES: Just one minor clarification, Mr. Chair, and just to remind the Board members that the Board can only act in public meetings and can't have substantive discussion between the majority of the members either directly or serially outside of the open meeting.

So my suggestion would be that if any Board member has particular comments or recommendations that the Audit Committee should consider, the options are really to either attend the Audit Committee meetings directly or I think it's acceptable to send any comments to me, and I will not discuss them with the other Board members prior to the Board meeting, because that would be the serial communication prohibited by the open meeting laws. But I can do what we've done a couple times previously, which is present those written comments at an open meeting for consideration.

CHAIRPERSON COURSON: Can -- therefore, I assume that in this open meeting that the request I have made of Mr. Shine to consider also the topic of what is the Compensation Committee, is it the entire Board or a committee, is in order? Or do I need to communicate that through you again?

MR. HUGHES: Well, we can -- we're in an open session, so you can certainly say that now. The best thing, though, and I did this with Mr. Morris' comments in the Audit Committee meeting, is send them to me and we will read them directly into the record to make it a verbatim --

CHAIRPERSON COURSON: Very good. Very good.

MS. PARKER: Mr. Chairman, I would just add in that sense that the staff will assist the Audit Committee in putting together a meeting at their call, the chair of the call, for their discussion and deliberations to take place.

CHAIRPERSON COURSON: Mr. Morris.

MR. MORRIS: I just wanted to get a sense of the timing. I know we're going to deal with the recommendations at a later date. When -- Terri, when do you anticipate doing future salary surveys? Is there going to be anything within this quarter or the next quarter? In other words, what is the timing when this should be done by?

MS. PARKER: Mr. Morris, thank you for the question. I -- I really hadn't anticipated to do a another salary survey at the moment. I had really hoped that we could go back and look at and develop further guidelines and processes that the Board talked about.

We had a very good discussion with the Department of Personnel Administration yesterday, and some of the things that we chatted about back and forth of looking at this I want to bring back to the Board some suggestions for their consideration about salary setting compensation process, particularly the idea was brought about looking at perhaps doing something on the base salary and a bonus program, which we had not thought was something that, you know, would be a supported way to go, but now has been brought up.

So I guess the long story I'm saying, we want to do -- we assume as the Board has essentially given us further guidelines, I wouldn't want to do the survey again until we do that, until we can help hopefully build upon what has been said in the past. The Department of Personnel Administration have been doing a lot of work in this area. If they have the ability to, based on their work, bring in benefits and some of the other compensation activities, that we should do that.

But I strongly believe that given what the Board members have said, we should -- we should do a survey as soon as you give us instructions about further guidelines that you want, but also in that sense to meet the further requests of the Board members to include that as a consideration.

I guess when we -- another way of answering that, I really would look to, if the Board is comfortable with this, using the existing survey to ask for the extent that I would come into this with some recommendations on salary modifications based on performance to use what is in the existing survey as far as ranges that the Board would set.

But, again, I look to the Compensation Committee, I look to the Board to give me directions on, you know, what it is you want me to do, what are the parameters I should be thinking of. It would not be at my direction. It would clearly be based on --

MR. MORRIS: What is the timing of that? Is something you're looking at by the end of the year?

MS. PARKER: Well, if I can come back at -- you know, we're in the process of doing performance evaluations. As we have -- we set increases in compensation that were done in January. They could be done next January, or they could done -- they could be done as part of the -- our annual budgets that we bring back.

Part of it is that since we are still just on the approval process for, you know, at least two of the positions, those positions aren't going to need to be adjusted. Right now there may be just a couple of positions that I would want to come back and talk with the Board about for further consideration. But I wasn't -- I don't think I was really planning any, you know, big -- if it did, if it could be something that would be done as simply stating what was done before and looking at what cost of living increases have been in the past, which is what the executive branch did for salary increases. Those are -- you've asked me this question and, you know, it's kind of just off the top of my head. I kind of really hadn't even gotten that far.

CHAIRPERSON COURSON: Mr. Hughes.

MR. HUGHES: Just one reminder on a technical point under SB257, but the bill in the statute actually says that the salary setting process as far as the Board's annual budget setting authority, so -- and we implement this with a budget amendment. But it is actually part of the annual budget --

CHAIRPERSON COURSON: Right.

MR. HUGHES: -- in June.

CHAIRPERSON COURSON: My take is from the discussion we've had today that the next step is for the Audit Committee to meet and come back with recommendations for discussion or items for consideration at our November meeting. And let's get through that process and then determine the next steps in terms of the specific survey, no survey, benefits, no benefits, where we go there. Let's get through the next step before we move forward with any further expenditure of time or staff until we decide what the process is going to be.

Okay. Anything else?

We are now through item No. 8. There was no need, as you know, for a closed session for this discussion. We're going to take a ten-minute break, and that will bring us back just about 11:40, and we'll proceed with the next agenda item. We'll stand in recess.

(Recess taken.)

CHAIRPERSON COURSON: We will reconvene the Board meeting.

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Item 9. Resolution 07-21, Modification of Salary Caps

CHAIRPERSON COURSON: We are on agenda item No. 9, which is a discussion, recommendation and possible action to modify the salary caps. Let me, if I may, open this discussion and then I'll turn it over to our executive director.

As you know, and we've discussed at a number of Board meetings, as we went through the process of setting the compensation group, the Compensation Committee, and the Board and so on, one of the issues which we talked about previously was at the March meeting we did, in fact, reduce the caps or the maximums on our salary matrix at the request after a meeting that I had in the Governor's Office with the Department of Personnel Administration. We took that action by bringing those caps down 10 percent.

At the same time we had that discussion, the minutes will reflect and you also recall that we talked about as we went through the process of recruiting candidates for the Director of Multifamily and Director of Homeownership, it may be necessary to come back to the Board, and the Board agreed that they would consider revisiting those salary caps if that was necessary to recruit the right candidate for the position.

Having done all that, we then went through and made the decision obviously that we would complete the tasks that we just completed in terms of completion of the report of the Audit Committee and by outside counsel and that once that report was finished, last Thursday, I think I'm correct, that Mr. Shine and Mr. Carey, Mr. Hughes met with the Governor's Office to review that report with the Governor's Office.

Followed by this Monday Terri and I went over -- the executive director and I went over and met in the

Governor's Office to talk about the particular fact that we had a candidate that we had identified for the Director of Multifamily, that that candidate had been -- Terri will talk about the process and so on, that we wanted to bring forward to the Board and as part of that would be -- prior to that action would be asking the Board to consider, as we talked about before, increasing the salary cap for that particular position.

Following that meeting, we also, in conjunction with the discussion with the Governor's Office, met yesterday with the Department of Personnel Administration and went through in great detail for probably -- counsel was with us -- I would say over an hour discussing the position, discussing the extensive recruitment efforts that we've gone through, the large number of candidates that we've talked to over this two-year period, the candidates that had been identified and the economics of what we were looking at in terms of compensation.

And as a result of that, they communicated their concurrence, agreement if you will, and with the Governor's Office, which I've communicated with today, so now we're prepared to proceed for the Board to have a green light to have this discussion, first of all, considering the compensation and then, as we talked about earlier, supplement to that as we consider a specific candidate.

So with that background, I'll turn it over to Terri.

MS. PARKER: Thank you, Mr. Chairman.

As you all know, in your Board agenda item that this item when we first put it on, actually for the past Board meeting, was to ask for an action item to have both the salaries for the two vacant positions, Director of Homeownership and Director of Multifamily, raised, the cap raised, and essentially put back to the dollar value that this body voted on in January.

If you will recall, we did take the -- the Board took the action in March to essentially bring down the salary caps. At that point in time, the discussion among the Board members, at least my sense of the direction to me, was to go back, continue to do the recruitment process for these candidates, and if those new caps presented a problem, that that was to come back to the Board and report that and make my case.

What I would like to do today, the first thing, is to essentially say I would like to have the Board take this item up but only for the changing the compensation cap for the Director of Multifamily. I will tell you that I do not feel that I need to have you make a change for the Director of Homeownership. In fact, I may come back, based on some of these recent discussions, with perhaps a different strategy as a compensation program for the Director of Homeownership. We are actively recruiting that candidate.

We have a number of candidates, but a number of things have changed, first of all, some flexibility perhaps in how we set compensation. But more importantly given the market and what the market has changed, we expect that there should be really a number of very qualified candidates for us to choose from and to keep our standards up of how picky we are. We expect to be able to bring a very successful candidate and a candidate within certainly the compensation that we -- had been looked at by the Board in the future. So I would ask for your specific attention only to compensation for the Director of Homeownership -- excuse me, Director of Multifamily.

I do want to tell you what we did yesterday in our discussions with the director -- with the Department of Personnel Administration. They followed what is their course of looking at requests by departments for exceptional salary situations. And they asked for me to give them a history of the activities that we had done to date to recruit the CalHFA Director of Multifamily.

They wanted to know and we told them about how obviously when the position first became vacant that we had continued to have management of the programs by first having the Chief Deputy Director Dick Laverne come in and sit in that position and then bringing, as you all recall, Bev Fretz-Brown. Bev was wonderful and was able to continue to provide some leadership to a talented staff but because of medical reasons could not continue on an ongoing basis, but she also did assist us in the recruitment.

Clearly when we started that process, we weren't sure about whether we would have any legislation that would allow us to have much flexibility with salary, but as you all know, we have now gone through two recruitment firms. We've talked to over 20 people. The Department of Personnel Administration asked us who those people were, why they were not viable candidates. We went through a lengthy discussion about why people leave CalHFA, proposed to pass on it.

But for most of those cases, there were a number of the candidates that were presented to us that we would have been happy to have had. They were very, very good people. But they essentially declined to want to have their name taken to you for your consideration and vote. And as noted by the letter that I had our current recruiter, Mr. Lucius, write to you, their issues are salary and location.

And so we are at a situation today where we have overcome those obstacles, but only at a level that I need to have the salary cap raised. And as I go into my further discussions today, I will say that the part that I can tell you with all of the work that we've done and all of the documentation that we've done has certainly given us the background for the DPA to sign off on, the candidate that we have coming -- we're bringing forward to you today is the best of the best of the people that we have looked at. So this is not somebody who, as I say, the recruiter found. We were actually -- this person was recommended to us. But it is what it is for salary compensation and consideration.

So my specific request to the Board today in the resolution is to return the salary cap for only the position of Director of Multifamily to what it was in January, and that is 220,000 as a major cap. I will then come in and make a follow-up recommendation when we interview the candidate for what salary I'm requesting for that individual.

CHAIRPERSON COURSON: So the recommendation is that -- on page 227. I think you also have this in a loose page -- that item No. 3 will be deleted, which is the salary cap for the Director of Homeownership, and item No. 2, the salary cap for the Director of Multifamily Programs shall be $220,000. There's a fill in the blank there, $220,000.

MS. PARKER: I'm happy to answer any questions from the Board members.

CHAIRPERSON COURSON: Questions for Terri?

Is there motion to approve the resolution?

MR. CZUKER: So moved.

CHAIRPERSON COURSON: Mr. Czuker moves.

Is there --

MS. JAVITS: Second.

CHAIRPERSON COURSON: -- a second?

And Ms. Javits seconds.

Is there discussion on the resolution?

MR. DAVI: I'll just comment, if it's okay.

I appreciate the process that you've outlined for us and what you have done. I think you appear to be commended for having gone through the process and meet with the Governor's Office and make sure that everybody is onboard, and it's my understanding that you've done that, and so I just applaud the efforts of the way you went about this to the Board.

CHAIRPERSON COURSON: Thank you, Mr. Davi.

Mr. Morris.

MR. MORRIS: Just so I understand, you're going to raise the cap, and you're -- and you are at the next meeting going to -- or later at this meeting going to discuss a specific candidate with a specific compensation?

MS. PARKER: Correct.

CHAIRPERSON COURSON: Our next -- after this action is completed, we will go into closed section -- session, the candidate is with us, have a chance for the Board to meet him, have discussions, questions. You can make the presentation. We'll then go back into public session, and there will be a request for a motion to take action.

MR. MORRIS: That was increased from the previous cap. You think -- you are proposing we increase it to 220?

CHAIRPERSON COURSON: Correct.

MR. MORRIS: From, was it 1 --

MS. PARKER: If you look at page 225 in your book, Mr. Morris, you will see we put a chart together that essentially showed you what the Board had set as a maximum salary on January 18th for all of the exempt positions and that we are essentially asking for -- if you look in the second column, the statutory max is 220 that was adopted by the Board January 18th, and the proposed salary change today just for the Director of

Multifamily is to return that cap to 220.

CHAIRPERSON COURSON: Other questions?

Comments, questions from the public?

Seeing none, let's call the roll.

MS. OJIMA: Thank you.

Mr. Davi.

MR. DAVI: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Mr. Mandell.

MR. MANDELL: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Yes.

MS. OJIMA: Mr. Pavao.

MR. PAVAO: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Thank you.

Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 07-21 has been approved.

CHAIRPERSON COURSON: Thank you.

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Item 10. Closed session

CHAIRPERSON COURSON: I'm sorry you all -- I hope you didn't get too comfortable in your seats because we are now going to go into a closed session for a period of time as permitted in statute so that the Board can have a discussion with our proposed candidate. I'm asking counsel, Mr. Hughes, to stay with us so that he can keep us on the straight and narrow. We will not be taking verbatim minutes during this closed session. We'll pick that back up when we reconvene.

(The Board met in closed session.)

CHAIRPERSON COURSON: All right. We are back in open session. We have held our closed session during which time the Board had the opportunity to hear from and visit with Bob Deaner, who is the candidate for the position of director of multifamily. During that closed session, no action was taken. We merely had the chance to visit and share views and questions and answers.

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Item 11. Resolution 07-22, Director of Multifamily Programs

CHAIRPERSON COURSON: So now that we are back in open session, each Board member has a resolution in front of them that has two pieces to it. One is to, since this is -- let me go back a minute. This position, unlike other senior positions that we have, this is a Board appointed position. That's why we are doing this differently than we do with similar positions. And so being a Board appointed position, we have a resolution to appoint Bob Deaner as the Director of Multifamily in the first portion, and the second portion then deals for that he will be hired at an annual salary.

Terri, I'll turn to you for that recommendation.

MS. PARKER: Mr. Chairman and Board members, I'm bringing today for your consideration the candidacy of Mr. Robert Deaner to be the CalHFA Director of Multifamily. And my recommendation is that he be appointed to that position by you as a Board at an annual salary of $210,000.

CHAIRPERSON COURSON: Is there a motion for the adoption of Resolution 7-22?

MR. SHINE: I will so move.

CHAIRPERSON COURSON: Mr. Shines moves.

Is there a second?

MR. CAREY: Second.

CHAIRPERSON COURSON: Mr. Carey seconds.

Is there any discussion from anybody on the Board?

Mr. Morris.

MR. MORRIS: When would this be effective? When would Robert plan on resigning his current position and starting at CalHFA?

MR. DEANER: Well, I'd probably do it Monday and start again in a month.

MR. MORRIS: So in a month.

CHAIRPERSON COURSON: Through this process I have to say that Bob has obviously been very open and willing to spend his time with us, and I think he would appreciate some closure.

Any other questions?

I would just like to put on the public record what I said in the closed session in that obviously through the candidates that we have looked at and we have interviewed, Terri has interviewed for this job, I've had the opportunity being in Sacramento when they come into town to visit with a number of them.

And I will tell you from my own personal perspective that the opportunity to have Bob, as he's far and away the most qualified of any of the ones that I've met, that we really frankly at the time thought were good candidates but for one reason or another were not accepted. And I think from our standpoint long term and his career with us, we're blessed that sometimes work out -- things work out the way they did and to have Bob Deaner here. He's clearly the best of the ones that I have seen and clearly the man for the job.

Are there any comments or questions from the public?

Seeing none, let's call the roll.

MS. OJIMA: Thank you.

Mr. Davi.

MR. DAVI: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Mr. Mandell.

MR. MANDELL: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Yes.

MS. OJIMA: Mr. Pavao.

MR. PAVAO: Yes.

MS. OJIMA: Mr. Morris.

MR. MORRIS: Yes.

MS. OJIMA: Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 07-22 has been approved.

CHAIRPERSON COURSON: Bob, welcome to the world of CalHFA.

(Applause.)

MS. PARKER: Mr. Chairman, I would like to add my own thanks to the Board for your unanimous support of this candidate. He will be back at the next meeting.

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Item 15. Report to Board on status to date of the new building strategic project...

CHAIRPERSON COURSON: I'm going to -- I've have had a request we got earlier, and if it's -- if it's okay for the Board, I would like to accommodate an outside party we have and move item 15, which is the report on the status of the new building project up, and we'll do that now and then go back and -- Kathy, if we may, then we'll go back to the project.

Mr. Spears.

MR. SPEARS: Thank you, Mr. Chairman. Steve Spears, Chief Deputy, and I have with me Jerry Porter, who is the Chairman of Cresa Partners, a real estate advisor firm that we have retained that you heard from in June. I'll just make one brief -- one or two brief comments.

In June, the Board gave Cresa and staff

permission to go out and have preliminary, nonbinding negotiations to look for opportunities. Jerry and his folks have done that over the summer months. Linn Warren has been involved. Jackie Riley and I have also answered questions and been involved in the negotiations. We've had a couple meetings with Terri to keep her briefed on what's going on.

So it's time to come back, tell you what we've found so far, and let you know the next steps.

So I'll turn it to over to Jerry and let him get right to it.

CHAIRPERSON COURSON: Jerry, nice to see you again, thank you.

MR. PORTER: Thank you. And thank you very much, Mr. Chairman, for moving this up to accommodate me.

As we mentioned in the July meeting, our firm has for the last 14 months been in the process of assisting the Agency in both determining their long-term office space needs and looking at market opportunities to satisfy those needs. There is a lease expiration in the third quarter of 2010 with a termination right a year earlier, so we have the ability starting in the fall of '09 to terminate on relatively short notice.

We have without bias of sale or purchase -- or of lease or purchase, tried to look at every opportunity that could accommodate a hundred-thousand-square-foot office requirement with the goal of consolidating the Agency's two operations that are currently split between multiple floors in the Meridian -- I mean the Senator building and a couple floors in the Meridian office building.

And as we examine their current situation, the -- what we think are the benefits long term are the operational efficiencies gained by having the entire organization under one roof; the personnel hiring, retention, productivity gains from having people working in proximity to one another as opposed to small core plates in the building that's, in the case of the Senator, not a current building. There are some risk factors relative to the data center in the basement and other such things that we'd -- we think are suboptimal.

We suggested in the last meeting that we were -- we had identified a handful of purchase opportunities, primarily build-to-suit potential. We have further clarified our requirements to those prospective developers. We have solicited proposals from them, some of which came in as late as 3:00 o'clock in the afternoon yesterday. We are not in a position to properly provide the analysis on those. They were coming in late Friday afternoon and again yesterday.

The number of overall sites for lease or purchase is literally a handful. The downtown sites that we just got new proposals on, the proposals on their face, some of them present some real challenges. Two proposals came in as ground leases, which we think will not be satisfactory from an economic standpoint over the long-term analysis. We're optimistic that at least in one case we might change their mind and have them consider a direct fee sale.

Two of the other proposals are on smaller sites in downtown, which create 12- and 13-story buildings to accommodate parking and the 100 to 120 thousand foot office requirement. Initially those appear to be quite pricey. But we would like to take some additional time, evaluate those carefully and make sure that our matrix for comparison is apples to apples.

We still have a couple of suburban sites that appear to be strong economic candidates, but they do have the challenge of leaving downtown. And part of the matrix of our evaluation has been transportation issues for the existing population, and we're trying to be quite sensitive to the impact, potential impact, of relocation.

We hope to be in a position to come back to the Board with a thorough analysis of the proposals and potentially a recommendation for two as to a strategy relative to the prospects of purchase. Again, the reason for doing the due diligence on purchases today is the lead time necessary to complete a building within the time envelope that we have under our current leases. If these don't prove out to be economically appropriate candidates, we still have ample time to prosecute a new lease and hopefully a consolidation of the facility on a straight leasehold.

So we are just simply looking to advise the Board of our work to date, ask for your indulgence as we continue to try to refine the information for you and are not presuming anything about the willingness to purchase a building, but are simply trying to look at all the occupancy opportunities out there and to analyze them apples to apples for the Agency.

CHAIRPERSON COURSON: A couple of questions. One, am I correct, and I think we talked about this, that to move to a suburban location will take legislative action? Are we restricted by statute to location within a certain footprint?

MR. SPEARS: The only restriction, Mr. Chairman, that I'm aware of is it has to be within the city limits of Sacramento.

CHAIRPERSON COURSON: Okay.

MR. HUGHES: That's correct.

CHAIRPERSON COURSON: Okay. So suburban is just out of the downtown.

MR. PORTER: Yes. And at the moment the only candidates we're seriously considering are within the city of Sacramento.

CHAIRPERSON COURSON: Okay.

MR. SPEARS: It does exclude moving west into West Sacramento, where you see some new construction going on right now. That's out of the question.

CHAIRPERSON COURSON: And I guess the second is do you envision when you come back with the analysis of purchase or buy or build opportunities will we also -- we had discussion at the last Board meeting. Are we going to -- will that include an analysis of lease versus own? Because that's -- the other piece here is I think we had some discussions at the last Board meeting about certain members expressing is it the right thing for us to own our building versus lease our own building and the economics of that and so on. And so I trust that when we get these alternatives, that we'll also be looking at that sort of overarching question.

MR. PORTER: Yes, Mr. Chairman. The last meeting on September 5th, we did put forth a lease purchase analysis summary that was focused on preliminary numbers from a nondowntown alternative that showed potentially significant, in our opinion, over a 20-year horizon a $20-million, plus or minus, net present value benefit of ownership over what we think is a conservative lease model. Those numbers, since that time, we have tried to refine, and our expectation has been that they seldom get cheaper. They typically get more expensive.

We are still fairly confident that certainly on the nondowntown alternatives there's a significant long-term financial benefit. It's appears to be a little more challenging in the downtown core to replicate that. And we're certainly available to address all of the risk associated issues of ownership versus leasing as the Agency changes over time and what are the exit strategies in both, frankly.

So again, we don't have a bias as to lease or purchase. We are just trying to be attentive to the fact that if we don't present adequately all of the purchase build options very quickly, then the default decision is leasing or substantial holdover.

CHAIRPERSON COURSON: Other questions or comments from the Board?

MR. SPEARS: We'll continue to prosecute these development/own options at this point and bring a report back in November.

MR. PORTER: And thank you very much --

CHAIRPERSON COURSON: Thank you.

MR. PORTER: -- for accommodating me on this.

CHAIRPERSON COURSON: Mr. Morris.

MR. MORRIS: Just to kind of work backwards from when the existing lease terminates and given, you know, the planning process and the construction time, we're probably looking at making a decision on this probably within the next -- are we talking about the six months?

CHAIRPERSON COURSON: Yes. Yes. Or sooner.

MR. PORTER: We're hopeful to come back to you with information prior to the next Board meeting, but come back to you at the Board meeting with our analysis and recommendation of the purchase opportunities for you then to determine whether that's of interest or -- and we'll back that up with what today appear to be the lease opportunities, although it's -- that's harder for us to forecast as to what might be on the market. It's very, very tight right now, the lease market.

CHAIRPERSON COURSON: Thank you.

MR. PORTER: Thank you very much.

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Item 12. Resolution 07-27, Mental Health Services Act Housing Program

CHAIRPERSON COURSON: Okay. We are on agenda item No. 12. Edwin, Kathy.

MS. PARKER: Mr. Chairman, we have a guest joining Kathy and Edwin today, which I will let them introduce -- maybe I'll just do it, Jane Laciste is with us.

And, Jane, I'm not sure that I can remember your title in the Department of Mental Health.

But what I can say is that Jane has been part of the working group that has spent the last year with CalHFA and the counties and the advocacy groups putting together the model for what the MSHA, the Mental Health Housing Program for chronically mentally ill, will be all about. She's been a great team player to be supporting Department of Mental Health and it's been a pleasure to work with her, and she has essentially been carrying yeoman labor within her own department as having to not only be a mental healthcare professional, but learning what housing is all about.

We had said at our last Board meeting where we essentially gave you the regulations and the guidelines of what has now been made public for this new program, that the -- we are now really focused on the operationalization of it and that we needed to come back to the Board and talk about some of the day-to-day processes of how we were going to implement and do our work internally and within the Board, the aspects of the

Board, and our reporting relationship to them.

So we have -- we're proposing to you today a process for us to be using to bring these projects to you. We want to get your feedback, your concurrence, your questions to see whether or not we're going down the right path.

So with that I will turn the discussion over to Kathy and Edwin. And I would -- as I said earlier all along, we have put inside CalHFA a whole team that crosses all of the silos of our individual divisions. Sandy is the leadership in the Legal division for all the legal issues associated with this program. CalHFA has the leadership role in Asset Management. As you all know because we will be operating a unique program here, I brought in an ongoing operational subsidy and in that sense it's a major role for our asset management group. Bruce has staff, Dennis has staff certainly on the Accounting side to keep track of all these new dollars. So it is a -- a program and effort really by most almost all of CalHFA staff.

MR. GIPSON: Thank you, Terri. Good afternoon, everyone.

Terri mentioned most of the things I was getting ready to say, but I do also want to mention that, Terri touched on earlier, that Kathy is now the Special Lending

Program Manager in charge of MSHA and continuing with the Bay Area Housing Plan as well, and she has been our point person on this all along, spearheading it with great staff work as well from Sandy and Summer and Margaret and numerous others, including Jane and all the others at DMH.

And today we've brought forth, we have prepared, a slide show that talks about the inner workings of how the program is going to be. And at the back we also have the resolution for which we asking for authority to move forward with the program that you will see today.

With that, I'll turn it over to Kathy.

MS. WEREMIUK: Chairman Courson and Members of the Board, it's a pleasure to be back with you with this program today.

Last month, I believe in August, we presented the program in concept to you, but I think we have different Board members here today so the people who were here with us last month bear with us as we repeat some things, but we did want to both present the resolution and also what the program is.

The Mental Health Services Act was passed by the voters of California in November of 2004, and it provided for funding for what it takes funding to assist people with serious mental illness. The Governor in May of 2006 issued an executive order asking the Agency and the Department of Mental Health to set up a housing program with a portion of the funds, what I think at that point were something like 10 percent of the funds, that were expected to come in to create over 20 years 10,000 units of housing for people who are seriously mentally ill and homeless to help stabilize them and assist them in reentering the California community in a stable fashion.

The MHSA housing program came out of that effort. Terri pulled together a work group I believe in August of '06 which consisted of members of the development community, the Department of Mental Health representatives, from the county mental health departments, and we met for over a year pulling together a program that was acceptable to the counties, because it was the county money that we thought would work, and build -- excuse me, tax credits and HCD were also a part of that, as well as Corporation for Supportive Housing -- to make sure that the program worked with existing housing resources and would also work for the counties and work within the rules and regulations of DMH, and this program is the result of that.

In your Board packet there was a report that we were legislatively required to submit to the Legislative Analyst's office, and we did in May of -- I'm sorry, May of this year, which was approved in June of this year. Pages in your books, page 250 to 269, the program description is out of date, and the application that you have includes an up-to-date term sheet, so I just wanted to alert you to the fact that the term sheet in the Board report is not -- is not current.

On August 6th, we issued an application. It was jointly issued by Terri Parker and Dr. Steven Mayberg. And it is now on both of our websites and the counties are beginning to do some planning under that application. We expect to receive applications.

The housing program is supportive housing, which means it's housing where there's no length of stay for the person who comes in, and there's a link to on-site services. The services are intended to help to support the recovery of the tenants and to maximize their ability to live and work in the community, and that service requirement is a key component of this program.

The program is anticipated, if it goes through the 20 years, to have set -- to transfer to the Agency $75 million annually to finance the development and acquisition and construction of housing and 40 million annually for services. The first allocation of those funds is for a hundred million. And there is -- on page 270 of your Board binder there is a planning estimate that was sent to and agreed upon by all the counties in the state that gives funds individually to each of the counties, and those funds would be used for housing in their counties.

Staff today is requesting a delegation of authority to administer the MHSA housing program for the Department of Mental Health and to enter into all of the necessary agreements with DMH as well as entering into agreements with developers and local governments. And this delegation of authority would include approval of loan commitments and loan document -- loan documents and subsidy contracts.

The main documents that we're looking at currently are an interagency agreement, which is in process. We've been working on that agreement with the Department of Mental Health as the program has developed, but as we get into details, we haven't -- neither of us have signed it yet because issues come up that need resolution before that agreement can be executed. That agreement would cover the roles and responsibilities of both agencies and the compensation for the Agency for the role that we're playing. And Sandy has been integral in working on that agreement.

The subsidy agreements would be entered into with the developers, and they would provide for rental subsidy for half of the units for what we hope to be an 18-to-20-year period, which would be a period for those projects that have tax credits that would allow the investors to feel comfortable entering into investment agreements and allow housing to be developed for this community. Also loans and loan documents.

What we're looking -- what we're asking of you today is to delegate to the Executive Director the authority to enter into those commitments. And in terms of the loans, we would be looking to report back to you in a similar fashion that we're doing on the Bay Area Housing Plan, so we would come back to you periodically with updates and a delegation of authority in terms of dollars would be coming through the annual budgeting process and business plan of the Agency.

In terms of the roles of the Agency, it's a pretty complex project, and we've worked pretty hard on the roles. DMH -- the Prop 63 gives the money directly to the counties. The Department of Mental Health has been working with the counties to contract with them to transfer the funds to CalHFA for the housing program.

They're also very, very much involved in the process of promulgating regulations regarding the Mental Health Services Act housing program, and because it is public money they are -- they are required to have regulations. Jane, I believe, intends to have the first package available by the end of the month to submit to the Legislative Analyst's office and to the Department of Finance.

We -- we will not -- although we can accept applications, we can't issue commitments until the regulations have been approved. And so that process is an important component of rolling out the program for the Agency. We would administer the housing aspects of the program under these regulations. And again, we've been working very closely with them on the drafting of the regulations.

DMH will also have a division that evaluates each of the applications for the proposed target population and the supportive service plan to make sure that that plan is adequate. They will also be involved if the ongoing monitoring of the service position over the life of each loan.

The Agency's role would be to administer real estate aspects of the program for DMH. That would be to make the loans, to provide asset management services for the loans once they're made, to issue the subsidy contracts, and also to disburse the operating subsidies. We would be involved in the underwriting, the request for capital funds and capital to operate the subsidies, make the loans, close the loans, provide the asset management.

We also looking at providing investment services for the funds that are transferred to us, and that's something that Bruce will talk a little bit -- Bruce will be coming back to you with investment plan after he's had a chance to talk to the counties, but he's also here available today to talk about that.

And additionally we'll be providing reporting to DMH on an annual basis regarding the funds that we hold, what happens with them, which -- how many loans have been made. And those -- that reporting has to come on a county-by-county basis, so it will create a new workload for our accounting department.

The counties will work with qualified developers in their counties to identify their -- both their priorities and then developments that can house their target population, and they will also be identifying the level of services required at the development for the population that they're interested in housing. They have the ability to apply for and approve the use of their funds, both for capital loans and operating funds. And with that comes a commitment to providing supportive services to the target population and to the development for the full term of the loan. And it just -- using MHSA and other funds at their disposal.

The proposals would be jointly submitted by the county, the county mental health department, and the developer. They will come to both DMH and CalHFA. DMH will do a review for services. CalHFA, after they have completed that review, will be doing a review for financial feasibility. Once CalHFA has finished their review, we will share that with DMH, make sure that they are in agreement with an approval commitment for the funds for the project. And then the Agency will issue a commitment of funds.

This is -- there are two housing models, and one is shared housing, and this is a departure for us. It's something -- it's a housing unit that can be shared by two or more unrelated individuals, each of whom is a target member of the -- is a member of the target population. And it can be -- the shared housing can be as small as a condominium with two bedrooms. It could be a duplex or a fourplex. And that model was developed for the small counties where rental housing, larger rental housing really isn't an option. They don't have the funds and they don't have a population.

This will also cover rental housing developments which are more typically -- more typically work with five or more units general occupancy buildings or special occupancy buildings. There will be a requirement that each unit contain a sleeping area, a kitchen and a bathroom.

And the funding will be restricted to units where there -- the units are occupied at least one member who is a member of the target population. This could be both a single-use building, possibly a 20-unit building where all of the units are for people who are in the target population, or a mixed population building. And the requirement is that at least five units in a rental housing development or 10 percent of the units be set aside for members of the target population. So it allows for very low targeting, and the program attempts to induce developers to add some of these units into buildings that are meant for general occupancy.

The rents will be restricted to 35 percent, 50 percent of the area median income. There will not be an income limitation. The projects qualify for the welfare exemption as housing for the disabled, and we didn't want to create an Article XXXIV -- for people who are used to doing housing in California, an Article XXXIV issue for developments.

The loan limits are a hundred thousand dollars for rental housing, but up to a third of the costs or a hundred thousand in counties where housing costs aren't more than 300,000, they can at their discretion ask for a loan that's larger than that. And for shared housing the loan limits would be a hundred thousand dollars per bedroom. We don't anticipate that there are as many other funds available for shared housing, and so these funds could be used to provide a hundred percent of the costs of the shared housing unit.

The capitalized operating subsidies we would be providing up to a hundred thousand dollars per unit. It would be set aside in a reserve held by the Agency and the -- with an investment strategy by the Agency to make sure that the funds stretched over the term that they're going to be needed, maybe giving a preference for rental housing developments, because there's only enough money to subsidize half of the units. The -- there is a requirement that the developer apply for other rental subsidies and accept them if they're available.

The Agency would receive an administrative fee of .42 percent of the outstanding principal balance of the loan to pay for asset management and legal and accounting costs over the term of the loan. Written into the loan documents is a 1-percent fee on the capital -- on the amount of the capital loans. The Agency has made an alternate proposal to DMH for a different way of funding that as the first 1 percent of the interest earnings on funds that are transferred to us, but that -- that's still in discussion.

The loans will be residual receipts and there's -- if there are residuals, those residuals will go back to the county and be used for additional operating subsidies. The interest rate will be 3 percent, but it is residual and therefore it is not mandatory payment. And the loans will be set for a 20-year term or longer, if required by other sources. So we anticipate that loans that have tax credits will be for 55 years and shared housing loans where there aren't other sources will be 20.

The program will also provide for predevelopment loans up to 500,000 for rental housing developments and 200,000 for shared housing developments.

The -- at this point, I'd like to ask if you have any questions.

CHAIRPERSON COURSON: Questions? We covered this somewhat in August, a little more in depth today.

Carol.

MS. JAVITS: I just wanted to affirm as I did last time how exciting this is. The leadership of Terri Parker in getting this done and the role of this Agency will roll through the country now and develop the supportive housing.

And just a couple very quick questions. On page 233 it says there's 575 million available, 400 million is going to be available on execution of the documentation. What's happening with the other 175 million?

MS. LACISTE: That -- those funds will be issued as soon as the revenue comes in. At this point we have cash on hand available in the fund to release the initial 400 million, and so we're anticipating revenue in the near future.

MS. PARKER: Jane, it's also a situation that that higher number reflects a five-year funding commitment and -- which was additional discussion with the counties. And we're kind of doing this on an incremental basis, so that's the first five years. We've talked with the counties about needing to go back with them within that five-year period, depending on how we're doing with the demand, so that there is not any drop in commitment on their part and for them to essentially start looking at the next five years, the next five years, the next five years.

MS. JAVITS: Great. And then I just wondered on -- if the counties don't spend -- if an individual county doesn't spend, what's going to happen to those resources.

MS. LACISTE: The act calls for what we call reversion or sweep of unused funds within specified times, depending on the category of funds. The funding for this program is coming out of community services and supports, which has a three-year time frame. We -- so these funds will be subject to a sweep after three years.

We are working with CalHFA -- when the three years -- the sweep is triggered when the funds are not obligated or encumbered. We are working with CalHFA at the point an application comes in that we can get a nod from them and then consider those funds encumbered and thus exempt from the sweep.

We -- also, the Department has set aside significant funding for training and technical assistance with the counties. We are targeting those counties that are less experienced in this, especially the small counties, working with them to be able to get all the tools and resources needed for them to put a project together and submit an application to utilize those funds prior to that three-year time frame.

MS. JAVITS: But if they ultimately didn't, the funds would come back and could be reallocated?

MS. LACISTE: Yeah, they would be swept back into the MHSA housing program for redistribution.

MS. JAVITS: And then obviously the partnership is really commendable between the two departments, and it's great to see that. And I just was curious, the outcomes that you're going to be looking for. It sounds like the DMH is going to be mostly responsible for that. Obviously, you know, kind of the results of the program, the impact of it is going to be important in terms of building support, as you say for five years and five years again. So perhaps at some other time it would be interesting for the Board just to know what impacts you're going to be looking at, what outcomes you're going to be measuring.

MS. LACISTE: It would be my pleasure to come back and address it.

CHAIRPERSON COURSON: And we will be receiving, as we have on the Bay Area Housing, reports at our Board meeting so there will be an opportunity to do that at a future meeting.

MS. PARKER: Mr. Chairman, one other thing that I wanted to mention, we are joined by four people, four different entities, that are holding hands to the success of this program: The Department of Housing and Community Development, CalHFA, Tax Credit Allocation Committee, Department of Mental Health. And I want make sure that the Board understands that one of the things that we're looking at about these projects is the benefit of them being part of what might be larger affordable housing projects.

And that's why it's really very important to have the close relationship with Tax Credit and HCD who have obviously other funding sources, including MHP so that we are working together so that a project could come forward and maybe be a 50-unit project but have some number, some subset of those be eligible for this particular funding, but not be disadvantaged because of the overlap between the two programs, the various funding sources.

So I think that we have really done a yeoman's job of breaking out of the mold of -- I don't think anybody can call us being bureaucratic of what we have achieved by trying to essentially really for our customers, for the developers and whatnot of this kind of housing, we're trying to essentially make it not be a huge brain-damaging situation.

CHAIRPERSON COURSON: Mr. Carey.

MR. CAREY: I think this is a remarkable effort and exciting. I just want to ask one question particularly in light of the shared project concept. What is the status of determination about the applicability of CalHFA's architectural standards?

MS. WEREMIUK: Maybe I can speak to that. Currently the architectural standards are incorporated into the program at the request of the Department of

Mental Health to have standards. We are -- we have received some concerns about that from the development community, from a broad segment of the development community, and we're going to be reviewing that internally in the Agency within the next week and then also with the Department going through on a point-by-point basis.

In the past, the Agency has had relaxed standards for support for special needs housing projects where we have really looked at code, and we basically want to go through the choices with DMH, but we haven't had the time to do that because of the need to -- for them to go first through regs, which comes from some exigencies from the Legislative Analyst's office and the Department of Finance and the regulation process coming at the same time that the state budget needs to be developed.

So we're going through regs first, and then we'll be looking at the issue and probably be able to report back to you at the next Board meeting.

MR. GIPSON: If I can just add some clarity to it. We have had some different standards in the past, I wouldn't say it's just codes, but I think this also ties back to the historical concern with architectural design by far and the history, and so MHSA is just bringing up in its developer field historical items.

And I think this is one of the reasons why we went about revising the architectural manual and process and the previous issues designed and why we had the focus groups, was to work through those issues and come up with something that was working better as to the same types of goals and concerns. I mean a great deal of the manual and the work from the tech services unit identified a large number of construction issues which is saving more developers more money than they care to know.

But I think through those work groups we have come up with a new product and a new procedure for flowing through it. And I think that was what the whole point was. And so I think we also will need to be doing -- or we will be doing the outreach necessary so that they understand it's not the same process they thought it was, it's not the same cumbersome thing they thought it was, that it's more of a front-loaded process. It focuses only on a few things of ours. We've gotten rid of a whole lot of different things, incorporated general standards around so there's no separate type standards, as many as there used to be with all the different accessible units and all those different things, a much streamlined process.

And I have heard some of the things out there, and we've seen some other stuff. But I think we're in the early phases, and I think some of those individuals will hopefully come to recognize that it was not the same process and that they, you know, will be moving through it much more smoothly than they ever have in the past. But because the process is brand-new and it just hit the streets, I mean, we're just printing the books, there's only a couple who have actually gone through it, and so we also need the word of mouth on that.

But the agreement was with -- when we did talk to DMH, the discussion was let's give this a try and see how this works first, plain and simple. I know there's some historical history there, but let's give it a try first.

CHAIRPERSON COURSON: Other questions or comments from the Board?

There is a resolution on page 271 of your book that, as Kathy mentioned when she was going through, would authorize the signatures, execution of certain programs and agreements and loan agreements. And a motion is in order for that resolution.

MR. CZUKER: So moved.

CHAIRPERSON COURSON: Mr. Czuker moves.

Is there a second?

MR. DAVI: Second.

CHAIRPERSON COURSON: Mr. Davi seconds.

Is there any further discussion from the Board?

Any discussion or comments from the public?

Call the roll.

MS. OJIMA: Thank you.

Mr. Davi.

MR. DAVI: Yes.

MS. OJIMA: Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Yes.

MS. OJIMA: Mr. Mandell.

MR. MANDELL: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Yes.

MS. OJIMA: Mr. Pavao.

MR. PAVAO: Yes.

MS. OJIMA: Mr. Morris.

(No response.)

CHAIRPERSON COURSON: I think -- let the record show that Mr. Morris has left the meeting.

MS. OJIMA: Thank you.

Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: Resolution 07-27 has been approved.

CHAIRPERSON COURSON: Thank you. Thank you all.

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Item 13. Update on Bay Area Housing Plan Financing

CHAIRPERSON COURSON: The next item -- actually 13 and 14 on our agenda both encompass the Bay Area Housing program. I spoke with Kathy earlier. I think in the pile -- I will describe as the large pile of documents in front of you, there are two documents, two reports on the Bay Area Housing. And if -- unless the Board desires going through that report in great detail, we have it in front of us, but we do have an item that we do need to consider in conjunction with that, and it's on page 275 of your Board book. And Mr. Gilbertson has joined us for that.

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Item 14. Resolution 07-28, Amendment of Agency Resolution No. 06-06

MR. GILBERTSON: Thank you. One more vote I'd like to have here.

In front of you in your Board binder you'll find Resolution 07-28. This is a resolution amending a prior financing resolution for the Bay Area Housing program. That resolution was brought to you in January of 2006, and it provided the authority for the Board to issue bonds for the purposes of financing loans in this regard.

At this point there's two reasons that we need an amendment. The first is to extend the period of time during which we have to issue bonds for this purpose. The Resolution 07-28 would authorize an extension for issuance of bonds till 30 days following the first Board meeting in calendar year 2009, and that's basically an extension of one full year. The authorization previously granted expires in early 2008. Secondly, the amended resolution would authorize the use of Bay Area Housing Program bond indenture for the purposes of financing these loans.

Just briefly on the two amendments, the reason for the time extension is simply that the closure of Agnews State Hospital has been extended. We don't believe that we'll be issuing bonds for this program before December. We will likely do it in two installments as soon as December 2007 and then another issuance would actually occur in late spring or summer of 2008.

Specifically the Bay Area Housing Program bond indenture, a version of that bond indenture is included in the Board binder. This is a limited obligation of the Agency secured by the loans to be financed, the revenues related to the loans and the capital reserve account that is created through the debt service reserve for each of the loans. We plan to use this exclusively for issuance of bonds for the Bay Area Housing Program.

And the last item is really that we have submitted these documents to both Moody's and Standard and Poors for their consideration. We're hopeful that we'll get some reaction from them by the end of the month, hopefully a preliminary credit rating sufficient for us to go to capital markets.

With that, I'm willing to answer any questions.

CHAIRPERSON COURSON: Questions for Bruce?

Is there a motion to approve the resolution as set forth on page 275?

MR. PAVAO: So move.

CHAIRPERSON COURSON: Mr. Pavao.

Second?

MR. MANDELL: I'll second.

CHAIRPERSON COURSON: Good. Thank you.

Any discussion?

Any discussion from the public?

Call the roll.

MS. OJIMA: Mr. Davi.

(No response.)

CHAIRPERSON COURSON: Has exited the meeting.

MS. OJIMA: Thank you.

Mr. Carey.

MR. CAREY: Yes.

MS. OJIMA: Mr. Czuker.

CHAIRPERSON COURSON: Has exited the meeting.

MS. OJIMA: Thank you.

Mr. Mandell.

MR. MANDELL: Yes.

MS. OJIMA: Ms. Javits.

MS. JAVITS: Yes.

MS. OJIMA: Mr. Pavao.

MR. PAVAO: Yes.

MS. OJIMA: Mr. Morris is gone.

Mr. Shine.

MR. SHINE: Yes.

MS. OJIMA: Mr. Courson.

CHAIRPERSON COURSON: Yes.

MS. OJIMA: We have -- hold on. Resolution 07-28 has been approved.

MR. GILBERTSON: Thank you.

CHAIRPERSON COURSON: I do have to say I have a great deal of confidence because Mr. Shine found no wording out of place in the document in the indenture, so I have great faith in that.

MR. SHINE: Thank you, Mr. Chairman.

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Item 16. Report on Agency's homeownership subordinate

lending requirements

CHAIRPERSON COURSON: Okay. The next item on our agenda is item 16. And those who were at the last regularly scheduled Board meeting know that we had an individual with us who is back with us, Gustavo Lamanna, and he is an attorney with the firm of Kane, Ballmer and Berkman and brought to us an attention -- an item to our attention for discussion, and so we placed that on the agenda as item No. 16. And I'll turn it over to Mr. Lamanna.

MR. LAMANNA: Thank you so much. Good afternoon, Board. Good afternoon, Public. Thank you for the opportunity to let me speak with you today.

If you recall the last time I was here was back in March in Sacramento. It's good to be here in Southern California where you can actually walk into the hotel and see people doing jumping jacks a couple doors down. And it's good to know, I had a good laugh with Commissioner Davi because they were all real estate agents at a training session. Something we don't see too much in Sacramento.

But as the good chair said, my name is Gustavo Lamanna. I'm an attorney with Kane, Ballmer and Berkman.

And I wanted to ask the directors of CalHFA to now take affirmative steps to implement Fannie Mae

Announcement 0603. These affirmative steps would include a formal instruction to adopt a policy and to CalHFA bond documents including indentures, regulatory agreements, and any other types of actions or agreements among lenders and your investors.

To supplement my March 8th, 2007 visit to your good Board, I wanted to first report on the interactions I've had with your good counsel and your office; No. 2, provide some supportive market data since my last meeting which would support adopting this policy; and No. 3, summarize the policy for the Board.

First, interactions with your counsel. Since March 8th I've had productive conversations with your General Counsel, Mr. Hughes, and some e-mail exchanges with your staff counsel Mr. Freeburger, and even this morning I've spoke -- continued to speak at length with Mr. Hughes and also with Mr. Charles McManus of your Mortgage Insurance services group. And I expect that we will continue this discussion to come up and work through the details so we can actually present -- hopefully present the policy for you that the good Board can adopt and begin to incorporate into its practices.

When combining these interactions I've had since my March meeting and previous interactions I've had with the Board -- and to back up, our firm represents about three dozen redevelopment agencies. Redevelopment agencies, much like housing commissions, are all subsidy providers for affordable housing borrowers, and we buy single family or any type of a housing unit that's restricted to affordable income households. Our clients are the agencies that provide a different subsidy or it may very well be we may be into a DDA, or a disposition development agreement, with the developer and help them actually purchase the land or acquire the land or give them other types of tax increment financing.

When I look at my interactions with your staff in the past, having spoken to your tax attorneys as well as Mr. Freeburger, I think when you look at Fannie Mae's current position and change in policy, there is a way we can harmonize our goals.

No. 2, I just wanted to bring you up to speed since to support the position in this policy change with certain market developments. With the news of the continued liquidity shortage and the Countrywide and effective decline of other lenders in the subprime markets, there remains an incredible opportunity for CalHFA. Just tomorrow Fannie Mae and Freddie Mac are going to be adopting new rules requiring verification of incomes for all new borrowers. This would be -- that would be including, obviously, affordable income buyers.

This -- the new rule was obviously made in response to the current changes in the financial market liquidity issues. However, as the good Board already knows, affordable housing borrowers already have to provide verifiable income sources. With that verification, the -- there isn't any jeopardy -- or there is a legitimate mortgage repayment income stream that is verifiable for your borrowers in the underwriting process and it also meets Fannie Mae.

Further and more important, affordable housing covenants which our clients put onto properties, or, in other words, we would record resale restrictions or what's often called by Fannie Mae resale controls, to preserve a certain housing unit for all future buyers so that the owner always be of affordable income and they not be reverted into market rate and sold without controls. Since these units that you're financing would be encumbered with affordable housing covenants, CalHFA is assured that there's a constant flow of qualified affordable household borrowers in line with verifiable incomes in the offices of all subsidy providers like our clients the redevelopment agencies as well as housing commissions.

Because Fannie Mae recognizes disparity between market rate housing and affordable housing will remain large, CalHFA should look at this unique opportunity in this financial market to capture this ever growing stable group of borrowers who obtain affordable housing subsidies. Redevelopment agencies invest in and are required by law to protect their subsidies in affordable housing. The added addition of Fannie Mae's Announcement 0603 only confirms that Fannie Mae believes the added security of maintaining these resale controls ahead of any first mortgage that the good Board and your staff would be making to -- to the borrowers.

So in summary, and for those new members to the Board, I just wanted to give a quick overview. Before Fannie Mae announced this change in their policy, what typically happened is you had redevelopment agencies like our clients acquiring, participating and helping make an affordable housing development, and we would require that a certain number, usually 20 percent of whatever subsidy we provide, is all restricted. We have to use it for affordable housing.

We would require, let's say, a hundred out of a -- you know, 400-unit development to be affordable -- sold to affordable households. On those 100 units, we actually put covenants on those units in a grant deed and say everyone that buys this has to buy it and meet these income criterias, and they would be approved by the

Agency.

When lenders that are writing new loans or just out in the open market, lend to those borrowers, they typically ask for a subordination agreement. They would basically say, you know, if we have to foreclose or God forbid something happened to that borrower, or anyone for that manner, we want to make sure when the bank takes it we wipe you out and this would be taking the market rate.

Well, our clients have always had a problem with that, and those negotiations are usually tense, and we actually have a part of the community redevelopment law which speaks to that exact point. And that community redevelopment law says if there is an alternate means of financing without subordination, redevelopment agencies can no longer subordinate. So that's why we're at this jam we're in.

Fannie Mae came out last year in March '06 saying they will approve loans with unsubordinated -- or, excuse me, junior to our resale control. So that means we would be in senior position. All of the resale controls would be there, and any Fannie Mae approved loan can be junior to that. And if there is a foreclosure, the purchasers of the foreclosure will say they'll buy it subject to those resale controls.

So in summary, CalHFA now has the added comfort that Fannie Mae accepts these loans where resale restrictions are senior, such mortgage loans, and CalHFA should now embrace this policy and inform all of its lenders and investors of the added security of senior unsubordinated affordable housing covenants.

We thank the Board for your continued attention, and I invite any questions or comments.

I just wanted to close up and say that we know that this is an important policy change for CalHFA and the entire lending community, know that Fannie Mae has already led the charge there. Redevelopment agencies are there. But we want you to know I'm here to assist. Our firm is here to assist in the process. We have clients that are eager and still pursing these loans and finding avenues for lenders that do accept Fannie Mae underwriting. And to the extent possible, we can -- we can help.

And I can report that I'm not here for any one client. We have three dozen redevelopment agencies, and I just speak in general for -- it's an issue that affects all agencies.

I also to want to thank the time of Mr. Hughes, Mr. Freeburger, Mr. McManus. I'll continue working with them and report back hopefully with some policy that is in harmony with your mortgage practices.

And as I said, if the good Board has any questions, I'd be more than happy to entertain them.

CHAIRPERSON COURSON: Any questions of Mr. Lamanna?

Mr. Hughes.

MR. HUGHES: I'd only point out if the Board would like me to briefly explain the Agency's view of this, I can certainly do that.

CHAIRPERSON COURSON: I think that would be helpful.

MR. HUGHES: Okay. Let me -- let me just preface my remarks with a very brief overview of what this relates to.

The Agency has for many, many years -- and of course, Stan Dirks, Bond Counsel and Loan Counsel are intimately familiar with this. When a locality provides a subordinate loan to a homeownership borrower, the Agency reviews the subordinate loan program. We do that for a number of reasons.

And the primary reasons are that, first of all, we need to make sure that the provisions of that subordinate loan are not inconsistent with the tax laws and -- that govern tax exempt financings, and much of the review is dedicated to that because some of the resale and subordinate controls may run afoul of those tax requirements. So historically we review that.

I think the issue that Mr. Lamanna has been discussing goes to another component of our review, which is that we also review locality programs for essentially sound lending practices. And one of the issues that we've had for many years and have not, to be honest, seen a solution for from the Agency's point of view is that -- and I should mention that this issue comes up as well on the multifamily side in a slightly different context.

The Agency never -- we're firmly committed and it's our statutory mission to do affordable housing, but we never agree in advance to allow any restrictions to survive foreclosure. And the reason is simple, that when the Agency is forced to foreclose, either a multifamily or single family unit, we have to sell the property to repay our investors, and we will never know until foreclosure whether those restrictions will severely impact the market value to prevent us from getting back our repayment.

On the single family side, basically the Fannie Mae require -- and Mr. Lamanna's clients, the redevelopment agencies, are making subordinate loans obviously with a variety of sources of funds, tax increment, home CDBG, whatever they have, but they're more soft money loans than we borrow. We borrow money as a Board for investors and have to repay it. So we have -- we need to be able to maximize the recovery in a foreclosure.

The Fannie Mae policy -- and Tom Freeburger in my office is the expert on this, so I'll take some liberties in trying to explain it, but -- does apparently now recognize for taking some loans with resale controls that may survive a foreclosure. But as I understand it, one of the significant caveats is that there has to be mortgage insurance on the property.

Mortgage insurance policies -- and Chuck McManus is here and we discussed this issue as well. Mortgage insurance policies require that the lender give clear title to the property to the mortgage insurer because obviously one of the options is that the mortgage insurer take title to the property, pay off the claim, and then sell the property. So from a mortgage insurance point of view, a mortgage insurer is certainly not going to want to take a property that's encumbered with resale controls that might simply -- you know, might adversely impact the recovery.

The CalHFA situation is somewhat more complicated than that because even if the Agency elected to take the financial risk of taking on properties with resale restrictions that survive foreclosure and the mortgage insurance fund elected to take that risk as well, you have to remember that 75 percent of our risk is laid off to Genworth, and Genworth as the reinsurer is never going to accept that risk. Is that a fair statement, Chuck? Or it's unlikely to accept that risk, I should say. There's never never.

I think what we have here is a -- and these are the two hats that CalHFA wears each and every operating day. We wear the hat of being a responsible and prudent lender to meet our obligations to investors, and we have the goal of maximizing affordable housing.

I can only tell you on multifamily side we fought this battle many, many times, and we tell people we will do whatever we can to not foreclose out restrictions, affordability restrictions, but we have to maintain that option because we don't know if we're going to get paid in the situation.

On the single family side, again, there are variety of other reasons besides the ones I've articulated, but adopting a Fannie Mae position, which is a kind of one size fits all, doesn't necessarily work for us and potentially requires us to go back and review each one of these locality programs every single time something changes, not to mention running a financial risk, is frankly something the Agency has never viewed as feasible because of our need to repay those loans.

Now, I was talking to Mr. Lamanna, and one of the suggestions that has been made to us from outside counsel would be that we try a develop a safe harbor locality program that would meet all of our requirements. We've never done that, quite honestly, because we don't want to dictate to localities what they should -- what their local program should be.

We could do that. We are -- I will tell the Board honestly we are severely impacted for resources and staff and time to do this. We've been overwhelmed in the last year and a half with between Fannie Mae deals and strategic initiatives and all the things that have gone on that this has, quite honestly, been not at the top of our list of things to do. We could do that. I do not know really how to get past the issue of the survival of the resale restrictions, and that would be essentially a decision to take a financial risk that we heretofore have not been willing to take.

So that's kind of a summary of what this is about, and we just haven't found a way to mesh these two different roles.

CHAIRPERSON COURSON: Other questions or comments from the Board?

Mr. Lamanna, anything?

MR. LAMANNA: I have just a general -- I mean and I think this is where the conversation will go. As to the single family where I have been talking to Mr. McManus and Mr. Hughes, the policy decision ends up being -- the policy decision ends up being more of, well, mortgage insurance is a risk business, and agency subsidies is affordable housing business. It's a hard item to reconcile for any lender. But as we were able to speak with one large lender who is here today and just unsolicited, we started to, you know, groom a little bit. And lenders do find ways of pricing these things and if it's a big development and then there is a -- what ultimately this type of development is is a shared risk cost analysis. Sometimes the lenders are willing to take some things on. There are some things that tax increment financing can pay for.

So I'm very optimistic that with continued work with your office and some input from Mr. McManus -- and I'll try not to tax Mr. Hughes and Mr. Freeburger too much. I hope that I haven't done that. But I do ask if I can continue to come to this Board and provide these updates as they become available.

CHAIRPERSON COURSON: Anything else?

Mr. Lamanna, thank you very much.

MR. LAMANNA: Thank you so much.

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Item 17. Reports

CHAIRPERSON COURSON: The item on our agenda reports, you have by -- Bruce just put a couple of reports as he normally does in front of us and you have those to review.

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Item 18. Discussion of other Board matters

CHAIRPERSON COURSON: Are there any other matters to come before the Board?

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Item 19. Public testimony

CHAIRPERSON COURSON: Or is there any additional -- or is there any public testimony?

Seeing none, we will stand adjourned. Our next meeting is the 15th right back here.

(The meeting concluded at 1:40 p.m.)

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REPORTER'S CERTIFICATE

I hereby certify the foregoing proceedings were reported by me at the time and place therein named; that the proceedings were reported by me, a duly certified shorthand reporter and a disinterested person, and was thereafter transcribed into typewriting by computer.

In witness whereof, I have hereunto set my hand this 19th day of September 2007.

____

Yvonne K. Fenner
Certified Shorthand Reporter
License No. 10909, RPR

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CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Rubicon Homes
Richmond, Contra Costa County, CA
CalHFA # 06-078-N

SUMMARY

This is a final commitment request for permanent financing only. Security for this loan will be a first deed of trust on a 10-unit apartment building located in the City of Richmond and County of Contra Costa. Rubicon Homes, a California nonprofit public benefit corporation, owns the property. The project sponsor is Rubicon Programs, Inc, a California nonprofit public benefit corporation.

This is a Special Needs Loan. Rubicon Homes is an existing project that serves 10 households that include at least one adult with chronic mental illness. The project currently receives Project Based Section 8 rental assistance payments from HUD through an annual HAP Contract for all of its units.

The CalHFA permanent loan provides take-out financing for a $1,200,000 construction loan by U.S. Bank of an existing HUD Section 202 with an estimated balance of $497,801 through December 1, 2007. The HAP Contract is being extended for 20 years. The Agency Regulatory Agreement will require that 40% of the units serve households at 50% of AMI and that the remaining 60% of units will serve households up to 80% of AMI. All (100%) of the units shall serve Special Needs tenants. The percentage of units required to serve 50% AMI households may change subject to the final source of financing.

LOAN TERMS

Permanent

First Mortgage	$1,200,000
Interest Rate	1.50% fixed
Term	20 years, fully amortizing
Financing	Tax Exempt, 501(c)3 Bonds/Agency Funds.
Prepayment	Yes

The Agency loan will be non-recourse. An assignment of the HAP Contract as security will be a condition of the Agency loan. An Agency Regulatory Agreement extending to 20 years from date of closing of the Agency loan, or for the Qualified Project Period, will also be required. There will be no other permanent financing.

Assuming the use of 501(c)3 bonds, the cost of an interest rate buy-down is projected to be $393,664. Recognizing the relatively small size of this loan we are examining other financing options.

HUD Project Based Section 8 Payments

The project will be the beneficiary of a renewed Section 8 contract for a term of 20 years, with terms renewed in 5 year increments. The contract has been provided directly through HUD, via its designated contract administrator, as opposed to through a local housing authority.

HUD's existing regulatory agreement will continue for another 15 years. Occupancy of the units shall be limited to elderly and handicapped persons and families. It further limits eligibility to the admission and continued requirements for Section 8 units.

PROJECT DESCRIPTION

Project Location

- The project is in the City of Richmond which is in the north-western portion of Contra Costa County and abuts San Pablo Bay. Contra Costa County is the third largest of the nine counties that comprise the San Francisco Bay Area.
- The neighborhood in which the site is located approximately half of a mile north of the downtown Richmond shopping area. The property is located on 13th Street at the corner of Visalia Avenue. Thirteenth Street is mixed with light commercial uses such as auto repair and restaurants, and residential properties. Eastbound Visalia Avenue is comprised of single and multi-family residential development. Visalia Avenue ends into railroad tracks several blocks west of the property at the approximate western boundary of this neighborhood.
- There are two major freeways through Richmond. Interstate 80, is located 2 miles east of the project and Interstate 580, is about 2 miles south of the project.
- The site is immediate to AC Transit bus service and some 10 blocks from the Richmond Amtrak/BART transit center.
- Physically, Richmond is generally built up with industrial development along the western and southern boundaries. Easterly, are well established single and multi-family dwellings with commercial areas interspersed throughout. Relatively newer shopping and development is located on the eastern side of the city towards the City of Pinole, and westerly, in the Richmond Hilltop area. Other new development in the city is along the Marina Bay area of its water front south of the 580 freeway.

Site

- The site is an L-shaped parcel that is substantially level, sloping from east to west. The site comprises approximately 0.56 acres or 24,300 square feet.
- The property is zoned C-2 General Commercial District and MFR 1. The site is split with the western 2/3 designated as C-2 Commercial and the eastern 1/3 designated as MFR-1 medium density residential with a medium density of 9 – 28 units per acre. As presently zoned, the site would permit up to 18 units.

Improvements

- Three separate two-story wood frame, stucco buildings comprise the 10 units. A fourth, single story building serves as the community room and laundry.
- The buildings were constructed in 1983.
- The project's ten units comprise six 1-bedroom units, three 2-bedroom one-bath units, and one 2-bedroom handicapped unit. There are 10 parking spaces secured by fencing located at the 13th Street entrance to the property.

Rehabilitation

- The project failed its most recent REAC (Real Estate Assessment Center) scoring from HUD. Failure by the owner to make prompt corrections to the physical conditions will result in the loss of its Section 8 assistance for the 10 special needs units.
- The scope of rehabilitation work shall correct or exceed corrections of all immediate needs. The pest report was completed on September 10, 2007. The Physical Needs Assessment was recently updated on September 10, 2007.
- There are $402,340 ($40,234 per unit) in rehabilitation work budgeted. Proposed rehabilitation work includes new kitchen and bathroom cabinets, toilets, shower surrounds and valves, kitchen and bath GFIC electrical outlets, hard-wired smoke detectors, linoleum, and carpet for all 10 units.
- Site improvements included in the above rehabilitation budget will consist of replacing 700 sq ft of concrete flatwork, resealing and re-striping the parking lot, and replacing 2 site lighting pole fixtures in the parking lot.
- Exterior improvements consist of replacing the roofs, selected framing and sheathing corrections to the roofing system, and replacing some 1,000 linear feet of gutters. In addition, 10 greenhouse windows will be replaced with standard thermally insulated glass windows, selected utility closet doors will be replaced, rotted door jambs and all wood trim to be replaced. There will be a complete repainting of the exterior.

Relocation

- Relocation requirements will be minimal and accomplished through the use of one on-site unit that will be vacant and available during the construction period.

SPECIAL NEEDS SERVICES

Rubicon Programs, Inc., a California nonprofit public benefit corporation, will be the primary, on-site, service provider. Rubicon's services program is based on a permanent supportive housing model which emphasizes independent living. The onsite independent living program is coordinated with Contra Costa Mental Health. The mental health programs include:

- Day Treatment Program: Rubicon Day Center provides structured day rehabilitative services to adults with serious and persistent psychiatric disabilities.
- Independent Living Services (ILS): Provides essential "life skills" classes as well as counseling, case management and pre-vocational training to help participants develop daily living skills and use community resources more effectively. There are specific ILS services on site at the Rubicon Homes community room.
- Substance Abuse Services: Outpatient substance abuse services include education, counseling, case management and medication support services.

- The residents have access to case management services, Rubicon Programs pre-vocational and vocational services, and day rehabilitative services.
- Rubicon Programs is licensed to provide Mental Health Rehab Act Medi-Cal services for tenants and others.
- A service plan acceptable to CalHFA will be agreed upon prior to closing.

MARKET

There is a great housing shortage for individuals suffering from chronic mental illness, particularly that housing which will serve their special needs. Deinstitutionalization in the 1960's and the subsequent lack of replacement of community care facilities left few housing alternatives for the mentally ill.

Estimated Lease-up Period

The project is fully occupied. A primary source of tenants will be Rubicon Program's own waiting list together with lists from other organizations providing services to persons with chronic mental illness and who are homeless or at risk of homelessness. Currently, there are six individuals or households on the waiting list, four of whom applied in the past month.

ARTICLE XXXIV

An opinion letter regarding Article XXXIV compliance will be required. The opinion letter will be subject to CalHFA's review and approval.

ENVIRONMENTAL

A Phase I Environmental Assessment Report update was completed on September 24, 2007 by EMG. The report found no environmental concerns associated with the current or past use of the subject property and recommended no further action or investigation at this time.

DEVELOPMENT TEAM

Borrower

Rubicon Homes

Rubicon Homes, a California nonprofit public benefit corporation, is a single asset borrower entity that was formed in 1981.

Sponsor

Rubicon Programs, Incorporated

Rubicon Programs, Incorporated, a California nonprofit public benefit corporation ("Rubicon") is the project sponsor. Rubicon was established in 1973 in Richmond, California by community members concerned about the closure of state psychiatric hospitals. The founders recognized the need to develop local services for people disabled by chronic mental illness who were returning to the community. Rubicon also took on the problems of poverty and homelessness.

Rubicon developed a comprehensive service approach that also offers affordable housing and social purpose businesses.

Rubicon has received local as well as national recognition for its programs of social entrepreneurship. In addition to providing 136 units of housing, Rubicon's Bakery has 35 full time employees serving 300 retail outlets and distributors. Its landscape services has 80 full time employees contracting services to over 35 sites. Moreover, Rubicon served over 3,000 clients in FY 2003-04 with mental health, money management, workforce services and associated programs.

Rubicon has one other project in CalHFA's portfolio: Idaho Apartments, a 29 unit special needs rehabilitation project in El Cerrito, CA serving the mentally ill as well as persons with HIV.

Primary Service Provider

Rubicon Programs, Inc.

Rubicon will serve as the primary service provider in addition to its role as the project sponsor. The goal of Rubicon's housing programs is to promote independence and self-sufficiency for homeless and disabled participants by reducing barriers to obtaining and maintaining housing. Rubicon works with participants to assess strengths and barriers; to assist with development of a self-sufficiency plan; and to assist with applying for housing. Rubicon provides information regarding housing resources in West Contra Costa County; information regarding individual credit repair; advocacy with landlords and provider agencies; referrals for all support services as indicated by the self-sufficiency plan.

Management Agent

John Stewart Company

The John Stewart Company began in 1978. Since that time, it has focused much of its efforts in the management of affordable housing, principally in the San Francisco Bay Area, but also throughout California. In addition, the John Stewart Company is the largest private manager of supportive housing and "special needs" housing in California.

Architect

John Stewart Company

The John Stewart Company, through its construction services division will provide architectural services for the project. Daniel Levine, a registered architect, is the company's director of Construction Administration.

Contractor

John Stewart Company will act as Construction Manager on behalf of Rubicon Homes, providing services through its construction management division.

PROJECT SUMMARY

PROJECT NUMBER: 06-078-N

Final Commitment

Project:	**RUBICON HOMES**		
Location:	978 13th Street	***Developer:***	**Rubicon Programs, Inc.**
City:	Richmond	***Partner:***	Same
County:	Contra Costa	***Investor:***	N.A.
Zip Code:	94801		

		No. of Buildings:	4	
Project Type:	Rehabilitation	*No. of Stories:*	2	
Occupancy:	Family	*Residential Space*	6,935	sq. ft.
Total Units:	10	*Office Space*	500	sq. ft.
Style Units:	Townhomes & Flats	*Commercial Space*	0	sq. ft.
Elevators:	none	*Gross Area*	7,435	sq. ft.
Total Parking	10	*Land Area*	24,300	sq. ft.
Covered	0	*Units per acre*	18	

CalHFA Construction Financing	Amount	Rate	Term (Mths)
CalHFA Construction Financing	$0	N.A.	N.A.

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	**$1,200,000**	**1.50%**	**20**
CalHFA Bridge Loan	**$0**	**0.00%**	**0**
CalHFA Second Mortgage	**$0**	**0.00%**	**0**
Source 2 - Existing Reserves	$67,578	0.00%	0
Source 3	$0	0.00%	0
Source 4	$0	0.00%	0
Source 5	$0	0.00%	0
Source 6	$0	0.00%	0
Source 7	$0	0.00%	0
Source 8	$0	0.00%	0
Source 9	$0	0.00%	0
Source 10	$0	0.00%	0
Source 11	$0	0.00%	0
Source 12	$0	0.00%	0
Income from Operations	$52,198		
Developer Contribution	$0		
Deferred Dev. Fee	$17,572		
Tax Credit Equity	$0		

Construction Valuation		Appraisal		Value Upon Completion	
Investment Value	$1,275,000	**Appraisal Date:**	**10/2/2007**	**Restricted Value**	$1,495,000
Loan / Cost	0%	**Cap Rate:**	**6.00%**	**Perm. Loan / Cost**	90%
Loan / Value	0%			**Perm. Loan / Value**	80%

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	**Amount**	**Required Reserves**	**Amount**
CalHFA Construction Loan Fee	$0	Other Reserve	$0
CalHFA Permanent Loan Fees	$12,000	Replacement Resv. Initial Deposit	$43,000
Other Fee	$0	Repl. Reserve - Per Unit/ Per Yr	$710
Construction Loan - Guarantees and Fees		CalHFA Operating Expense Reserve	$15,930
Completion Guarantee Fee	$0	Rent Up Reserve	$0
Contractors Payment Bond	$0	Other Reserv (Construction Defect)	N.A.
Contractors Performance Bond	$0		

Date: 10/31/2007 **Senior Staff Date:** 9/14/2007

UNIT MIX AND RENT SUMMARY — RUBICON HOMES

06-078-N

Total Unit Mix

# of Units	Unit Type	# of Baths	Average Sq. Ft.
6	1 Bedroom Flat	1	590
4	2 Bedroom Flat	1	849
	2 Bedroom Townhome	1.5	
	2 Bedroom Townhome	2	
	3 Bedroom Townhome	2	
	4 Bedroom Townhome	2.5	
10			

Number of Regulated Units By Agency

Agency	35%	45%	50%	60%	80%	Unrestricted	Total
CalHFA			4*			6	**10**
HUD			8	2			**10**
Locality							
HCD							
AHP							
Zoning							
Other							

* Subject to change depending upon final source of financing.

Restricted Rents Compared to Average Market Rents

Median Income Rent Levels	Units Restricted	Restricted Rents	Avg. Market Rate Rents	Dollars Difference	% of Market
One Bedroom			$850		
35%	0	$0		$0	0%
45%	0	$0		$0	0%
50%	4	$455		$395	54%
60%	2	$585		$265	69%
80%	0	$0		$0	0%
Two Bedroom			$1,000		
35%	0	$0		$0	0%
45%	0	$0		$0	0%
50%	3	$547		$453	55%
60%	1	$587		$413	59%
80%	0	$0		$0	0%
Three Bedroom			$0		
35%	0	$0		$0	0%
45%	0	$0		$0	0%
50%	0	$0		$0	0%
60%	0	$0		$0	0%
80%	0	$0		$0	0%
Four Bedroom			$0		
35%	0	$0		$0	0%
45%	0	$0		$0	0%
50%	0	$0		$0	0%
60%	0	$0		$0	0%
80%	0	$0		$0	0%

Sources and Uses of Funds

RUBICON HOMES
06-078-N
Final Commitment

Total Development Sources

SOURCES OF FUNDS:	Funds in during Construction ($)	Funds in at Permanent ($)	Total Sources of Funds ($)	Sources per Unit	%
CalHFA Construction Financing	0				
Construction Only Source 2	1,200,000				
Construction Only Source 3	-				
CalHFA First Mortgage		1,200,000	1,200,000	120,000	90%
CalHFA Second Mortgage		-	-	-	0%
Source 2 - Existing Reserves	43,651	23,927	67,578	6,758	5%
Source 3	-	-	-	-	0%
Source 4	-	-	-	-	0%
Source 5	-	-	-	-	0%
Source 6	-	-	-	-	0%
Source 7	-	-	-	-	0%
Source 8	-	-	-	-	0%
Source 9	-	-	-	-	0%
Source 10	-	-	-	-	0%
Source 11	-	-	-	-	0%
Source 12	-	-	-	-	0%
Income from Operations	-	52,198	52,198	5,220	4%
Developer Contribution	-	-	-	-	0%
Deferred Developer Fee	-	17,572	17,572	1,757	1%
Tax Credit Equity	-	-	-	-	0%
Total Sources	1,243,651	1,293,697	1,337,348	133,735	100%
(Gap)/Surplus	-	0	0		

Total Development Costs

USES OF FUNDS:	Construction ($)	Permanent ($)	Total Uses of Funds ($)	Cost per Unit	%
LOAN PAYOFFS & ROLLOVERS					
Construction Loan payoffs		**$1,200,000**			
ACQUISITION					
Lesser of Land Cost or Value	-	-	-	-	0%
Demolition	-	-	-	-	0%
Legal - Acquisition Related Fees	-	-	-	-	0%
Subtotal - Land Cost / Value	-	-	-		
Existing Improvements Value	495,205	-	495,205	49,521	37%
Off-Site Improvements	-	-	-	-	0%
Other-Repay Other Costs	-	-	-	-	0%
Total Acquisition	**495,205**	**-**	**495,205**	**49,521**	**37%**
REHABILITATION					
Site Work	-	-	-	-	0%
Rehab to Structures	402,340	-	402,340	40,234	30%
General Requirements	26,152	-	26,152	2,615	2%
Contractors Overhead	18,211	-	18,211	1,821	1%
Contractors Profit	18,211	-	18,211	1,821	1%
Contractor's Bond	-	-	-	-	0%
General Liability Insurance	6,974	-	6,974	697	1%
Environmental Mitigation Expense	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Rehabilitation	**471,888**	**-**	**471,888**	**47,189**	**35%**
RELOCATION EXPENSES					
Relocation Expense	-	-	-	-	0%
Relocation Compliance Monitoring	-	-	-	-	0%
Total Relocation	**-**	**-**	**-**	**-**	**0%**

(Continued on Next 2 Pages)

USES OF FUNDS (Cont'd):	Construction ($)	Permanent ($)	Total Development Costs		
			Total Uses of Funds ($)	Cost per Unit per Unit	%
NEW CONSTRUCTION					
Site Work	-	-	-	-	0%
Structures (Hard Costs)	-	-	-	-	0%
General Requirements	-	-	-	-	0%
Contractors Overhead	-	-	-	-	0%
Contractors Profit	-	-	-	-	0%
Contractor's Perf. & Pymt Bond	-	-	-	-	0%
General Liability Insurance	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total New Construction	**-**	**-**	**-**	**-**	**0%**
ARCHITECTURAL & ENGINEERING					
Architectural Design	8,000	-	8,000	800	1%
Architect's Supv during Construction	-	-	-	-	0%
Total Architectural	**8,000**	**-**	**8,000**	**800**	**1%**
Engineering Expense	-	-	-	-	0%
Engineers Supv. during Construction	-	-	-	-	0%
ALTA Survey	10,800	-	10,800	1,080	1%
Total Engineering & Survey	**10,800**	**-**	**10,800**	**1,080**	**1%**
CONSTRUCTION LOAN COSTS					
Construction Loan Interest	74,389		74,389	7,439	6%
CalHFA Construction Loan Fee	-		-	-	0%
Other Construction Loan Fees	12,000		12,000	1,200	1%
CalHFA Outside Legal Counsel Fees	-		-	-	0%
Other Lender Req'd Legal Fees	6,500		6,500	650	0%
Title and Recording fees	5,500		5,500	550	0%
CalHFA Req'd Inspection Fees	4,250		4,250	425	0%
Other Req'd Inspection Fees	7,500		7,500	750	1%
Prevailing Wage Monitoring Expense	-		-	-	0%
Taxes & Insurance during construction	8,500		8,500	850	1%
Predevelopment Interest	-		-	-	0%
Cost for Completion Guarantee	-		-	-	0%
Other	-		-	-	0%
Total Construction Loan Expense	**118,639**	**-**	**118,639**	**11,864**	**9%**
PERMANENT LOAN COSTS					
CalHFA Perm Loan Fees	12,000	-	12,000	1,200	1%
CalHFA Bridge Loan Fees	-	-	-	-	0%
CalHFA Loan Application Fee	500	-	500	50	0%
Other Lender Perm. Loan Fees	-	-	-	-	0%
Title and Recording	-	4,767	4,767	477	0%
Perm. Bridge Loan Interest Expense	-	-	-	-	0%
Bond Origination Guarantee Fee	-	-	-	-	0%
Tax Exempt Bond Allocation Fee	-	-	-	-	0%
Other	-	-	-	-	0%
Total Permanent Loan Expense	**12,500**	**4,767**	**17,267**	**1,727**	**1%**
LEGAL FEES					
Borrower Legal Fee	11,250	-	11,250	1,125	1%
Other	-	-	-	-	0%
Total Attorney Expense	**11,250**	**-**	**11,250**	**1,125**	**1%**

USES OF FUNDS (Cont'd):	Construction ($)	Permanent ($)	Total Development Costs		
			Permanent of Funds ($)	Per Unit per Unit	%
CONTRACT / REPORT COSTS					
Appraisal	7,500	-	7,500	750	1%
Market Study	-	-	-	-	0%
Physical Needs Assessment	3,250	-	3,250	325	0%
HUD Risk Share Environ. Review	-	-	-	-	0%
CalHFA EQ Waiver Seismic Review Fee	3,200	-	3,200	320	0%
Environmental Phase I / II Reports	3,800	-	3,800	380	0%
Soils / Geotech Reports	-	-	-	-	0%
Asbestos / Lead-based Paint Report	-	-	-	-	0%
Noise/Acoustical/Traffic Study Report	-	-	-	-	0%
Other - Pest Report	250	-	250	25	0%
Other	-	-	-	-	0%
Total Contract Costs	**18,000**	**-**	**18,000**	**1,800**	**1%**
CONTINGENCY					
Hard Cost Contingency	47,189	-	47,189	4,719	4%
Soft Cost Contingency	25,000	-	25,000	2,500	2%
Total Contingency	**72,189**	**-**	**72,189**	**7,219**	**5%**
RESERVES					
CalHFA Operating Expense Reserve	-	15,930	15,930	1,593	1%
Construction Defects Reserve	-	-	-	-	0%
Rent-Up Reserve	-	-	-	-	0%
Capitalized Investor Req'd Reserve	-	-	-	-	0%
Other-Initial Replacement Reserve	-	43,000	43,000	4,300	3%
Total Reserves	**-**	**58,930**	**58,930**	**5,893**	**4%**
OTHER					
CTCAC App/Alloc/Monitor Fees	-	-	-	-	0%
Local Permit Fees	11,180	-	11,180	1,118	1%
Local Development Impact Fees	-	-	-	-	0%
Other Local Fees-Plan Review	-	-	-	-	0%
Advertising & Marketing Expenses	-	-	-	-	0%
1st Year Taxes & Insurance	-	-	-	-	0%
Furnishings	-	-	-	-	0%
Final Cost Audit Expense	4,000	-	4,000	400	0%
Miscellaneous Admin Fees	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Other Expenses	**15,180**	**-**	**15,180**	**1,518**	**1%**
SUBTOTAL PROJECT COSTS	**1,233,651**	**1,263,697**	**1,297,348**	**129,735**	**97%**
DEVELOPER COSTS					
Developer Overhead/Profit (5% Acq.)	-	-	-	-	0%
Developer Overhead/Profit (NC/Rehab)	-	-	-	-	0%
Consultant / Processing Agent	10,000	5,000	15,000	1,500	1%
Project Administration	-	25,000	25,000	2,500	2%
Broker Fees to a related party	-	-	-	-	0%
Construction Mgmt. Oversight	-	-	-	-	0%
Other	-	-	-	-	0%
Total Developer Fee / Costs	**10,000**	**30,000**	**40,000**	**4,000**	**3%**
Total Costs	**1,243,651**	**1,293,697**	**1,337,348**	**133734.7556**	**100%**

Annual Operating Budget **RUBICON HOMES**

Final Commitment

INCOME:	**$ Amount**	**Per Unit**	**% of Total**
Total Rental Income	$165,204	$16,520	99.82%
Laundry	$0	$0	0.00%
Other Income	$300	$30	0.18%
Gross Potential Income (GPI)	**$165,504**	**$16,550**	100.00%
Less:			
Vacancy Loss	$6,208	$621	3.90%
Effective Gross Income	**$159,296**	**$15,930**	

EXPENSES:	**Total Cost**	**Per Unit**	**% of Total**
Payroll	$13,216	$1,322	16.88%
Administrative	$11,700	$1,170	14.95%
Management fee	$7,200	$720	9.20%
Utilities	$4,206	$421	5.37%
Operating and Maintenance	$22,920	$2,292	29.28%
Insurance and Business Taxes	$5,895	$590	7.53%
Locality Compliance Monitoring Fee	$0	$0	0.00%
Other	$0	$0	0.00%
Subtotal Expenses	**$65,137**	$6,514	83.21%
Replacement Reserves	$7,100	$710	9.07%
Taxes & Assessments	$6,048	$605	7.73%
Total Expenses	$78,285	$7,828	100.00%
Financial Expenses			
CalHFA First Mortgage	$69,487	$6,949	
CalHFA Second Mortgage	$0	$0	
Other Required Debt Service	$0	$0	
NET OPERATING INCOME	**$11,524**	**$1,152**	

Cash Flow	Final Commitment			CalHFA Project Number: 06-078-N					RUBICON HOMES
RENTAL INCOME	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Affordable Rents	**62,616**	**63,868**	**65,146**	**66,449**	**67,778**	**69,133**	**70,516**	**71,926**	**73,365**	**74,832**
Affordable Rent Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Rental Subsidies	**102,588**	**104,640**	**106,733**	**108,867**	**111,045**	**113,265**	**115,531**	**117,841**	**120,198**	**122,602**
Rental Subsidy Increases	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Market Rate Units	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Unrestricted/Market Unit Increases	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
TOTAL RENTAL INCOME	**165,204**	**168,508**	**171,878**	**175,316**	**178,822**	**182,399**	**186,047**	**189,767**	**193,563**	**197,434**
OTHER INCOME										
Laundry	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other Income	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other Income Increase	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
TOTAL OTHER INCOME	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
GROSS POTENTIAL INCOME	**165,204**	**168,508**	**171,878**	**175,316**	**178,822**	**182,399**	**186,047**	**189,767**	**193,563**	**197,434**
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Rental Subsidy Income	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Unrestricted Units / Market Rate Units	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Laundry & Other Income	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
LESS: VACANCY LOSS	**6,208**	**6,333**	**6,459**	**6,588**	**6,720**	**6,855**	**6,992**	**7,132**	**7,274**	**7,420**
EFFECTIVE GROSS INCOME	**158,996**	**162,175**	**165,419**	**168,727**	**172,102**	**175,544**	**179,055**	**182,636**	**186,289**	**190,014**
OPERATING EXPENSES										
Expenses	65,137	67,417	69,777	72,219	74,746	77,363	80,070	82,873	85,773	88,775
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Taxes and Assessments	6,048	6,169	6,292	6,418	6,546	6,677	6,811	6,947	7,086	7,227
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Replacement Reserve	7,100	7,100	7,100	7,100	7,100	7,100	7,455	7,455	7,455	7,455
Percentage Increase Yearly	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*5.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
TOTAL EXPENSES	**78,285**	**80,685**	**83,168**	**85,736**	**88,392**	**91,140**	**94,336**	**97,274**	**100,314**	**103,458**
NET OPERATING INCOME	**80,711**	**81,490**	**82,251**	**82,991**	**83,709**	**84,404**	**84,719**	**85,361**	**85,975**	**86,557**
DEBT SERVICE										
CalHFA - 1st Mortgage	69,487	69,487	69,487	69,487	69,487	69,487	69,487	69,487	69,487	69,487
CalHFA - Bridge Loan	0	0	0	0	0					
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0
DEBT COVERAGE RATIO	**1.16**	**1.17**	**1.18**	**1.19**	**1.20**	**1.21**	**1.22**	**1.23**	**1.24**	**1.25**

Cash Flow | **CalHFA Project Number: 06-078-N** | **RUBICON HOMES**

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Affordable Rents	**76,329**	**77,855**	**79,412**	**81,000**	**82,620**	**84,273**	**85,958**	**87,678**	**89,431**	**91,220**
Affordable Rent Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Rental Subsidies	**125,054**	**127,555**	**130,106**	**132,709**	**135,363**	**138,070**	**140,831**	**143,648**	**146,521**	**149,451**
Rental Subsidy Increases	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Market Rate Units	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Unrestricted/Market Unit Increases	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
TOTAL RENTAL INCOME	**201,383**	**205,410**	**209,519**	**213,709**	**217,983**	**222,343**	**226,790**	**231,325**	**235,952**	**240,671**
OTHER INCOME										
Laundry	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other Income	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other Income Increase	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
TOTAL OTHER INCOME	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
GROSS POTENTIAL INCOME	**201,383**	**205,410**	**209,519**	**213,709**	**217,983**	**222,343**	**226,790**	**231,325**	**235,952**	**240,671**
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Rental Subsidy Income	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
Unrestricted Units / Market Rate Units	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Laundry & Other Income	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
LESS: VACANCY LOSS	**7,568**	**7,719**	**7,874**	**8,031**	**8,192**	**8,356**	**8,523**	**8,693**	**8,867**	**9,045**
EFFECTIVE GROSS INCOME	**193,815**	**197,691**	**201,645**	**205,678**	**209,791**	**213,987**	**218,267**	**222,632**	**227,085**	**231,627**
OPERATING EXPENSES										
Expenses	91,882	95,098	98,427	101,872	105,437	109,127	112,947	116,900	120,992	125,226
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Taxes and Assessments	7,372	7,519	7,670	7,823	7,980	8,139	8,302	8,468	8,637	8,810
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Replacement Reserve	7,455	7,828	7,828	7,828	7,828	7,828	8,219	8,219	8,219	8,219
Percentage Increase Yearly	*5.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*5.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
TOTAL EXPENSES	**106,709**	**110,445**	**113,924**	**117,523**	**121,245**	**125,094**	**129,468**	**133,587**	**137,848**	**142,256**
NET OPERATING INCOME	**87,105**	**87,246**	**87,721**	**88,155**	**88,547**	**88,893**	**88,799**	**89,045**	**89,237**	**89,371**
DEBT SERVICE										
CalHFA - 1st Mortgage	69,487	69,487	69,487	69,487	69,487	69,487	69,487	69,487	69,487	69,487
CalHFA - Bridge Loan										
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0
None	0	0	0	0	0	0	0	0	0	0
DEBT COVERAGE RATIO	**1.25**	**1.26**	**1.26**	**1.27**	**1.27**	**1.28**	**1.28**	**1.28**	**1.28**	**1.29**

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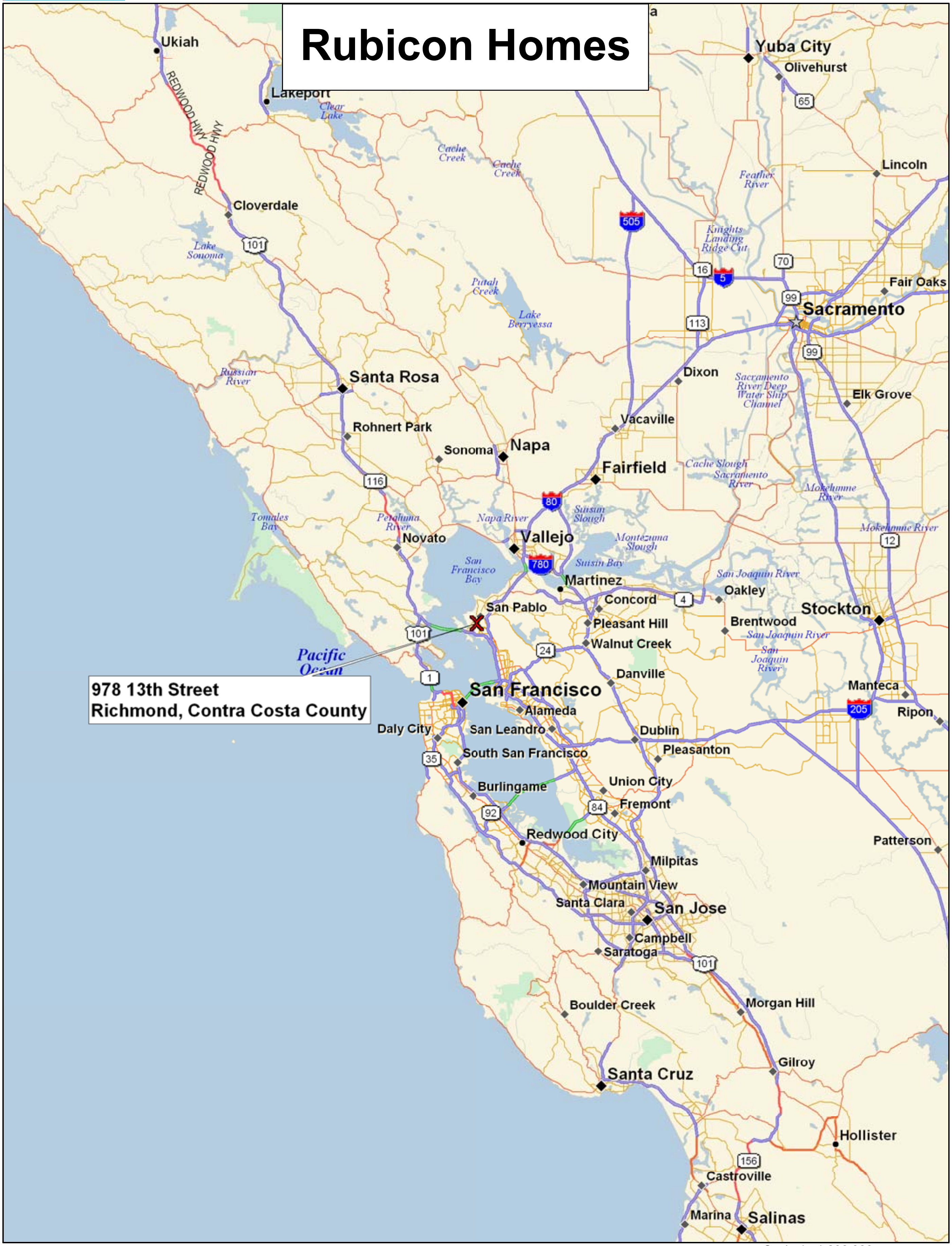

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Scale 1 : 1,200,000

1" = 18.94 mi Data Zoom 7-4

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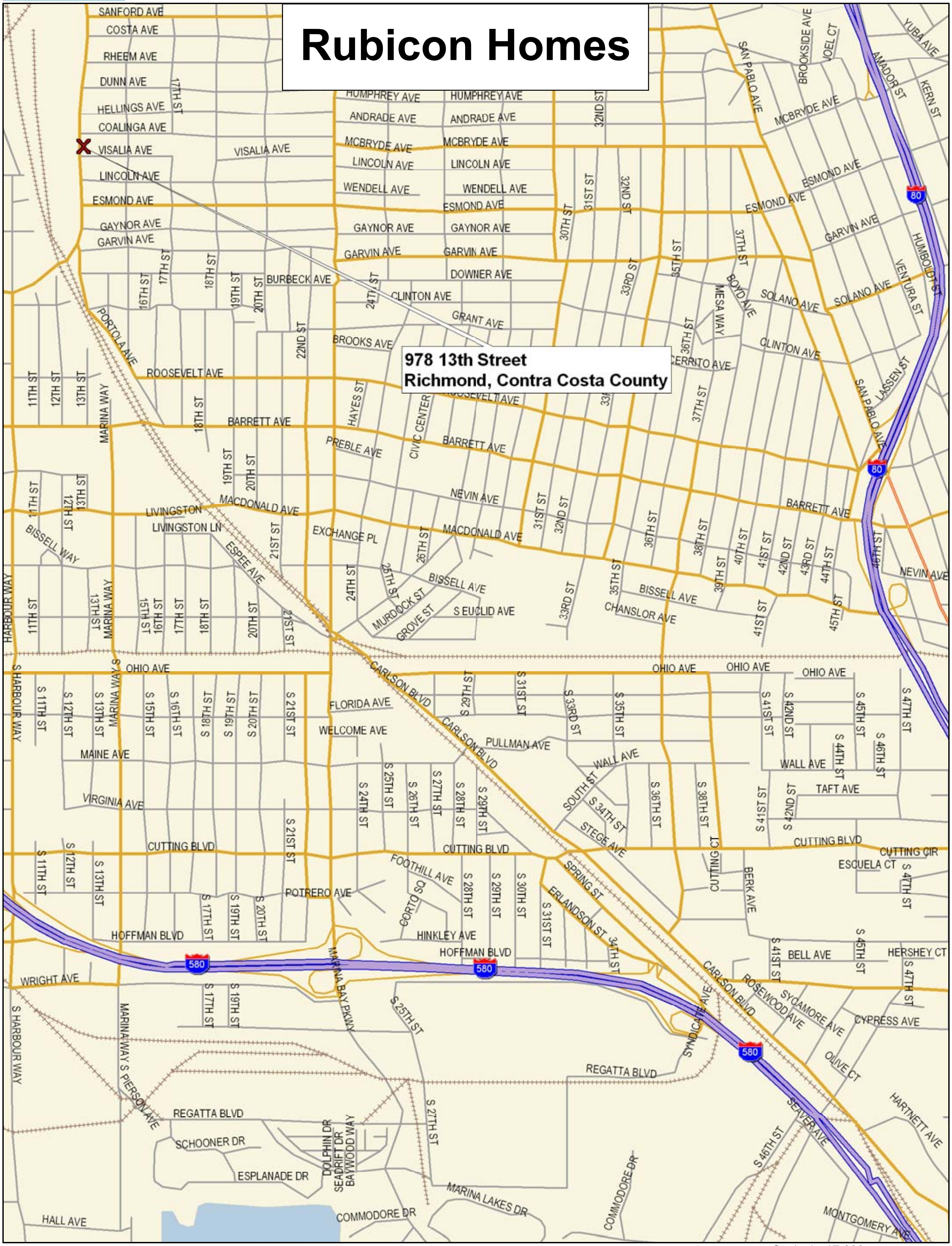
Street Atlas USA® 2006 Plus



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RESOLUTION 07-29

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Rubicon Homes, a nonprofit, public benefit corporation (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in the City of Richmond, County of Contra Costa, State of California, to be known as Rubicon Homes (the "Development"); and

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

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

WHEREAS, on September 14, 2007, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

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

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	MORTGAGE AMOUNT	
06-078-N	Rubicon Homes Richmond, California	$1,200,000	Permanent Mortgage

Resolution 07-29
Page 2

2. The Executive Director may modify the terms and conditions of the loans or loans as described in the Staff Report, provided that major modifications, as defined below, must be submitted to this Board for approval. "Major modifications" as used herein means modifications which either (i) increase the total aggregate amount of any loans made pursuant to the Resolution by more than 7%; or (ii) modifications which in the judgment of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency, adversely change the financial or public purpose aspects of the final commitment in a substantial way.

I hereby certify that this is a true and correct copy of Resolution 07-29 adopted at a duly constituted meeting of the Board of the Agency held on November 15, 2007 at Burbank, California.

ATTEST:________________________
Secretary

CALIFORNIA HOUSING FINANCE AGENCY
Final Commitment
Alexis Apartments
San Francisco, San Francisco County, CA
CalHFA # 06-081-N

SUMMARY

This is a Final Commitment request for rehabilitation and permanent financing. Security for the rehabilitation/permanent loan will be a high rise senior apartment complex known as the Alexis Apartments, located at 380/390 Clementina Street, in downtown San Francisco, California. Alexis Apartments of St. Patrick's Parish ("Borrower"), a 501(c)(3) non-profit corporation, is the owner of the project.

Alexis Apartments was constructed in 1973 and is a 206-unit, fourteen story, two tower, high-rise senior apartment complex, consisting of 158 studios and 48 one-bedroom units. In September 2007, CalHFA provided acquisition financing to pay off the FNMA/HUD 236 loan with Capmark and assign the Use Agreement and Agreement for Interest Reduction Payments (IRP) to CalHFA (HUD 236 Decoupling/Recoupling IRP loan). The project is 64% Section 8 (132 units) with the current HAP contract expiring on August 30, 2027.

LOAN TERMS

Rehabilitation

First Mortgage	$8,830,000
Interest Rate	5.00%, variable
Term	18 Months, interest only
Financing	Tax-exempt (501(c)(3) Bonds)

Second Mortgage*	$1,070,000
Interest Rate	5.20%
Term	6 year fixed, fully amortized
Financing	Tax-exempt (501(c)(3) Bonds)

*The IRP loan, funded at the time of acquisition in September 2007, will remain in place and will be subordinate to the CalHFA's Permanent First Mortgage. This is not included in the financing request.

Permanent

First Mortgage	$9,600,000
Interest Rate	5.00%
Term	30 year fixed, fully amortized
Prepayment	None
Financing	Tax-Exempt (501(c)(3) Bonds)

OTHER FINANCING

There is no other financing involved in this transaction.

HOUSING ASSISTANCE PAYMENT ("HAP") CONTRACT

On May 23, 2007, the San Francisco HUD Office approved a Budget-based Rent Increase for Capital Repairs along with a 20 year HAP contract. The rent increase and HAP contract became effective September 1, 2007 and expires August 30, 2027.

There is no change in ownership, therefore, the HAP contract remains with the current ownership. Any required modification to the HAP contract and the general plan of financing, are all subject to the approval of the Department of Housing and Urban Development ("HUD").

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

AGREEMENT FOR INTEREST REDUCTION PAYMENTS ("IRP")

The Interest Reduction Payments (IRP) Loan is based on the remaining IRP loan term. On May 2, 2007, CalHFA signed an IRP Agreement and a new Use Agreement through HUD's 236 Decoupling Notice between HUD and the Borrower. The Use Agreement will re-finance the original loan and include a term that extends 5 years beyond the term of the new CalHFA IRP loan.

The HUD 236 Decoupling Notice H-008 states that "The Use Agreement shall require the project to accept project-based Section 8 rental assistance (or any successor program) for as long as HUD offers such assistance during the term of the Use Agreement." The IRP Use Agreement states that "…to the extent that appropriated funds are available, the Secretary agrees to provide Section 8 assistance under Section 8, or any successor program with respect to 132 units in the project."

HUD has approved the assignment of the Use Agreement and Agreement for Interest Reduction Payments (IRP) to CalHFA. Receipt from HUD of an executed Form 9807, Insurance Termination Request for Multifamily Mortgage, is pending.

PROJECT DESCRIPTION

Project Location

- The project is located on the northwest corner of 5th Street and Clementina Street in the city of San Francisco within the South of Market District. Clementina Street is a small alley located between Howard and Folsom Streets.
- The project is located just west of the Yerba Buena Center, bounded by 3rd and 4th Streets and Mission and Folsom, is anchored by the Moscone Convention Center, Metreon retail/entertainment complex, the Yerba Buena Gardens, the Center For the Arts, and Moscone Center West.

- The project is within one mile or less of the Interstate 80 and the Bay Bridge, Highway 101 north and south (at 4th and 5th Streets), and southbound Interstate 280.
- The project is in close proximity of the CalTrain Southern Pacific Railway Depot, which occupies over four city blocks from Fourth to Seventh Streets on Townsend Street. The railway depot serves Peninsula commuters and has its main entrance at the corner of 4th and Townsend Streets. Public transportation is also available within one block of the project.
- The project has three affordable rental senior complexes located to the north, several two-story industrial buildings and a three-story residential duplex to the south, a single story, concrete school building (built in 1949) immediately to the east, the Salvation Army Silvercrest Senior Care Facility two blocks southeast, and a four story office building to the west.
- Proximate amenities include a bus stop within 0.1 mile of the project, a Smart and Final grocery within 0.3 miles, a Wal-Mart within 1.1 mile, an elementary school and high school within 0.2 miles, Bank of America within 0.8, and Methodist Hospital (full service acute care facility/hospital) within 3.4 miles.

Site

- The 0.44 acre site is a flat, rectangular shaped parcel.
- The site is zoned C-3-S (Downtown Support District) by the City of San Francisco. The C-3-S district allows a minimum lot width of 25 feet and a minimum lot area of 2,500 feet, a maximum height of 130 feet, and residential density of one unit per 125 square feet of lot area. The site and its use are legal non-conforming.

Improvements

- This 206-unit project was built in 1973 and consists of two interconnected 14 story buildings/towers, separated by an enclosed parking garage on the ground level.
- The buildings are constructed of reinforced concrete exterior and interior walls. The roofs are flat, comprised of reinforced concrete slabs.
- Each building/tower is contains 103 units. The towers are connected on the second floor by common area improvements located directly above the parking garage. The entrances to each tower are located at the south side of the building and are accessible through a key card security door. All the units are located along a central corridor for each floor.
- Each tower has two elevators, two sets of emergency egress stairs and its own lobby entrance. There is a trash chute on each floor.
- There are one hundred and fifty eight (158) efficiency units and forty eight (48) one bedroom units. Each unit has a prefabricated four foot long kitchenette comprise of an electric three-burner stove with hood, a single bowl sink, garbage disposal, a free standing frost-free refrigerator, emergency pull cords, and additional emergency call buttons carried by the resident. Each unit also contains a baseboard electrical heater.
- The common area amenities include a dining/community room with a full service commercial kitchen and toilet facilities, a reading room, an exercise room, and a computer room. Additionally, there is a roof top terrace of the dining room that spans the length of both buildings.
- The project offers a covered parking garage with 23 spaces, secured with a roll-up door off Clementina.

PHYSICAL NEEDS ASSESSMENT/SCOPE OF WORK

- The project is in average condition for a development of this type and age.
- The scope of rehabilitation work totals $5,833,491 or $28,318 per unit and includes:
    - **Building, $2,270,281** – remove, replace and install windows ($1,290,470), exterior painting and scaffolding ($391,760), office, lobby, common area, and community room repairs and upgrades ($253,682), ceiling asbestos abatement ($139,050), roofing ($133,319), elevator upgrades ($40,000), and parking garage modifications ($22,000).
    - **Residential Units, $2,970,210** – new kitchen cabinets, counters, tables, sinks, faucets, lights, electrical upgrades, ($2,127,591), new bathroom, lighting, exhausts, fixtures, repairs and upgrades, ($194,650), interior painting ($184,370), replace and install smoke detectors and unit electrical upgrades ($168,500), flooring and base ($111,965), stoves and hoods ($100,734), and doors ($82,400).
    - **Mechanical systems, $593,000** – replace emergency generator ($335,000), roof mounted fans ($216,000), and control shut off valves/boiler controls ($42,000).

  Work is scheduled to commence by February 2008 and is projected to be completed within 18 months.

Off-site improvements

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

Relocation

There is $125,000 in relocation expense allocated for this project.

There will is no anticipated permanent or temporary relocation during the rehabilitation of the Alexis Apartments. The project team, comprised of the architect, contractor, and project manager has agreed upon the following schedule for unit interior work:

1. The complex has been accruing vacancies, with HUD's permission, since March 2007 to accommodate temporary displacement during daytime hours. There are currently 9 vacancies, with a goal of 10-12 vacancies for the duration of the rehabilitation.
2. During the rehabilitation period, 10-12 units will be available during daytime hours for residents who are unable or unwilling to be outside of an apartment during the planned 8:00am to 5:00pm construction hours. No resident(s) will be required to sleep in another apartment because the rehabilitation work will be cleaned up each day and the unit left in good condition for the resident to reoccupy by 5:00pm. The residents need only notify the management company of their need or interest in a daytime "resting" apartment.
3. These 10-12 units will be the first to be rehabbed and then available to all residents on a rotating basis.
4. There will be a two to three day period were the resident shall occupy the "resting" unit for the entire day. During this timeframe, the contractor will remove and replace the windows, as well as the kitchen remodel.

5. Each “resting” unit will be furnished with a small and inexpensive set of furnishings, such as a couch/bed, table & chair, refrigerator, and possibly a small television. The relocation funds in the budget are for furnishing these “resting” units and, if necessary, some other costs for ensuring that all the elderly residents are comfortable during construction and to cover any unanticipated problems or for “meal funds”. In addition to meal funds, each day a hot meal is provided at very low cost at the property in the community room. Most of the renovation will take place around the occupied units. The rehabilitation plan does not assume invasive construction activity which would result in the temporary displacement of tenants. However, specific interior unit renovation such as window replacement, vinyl flooring, and cabinet replacement is going to take place on a cluster basis (groups of units) and is scheduled to be completed within 3 days and two nights. If the resident prefers other accommodations other than the resting unit, the resident will be offered a hotel voucher or cash equivalent for the period of their displacement. The Borrower’s relocation staff will provide transportation and assist with moving arrangements. In addition, these temporarily displaced residents shall be entitled to compensation for all reasonable out of pocket expenses incurred in connection with temporary relocation.

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

MARKET

Market Overview

Based on the 2000 census, the population for the City of San Francisco is approximately 800,000. Approximately 18% of the City’s population, or 144,000, are seniors age 60 or older, which is higher than the state and national average of 14% and 16.5% of the population of seniors, respectively.

Due to an influx of young workers and families in the 1990’s and early 2000, the proportion of seniors in the City declined despite increase in the actual number. Of the existing seniors, approximately 10% live below the poverty line and approximately 31% are in the low income category. In addition, San Francisco has the highest rate of seniors receiving Medi-Cal as well as Supplemental Security Income (SSI) and State Supplemental Payment (SSP). As of 2004, over 26,000 individuals over 65 rely on SSI.

Housing Supply and Demand

- Approximately 68% or 356,00 units, of San Francisco’s housing stock are rental units; 245,000 of these units are within the city of San Francisco. As of January 2000, the number of residential units added to the housing stock in San Francisco is 10,458 units, of which 97% of these units are multifamily units.
- Within the South of Market District, there are 26 affordable housing projects representing 2,400 units, all within one half mile of Alexis. Of the 26 projects, 8 of these projects are senior projects representing 1,261 units. Most of these projects were built in the early 1970’s and range from average to good condition.

- Occupancy rate for market rate units as of October 2006 is 95.6%. LIHTC properties have an average occupancy rate of 99%, with a waiting list ranging from one year to several years long. The property's occupancy rate is 95% with a two year waiting list.
- The San Francisco Housing Authority, which administers the Section 8 program for the entire county, stated that there are 10,061 households presently under the Section 8 voucher program. Of these 9,789 have been leased for a usage rate of 97.3%. Given the extensive waiting list for the subject property, the LIHTC properties, and housing authority vouchers, there is a significant demand for affordable senior housing in San Francisco County.
- As of January 2007, there are 52 existing affordable LIHTC projects in the South of Market District representing 4,691 units. Eight of these projects or 1,261 units are for seniors, all with 99% occupancy. In addition, there are eleven LIHTC/bond projects, representing 2,832 units either under construction our currently planned within the market area. Five of these eleven projects, representing 962 units, are exclusively for low income tenants. However, only one these five allocated properties target the senior population.

PROJECT FEASIBILITY

Estimated Lease-up Period

- The project is currently 95% leased and the proposed rehabilitation will not interfere with occupancy. The 5% vacancy (9-12 units) will intentionally remain in place as part of the relocation plan.

ENVIRONMENTAL

Papineau, R.E.A. 791 completed a Phase I Environmental Assessment report on July 3, 2007. The report concludes that there are no adverse environmental conditions that warrant further investigation or remedial action.

NorBay Consulting completed an asbestos survey report dated December 11, 2006. The survey identified acoustical ceiling material to contain 5% asbestos. Asbestos abatement costs total $139,000 and are included in the rehabilitation budget.

SEISMIC

URS Corporation performed a seismic review assessment on November 22, 2006. The damage ratio met the Agency's seismic risk criteria and no further review is needed.

DEVELOPMENT TEAM

Borrower

Alexis Apartments of Saint Patrick's Parish

- The borrower is Alexis Apartments of St. Patrick's Parish, a 501(c)(3) California non-profit corporation that is the sponsor and developer of Alexis Apartments. The corporation was incorporated in 1971 and its headquarters is located on the Alexis Apartments site. Father Ed Dura of St. Patrick's Parish is the President and Chairman of the Board. The borrower has contracted with Barbara Sanders of BSA and Associates, located in Oakland, as its project manager and owner representative. Ms. Sanders has over 30 years experience in creating, developing, and underwriting affordable housing developments

Management Agent

The John Stewart Company

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

Architect

Barcelon and Jang (Barcelon)

- Barcelon, located in San Francisco, specializes in community housing, educational, and art facility projects. Barcelon has provided planning and design services for over 30 years. The Borrower has engaged Barcelon to assist them in project design, renovation, and construction management during the rehabilitation process. Barcelon has designed over 21 multifamily projects in the San Francisco Area.

Contractor

Fine Line Construction (Fine Line)

- Fine Line has been a general contractor since 1984. Their work includes primarily multi-family and government assisted projects with non-profit organizations. They specialize in all aspects of construction and development in the San Francisco area with over 16 non-profit organizations.

PROJECT SUMMARY

PROJECT NUMBER: 06-081-N

Final Commitment

Project:	**Alexis Apartments**		
Location:	380/390 Clemetina Street	*Developer:*	**Alexis Apts of St. Patrick's Parish**
City:	San Francisco	*Partner:*	not applicable
County:	San Francisco	*Investor:*	not applicable
Zip Code:	94103		

		No. of Buildings:	two towers	
Project Type:	Rehabilitation	*No. of Stories:*	14	
Occupancy:	senior	*Residential Space*	70,056	sq. ft.
Total Units:	206	*Community/Leasing Spa*	47,282	sq. ft.
Style Units:	Highrise Apartments	*Commercial Space*	0	sq. ft.
Elevators:	yes	*Gross Area*	117,338	sq. ft.
Total Parking	23	*Land Area*	19,380	sq. ft.
Covered	23	*Units per acre*	463	

CalHFA Rehabilitation Financing	Amount	Rate	Term (Mths)
CalHFA Const Financing	$8,830,000	5.000%	18
Existing Rehab Acct.	$503,895		
Existing Replacement Reserve	$321,980		
Income from Operations	$418,181		
Existing Residual Receipts	$238,302		

Permanent Sources of Funds	Amount	Rate	Years
CalHFA First Mortgage	**$9,600,000**	**5.00%**	**30**
CalHFA Bridge Loan	**$0**	**0.00%**	**0**
CalHFA 2nd Mortgage	**$0**	**0.00%**	**0**
CalHFA Additional Financing	**$0**	**0.00%**	**0**
CalHFA IRP Loan (funded in September 2007)	**$1,070,000**	**5.20%**	**6**
Source 6	$0	0.00%	0
Source 7	$0	0.00%	0
Source 8	$0	0.00%	0
Source 9	$0	0.00%	0
Source 10	$0	0.00%	0
Source 11	$0	0.00%	0
Income from Operations	$93,640		
Developer Contribution - Mezz.Loan	$0		
Deferred Dev. Fee	$0		
Tax Credit Equity	$0		

Construction Valuation		Appraisal		Value Upon Completion	
Investment Valu	$21,715,000	**Appraisal Date:**	**3/7/07**	**Restricted Value**	$12,570,000
Loan / Cost	86%	**Cap Rate:**	**5.75%**	**Perm. Loan / Cost**	86%
Loan / Value	41%			**Perm. Loan / Value**	76%

CalHFA Fees and Reserve Requirements

CalHFA Loan Fees	Amount	Required Reserves	Amount
CalHFA Acquisition Loan Fee	$66,225	Other Reserve	$0
CalHFA Permanent Loan Fees	$48,000	Replacement Resv. Initial Deposit	$206,000
Other Fee	$0	Repl. Reserve - Per Unit/ Per Yr	$500
Construction Loan - Guarantees and Fees		CalHFA Operating Expense Reserve	$202,837
Completion Guarantee Fee	$0	Rent Up Reserve	$0
Contractors Payment/Perf. Bond	$5,848,491	Transitional Operating Reserve	$657,640
		Other Reserve	$0

Date: 10/31/2007 **Senior Staff Date:** 10/26/2007

UNIT MIX AND RENT SUMMARY

Alexis Apartments

06-081-N

Total Unit Mix

# of Units	Unit Type	# of Baths	Average Sq. Ft.
158	Studio	1	300
48	1 Bedroom Flat	1	472
	2 Bedroom Flat	1	
	2 Bedroom Townhome	2	
	3 Bedroom Townhome	1.5	
	4 Bedroom Townhome	2.5	
206			

Number of Regulated Units By Agency

Agency	35%	45%	50%	80%	100%
CalHFA			42		
Tax Credits					
Locality					
HCD					
AHP					
Zoning					
HUD 236				**206**	

Restricted Rents Compared to Average Market Rents

Median Income Rent Levels	Units Restricted	Restricted Rents	Avg. Market Rate Rents	Section 8 Rents	Dollars Difference	% of Market
Efficiency			$1,183	$970		
35%	0	$0			$0	0%
45%	0	$0			$0	0%
50%	32	$590			$593	50%
80%	126	$590			$593	50%
80%	0	$0			$0	0%
One Bedroom			$1,388	$1,007		
35%	0	$0			$0	0%
45%	0	$0			$0	0%
50%	10	$607			$781	44%
80%	36	$607			$781	44%
80%	0	$0			$0	0%
Two Bedroom			$0			
35%	0	$0			$0	0%
45%	0	$0			$0	0%
50%	0	$0			$0	0%
80%	0	$0			$0	0%
80%	0	$0			$0	0%

Sources and Uses of Funds — Alexis Apartments

06-081-N
Final Commitment

SOURCES OF FUNDS:	Funds in during Acq/Rehab ($)	Funds in at Permanent ($)	Total Sources of Funds ($)	Sources per Unit	%
CalHFA Const Financing	8,830,000				
Construction Only Source 2					
Construction Only Source 3	-				
CalHFA First Mortgage		9,600,000	9,600,000	46,602	86%
CalHFA 2nd Mortgage	-	-	-	-	0%
Existing Replacement Reserve	321,980	-	321,980	1,563	3%
Existing Residual Receipts	238,302	-	238,302	1,157	2%
Existing Rehab Acct.	503,895	-	503,895	2,446	5%
Income from Operations	418,181	93,640	511,821	2,485	5%
Source 6	-	-	-	-	0%
Source 7	-	-	-	-	0%
Source 8	-	-	-	-	0%
Source 9	-	-	-	-	0%
Source 10	-	-	-	-	0%
Source 11	-	-	-	-	0%
Source 12	-	-	-	-	0%
Source 13	-	-	-	-	0%
Developer Contribution - Mezz.Loan	-	-	-	-	0%
Deferred Developer Fee	-	-	-	-	0%
Tax Credit Equity	-	-	-	-	0%
Total Sources	10,312,358	9,693,640	11,175,998	54,252	100%
(Gap)/Surplus	-	-	-		

Total Development Sources (columns 4–6 above)

USES OF FUNDS:	Acq/Rehab ($)	Permanent ($)	Total Uses of Funds ($)	Cost per Unit	%
LOAN PAYOFFS & ROLLOVERS					
Construction Loan payoffs		**$8,830,000**			
ACQUISITION					
Pay-off Acquisition Loan	1,180,000	-	1,180,000	5,728	11%
Seller's Prepayment Penalty	-	-	-	-	0%
Legal - Acquisition Related Fees	-	-	-	-	0%
Subtotal - Land Cost / Value	1,180,000	-	1,180,000		
Existing Improvements Value	-	-	-	-	0%
Off-Site Improvements	-	-	-	-	0%
Other	-	-	-	-	0%
Total Acquisition	**1,180,000**	**-**	**1,180,000**	**5,728**	**11%**
REHABILITATION					
Site Work	15,000	-	15,000	73	0%
Rehab to Structures	5,833,491	-	5,833,491	28,318	52%
General Requirements	347,009	-	347,009	1,685	3%
Contractors Overhead	122,671	-	122,671	595	1%
Contractors Profit	347,009	-	347,009	1,685	3%
Contractor's Bond	66,683	-	66,683	324	1%
General Liability Insurance	52,070	-	52,070	253	0%
Environmental Mitigation Expense	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Rehabilitation	**6,783,933**	**-**	**6,783,933**	**32,932**	**61%**
RELOCATION EXPENSES					
Relocation Expense	125,000	-	125,000	607	1%
Relocation Compliance Monitoring	-	-	-	-	0%
Total Relocation	**125,000**	**-**	**125,000**	**607**	**1%**

Total Development Costs (columns 4–6 above)

(Continued on Next 2 Pages)

USES OF FUNDS (Cont'd):	Acq/Rehab ($)	Permanent ($)	Total Development Costs		
			Total Uses of Funds ($)	Cost per Unit per Unit	%
NEW CONSTRUCTION					
Site Work	-	-	-	-	0%
Structures (Hard Costs)	-	-	-	-	0%
General Requirements	-	-	-	-	0%
Contractors Overhead	-	-	-	-	0%
Contractors Profit	-	-	-	-	0%
Contractor's Perf. & Pymt Bond	-	-	-	-	0%
General Liability Insurance	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total New Construction	**-**	**-**	**-**	**-**	**0%**
ARCHITECTURAL & ENGINEERING					
Architectural Design	100,000	-	100,000	485	1%
Architect's Supv during Construction	100,000	-	100,000	485	1%
Total Architectural	**200,000**	**-**	**200,000**	**971**	**2%**
Engineering Expense	15,000	-	15,000	73	0%
Engineers Supv. during Construction	-	-	-	-	0%
ALTA Survey	-	-	-	-	0%
Total Engineering & Survey	**15,000**	**-**	**15,000**	**73**	**0%**
ACQUISITION LOAN COSTS					
Acquisition Loan Interest	441,500		441,500	2,143	4%
CalHFA Rehab Loan Fee	66,225		66,225	321	1%
Other Rehab Loan Fees	-		-	-	0%
CalHFA Outside Legal Counsel Fees	-		-	-	0%
Other Lender Req'd Legal Fees	-		-	-	0%
Title and Recording fees	15,000		15,000	73	0%
CalHFA Req'd Inspection Fees	27,000		27,000	131	0%
Other Req'd Inspection Fees	-		-	-	0%
Prevailing Wage Monitoring Expense	-		-	-	0%
Taxes & Insurance during rehab	60,000		60,000	291	1%
CalHFA Predevelopment Loan Payoff	-		-	-	0%
Cost for Completion Guarantee	-		-	-	0%
Other	-		-	-	0%
Total Acquisition Loan Expense	**609,725**	**-**	**609,725**	**2,960**	**5%**
PERMANENT LOAN COSTS					
CalHFA Perm Loan Fees	48,000	-	48,000	233	0%
CalHFA Bridge Loan Fees	-	-	-	-	0%
CalHFA Loan Application Fee	500	-	500	2	0%
Other Lender Perm. Loan Fees	-	-	-	-	0%
Title and Recording	-	-	-	-	0%
Perm. Bridge Loan Interest Expense	-	-	-	-	0%
Bond Origination Guarantee Fee	-	-	-	-	0%
Tax Exempt Bond Allocation Fee	-	-	-	-	0%
Other	-	-	-	-	0%
Total Permanent Loan Expense	**48,500**	**-**	**48,500**	**235**	**0%**
LEGAL FEES					
Borrower Legal Fee	15,000	-	15,000	73	0%
Other	-	-	-	-	0%
Total Attorney Expense	**15,000**	**-**	**15,000**	**73**	**0%**

USES OF FUNDS (Cont'd):	Acq/Rehab ($)	Permanent ($)	Total Development Costs		
			Permanent of Funds ($)	Per Unit per Unit	%
CONTRACT / REPORT COSTS					
Appraisal	8,000	-	8,000	39	0%
Market Study	-	-	-	-	0%
Physical Needs Assessment	-	-	-	-	0%
HUD Risk Share Environ. Review	-	-	-	-	0%
CalHFA EQ Seismic Review Fee	-	-	-	-	0%
Environmental Phase I / II Reports	2,200	-	2,200	11	0%
Soils / Geotech Reports	-	-	-	-	0%
Asbestos / Lead-based Paint Report	-	-	-	-	0%
Noise/Acoustical/Traffic Study Report	-	-	-	-	0%
Termite/dry rot	-	-	-	-	0%
Other	-	-	-	-	0%
Total Contract Costs	**10,200**	**-**	**10,200**	**50**	**0%**
CONTINGENCY					
Hard Cost Contingency	975,000	-	975,000	4,733	9%
Soft Cost Contingency	100,000	-	100,000	485	1%
Total Contingency	**1,075,000**	**-**	**1,075,000**	**5,218**	**10%**
RESERVES					
CalHFA Operating Expense Reserve	-	-	-	-	0%
Construction Defects Reserve	-	-	-	-	0%
Funded Replacement Reserve	-	-	-	-	0%
Capitalized Investor Req'd Reserve	-	206,000	206,000	1,000	2%
Transitional Operating Reserve	-	657,640	657,640	3,192	6%
Total Reserves	**-**	**863,640**	**863,640**	**4,192**	**8%**
OTHER					
CTCAC App/Alloc/Monitor Fees	-	-	-	-	0%
Local Permit Fees	175,000	-	175,000	850	2%
Local Development Impact Fees	-	-	-	-	0%
Other Local Fees	-	-	-	-	0%
Advertising & Marketing Expenses	-	-	-	-	0%
1st Year Taxes & Insurance	-	-	-	-	0%
Furnishings	-	-	-	-	0%
Final Cost Audit Expense	10,000	-	10,000	49	0%
Miscellaneous Admin Fees	-	-	-	-	0%
Miscellaneous Expenses	-	-	-	-	0%
Other	-	-	-	-	0%
Other	-	-	-	-	0%
Total Other Expenses	**185,000**	**-**	**185,000**	**898**	**2%**
SUBTOTAL PROJECT COSTS	**10,247,358**	**9,693,640**	**11,110,998**	**53,937**	**99%**
DEVELOPER COSTS					
Developer Overhead/Profit (5% Acq.)	-	-	-	-	0%
Developer Overhead/Profit (NC/Rehab)	-	-	-	-	0%
Consultant / Processing Agent	45,000	-	45,000	218	0%
Project Administration	-	-	-	-	0%
Broker Fees to a related party	-	-	-	-	0%
Construction Mgmt. Oversight	20,000	-	20,000	97	0%
Other	-	-	-	-	0%
Total Developer Fee / Costs	**65,000**	**-**	**65,000**	**316**	**1%**
Total Costs	**10,312,358**	**9,693,640**	**11,175,998**	**54,252**	**100%**

Annual Operating Budget **Alexis Apartments**

Final Commitment

INCOME:	**$ Amount**	**Per Unit**	**% of Total**
Total Rental Income	$2,091,492	$10,153	99.53%
Laundry	$9,855	$48	0.47%
Other Income	$0	$0	0.00%
Gross Potential Income (GPI)	**$2,101,347**	**$10,201**	100.00%
Less:			
Vacancy Loss	$72,981	$354	3.60%
Effective Gross Income	**$2,028,366**	**$9,846**	

EXPENSES:	**Total Cost**	**Per Unit**	**% of Total**
Payroll	$359,531	$1,745	27.87%
Administrative	$93,720	$455	7.26%
Management fee	$109,180	$530	8.46%
Utilities	$240,000	$1,165	18.60%
Operating and Maintenance	$277,836	$1,349	21.54%
Insurance and Business Taxes	$99,555	$483	7.72%
Locality Compliance Monitoring Fee	$0	$0	0.00%
Other	$0	$0	0.00%
Subtotal Expenses	**$1,179,822**	$5,727	91.46%
Replacement Reserves	$103,000	$500	7.98%
Taxes & Assessments	$7,200	$35	0.56%
Total Expenses	$1,290,022	$6,262	100.00%
Financial Expenses			
CalHFA First Mortgage	$618,419	$3,002	
CalHFA 2nd Mortgage	$0	$0	
Other Required Debt Service	$0	$0	
NET OPERATING INCOME	**$119,925**	**$582**	

Cash Flow	**Final Commitment**						**CalHFA Project Number:**		**06-081-N**	**Alexis Apartments**		
RENTAL INCOME	**Rehab Yr.1**	**Rehab Yr.2**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Affordable Rents	**1,453,704**	**1,490,047**	**1,527,298**	**1,565,480**	**1,604,617**	**1,644,733**	**1,685,851**	**1,727,997**	**1,771,197**	**1,815,477**	**1,860,864**	**1,907,386**
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Rental Subsidies	**618,684**	**631,058**	**643,679**	**656,552**	**669,683**	**683,077**	**696,739**	**710,673**	**724,887**	**739,385**	**754,172**	**769,256**
Rental Subsidy Increases	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Unrestricted Units	**19,104**	**19,104**	**19,104**	**19,104**	**19,104**	**19,104**	**19,104**	**19,104**	**19,104**	**19,104**	**19,104**	**19,104**
Unrestricted Unit Increases	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
TOTAL RENTAL INCOME	**2,091,492**	**2,140,208**	**2,190,081**	**2,241,137**	**2,293,405**	**2,346,914**	**2,401,694**	**2,457,775**	**2,515,188**	**2,573,966**	**2,634,140**	**2,695,745**
OTHER INCOME												
Laundry	**9,855**	**10,101**	**10,354**	**10,613**	**10,878**	**11,150**	**11,429**	**11,715**	**12,007**	**12,308**	**12,615**	**12,931**
Other Income	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
TOTAL OTHER INCOME	**9,855**	**10,101**	**10,354**	**10,613**	**10,878**	**11,150**	**11,429**	**11,715**	**12,007**	**12,308**	**12,615**	**12,931**
GROSS POTENTIAL INCOME	**2,101,347**	**2,150,310**	**2,200,435**	**2,251,749**	**2,304,283**	**2,358,064**	**2,413,122**	**2,469,489**	**2,527,195**	**2,586,273**	**2,646,756**	**2,708,676**
VACANCY ASSUMPTIONS												
Affordable (Blended Average)	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Rental Subsidy Income	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Unrestricted Units	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Laundry & Other Income	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
LESS: VACANCY LOSS	**72,981**	**74,805**	**76,676**	**78,592**	**80,557**	**82,571**	**84,635**	**86,751**	**88,920**	**91,143**	**93,422**	**95,757**
EFFECTIVE GROSS INCOME	**2,028,366**	**2,075,504**	**2,123,759**	**2,173,157**	**2,223,726**	**2,275,493**	**2,328,487**	**2,382,738**	**2,438,275**	**2,495,130**	**2,553,334**	**2,612,919**
OPERATING EXPENSES												
Expenses	1,189,158	1,230,779	1,273,856	1,318,441	1,364,587	1,412,347	1,461,779	1,512,942	1,565,895	1,620,701	1,677,425	1,736,135
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Taxes and Assessments	7,200	7,344	7,491	7,641	7,794	7,949	8,108	8,271	8,436	8,605	8,777	8,952
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Replacement Reserve	0	0	103,000	103,000	103,000	103,000	103,000	103,000	108,150	108,150	108,150	108,150
Percentage Increase Yearly	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*5.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
TOTAL EXPENSES	**1,196,358**	**1,238,123**	**1,384,347**	**1,429,082**	**1,475,380**	**1,523,297**	**1,572,888**	**1,624,212**	**1,682,481**	**1,737,456**	**1,794,352**	**1,853,238**
NET OPERATING INCOME	**832,008**	**837,381**	**739,412**	**744,075**	**748,345**	**752,196**	**755,599**	**758,526**	**755,795**	**757,675**	**758,982**	**759,681**
DEBT SERVICE												
CalHFA - 1st Mortgage	441,500	441,500	618,419	618,419	618,419	618,419	618,419	618,419	618,419	618,419	618,419	618,419
CalHFA - Bridge Loan	0	0	0	0	0	0	0	0	0			
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0	0	0
CalHFA Rehab Reserve Acct	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
DEBT COVERAGE RATIO	**1.88**	**1.90**	**1.20**	**1.20**	**1.21**	**1.22**	**1.22**	**1.23**	**1.22**	**1.23**	**1.23**	**1.23**
Cash Available for distribution	**390,508**	**395,881**	**120,993**	**125,657**	**129,927**	**133,778**	**137,181**	**140,107**	**137,376**	**139,256**	**140,563**	**141,263**

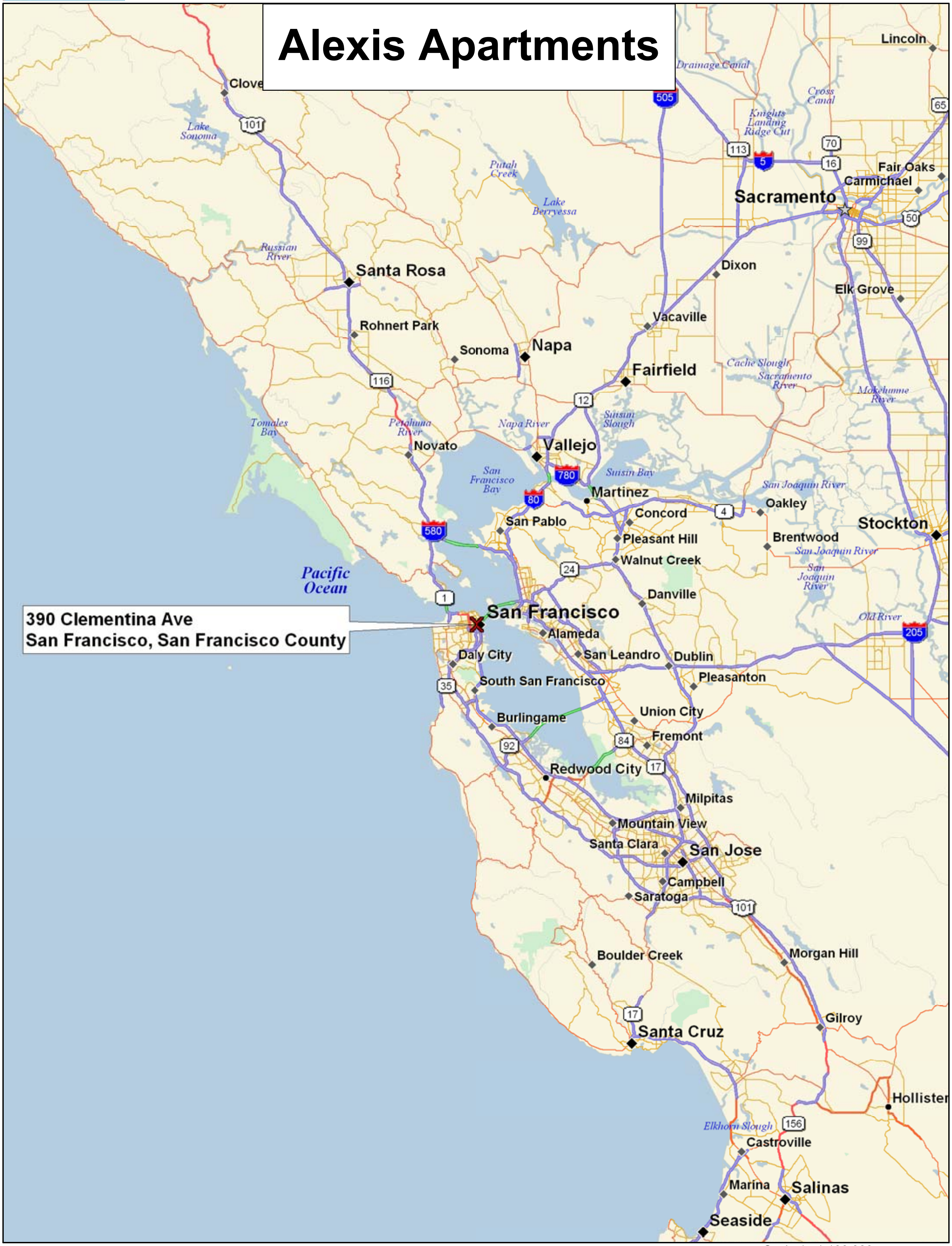
Cash Flow | **CalHFA Project Number: 06-081-N** | **Alexis Apartments**

RENTAL INCOME	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Affordable Rents	**1,955,070**	**2,003,947**	**2,054,046**	**2,105,397**	**2,158,032**	**2,211,983**	**2,267,282**	**2,323,964**	**2,382,063**	**2,441,615**
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Rental Subsidies	**784,641**	**800,334**	**816,340**	**832,667**	**849,321**	**866,307**	**883,633**	**901,306**	**919,332**	**937,719**
Rental Subsidy Increases	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Unrestricted Units	**19,104**	**19,104**	**19,104**	**19,104**	**19,104**	**19,104**	**19,104**	**19,104**	**19,104**	**19,104**
Unrestricted Unit Increases	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
TOTAL RENTAL INCOME	**2,758,815**	**2,823,385**	**2,889,490**	**2,957,168**	**3,026,456**	**3,097,394**	**3,170,019**	**3,244,374**	**3,320,499**	**3,398,437**
OTHER INCOME										
Laundry	**13,254**	**13,585**	**13,925**	**14,273**	**14,630**	**14,996**	**15,370**	**15,755**	**16,149**	**16,552**
Other Income	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
TOTAL OTHER INCOME	**13,254**	**13,585**	**13,925**	**14,273**	**14,630**	**14,996**	**15,370**	**15,755**	**16,149**	**16,552**
GROSS POTENTIAL INCOME	**2,772,069**	**2,836,970**	**2,903,415**	**2,971,441**	**3,041,086**	**3,112,389**	**3,185,390**	**3,260,129**	**3,336,648**	**3,414,990**
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Rental Subsidy Income	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Unrestricted Units	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Laundry & Other Income	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
LESS: VACANCY LOSS	**98,151**	**100,605**	**103,120**	**105,698**	**108,340**	**111,049**	**113,825**	**116,671**	**119,588**	**122,577**
EFFECTIVE GROSS INCOME	**2,673,918**	**2,736,365**	**2,800,295**	**2,865,743**	**2,932,746**	**3,001,340**	**3,071,564**	**3,143,458**	**3,217,060**	**3,292,412**
OPERATING EXPENSES										
Expenses	1,796,900	1,859,792	1,924,884	1,992,255	2,061,984	2,134,154	2,208,849	2,286,159	2,366,174	2,448,990
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Taxes and Assessments	9,131	9,314	9,500	9,690	9,884	10,082	10,283	10,489	10,699	10,913
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Replacement Reserve	108,150	113,558	113,558	113,558	113,558	113,558	119,235	119,235	119,235	119,235
Percentage Increase Yearly	*5.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*5.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
TOTAL EXPENSES	**1,914,181**	**1,982,663**	**2,047,942**	**2,115,503**	**2,185,426**	**2,257,793**	**2,338,368**	**2,415,883**	**2,496,108**	**2,579,138**
NET OPERATING INCOME	**759,737**	**753,702**	**752,353**	**750,240**	**747,320**	**743,547**	**733,197**	**727,575**	**720,952**	**713,274**
DEBT SERVICE										
CalHFA - 1st Mortgage	618,419	618,419	618,419	618,419	618,419	618,419	618,419	618,419	618,419	618,419
CalHFA - Bridge Loan		0	0	0	0	0	0	0	0	0
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
CalHFA Rehab Reserve Acct	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
DEBT COVERAGE RATIO	**1.23**	**1.22**	**1.22**	**1.21**	**1.21**	**1.20**	**1.19**	**1.18**	**1.17**	**1.15**
Cash Available for distribution	**141,318**	**135,284**	**133,934**	**131,822**	**128,901**	**125,129**	**114,778**	**109,156**	**102,533**	**94,855**

Cash Flow | **CalHFA Project Number: 06-081-N** | **Alexis Apartments**

	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
RENTAL INCOME										
Affordable Rents	**2,502,655**	**2,565,222**	**2,629,352**	**2,695,086**	**2,762,463**	**2,831,525**	**2,902,313**	**2,974,871**	**3,049,242**	**3,125,473**
Affordable Rent Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
Rental Subsidies	**956,473**	**975,602**	**995,114**	**1,015,017**	**1,035,317**	**1,056,023**	**1,077,144**	**1,098,687**	**1,120,660**	**1,143,074**
Rental Subsidy Increases	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Unrestricted Units	**19,104**	**19,104**	**19,104**	**19,104**	**19,104**	**19,104**	**19,104**	**19,104**	**19,104**	**19,104**
Unrestricted Unit Increases	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
TOTAL RENTAL INCOME	**3,478,232**	**3,559,928**	**3,643,571**	**3,729,207**	**3,816,884**	**3,906,652**	**3,998,561**	**4,092,661**	**4,189,007**	**4,287,651**
OTHER INCOME										
Laundry	**16,966**	**17,390**	**17,825**	**18,271**	**18,727**	**19,196**	**19,676**	**20,167**	**20,672**	**21,188**
Other Income	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Other Income Increase	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*2.50%*
TOTAL OTHER INCOME	**16,966**	**17,390**	**17,825**	**18,271**	**18,727**	**19,196**	**19,676**	**20,167**	**20,672**	**21,188**
GROSS POTENTIAL INCOME	**3,495,198**	**3,577,318**	**3,661,396**	**3,747,477**	**3,835,612**	**3,925,848**	**4,018,236**	**4,112,829**	**4,209,678**	**4,308,839**
VACANCY ASSUMPTIONS										
Affordable (Blended Average)	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
Rental Subsidy Income	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Unrestricted Units	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
Laundry & Other Income	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
LESS: VACANCY LOSS	**125,642**	**128,783**	**132,002**	**135,302**	**138,685**	**142,152**	**145,706**	**149,349**	**153,082**	**156,909**
EFFECTIVE GROSS INCOME	**3,369,557**	**3,448,535**	**3,529,393**	**3,612,175**	**3,696,927**	**3,783,696**	**3,872,530**	**3,963,480**	**4,056,596**	**4,151,930**
OPERATING EXPENSES										
Expenses	2,534,705	2,623,420	2,715,239	2,810,273	2,908,632	3,010,434	3,115,800	3,224,853	3,337,722	3,454,543
Annual Expense Increase	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Taxes and Assessments	11,131	11,354	11,581	11,812	12,049	12,290	12,535	12,786	13,042	13,303
Annual Tax Increase	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
Replacement Reserve	119,235	125,197	125,197	125,197	125,197	125,197	131,457	131,457	131,457	131,457
Percentage Increase Yearly	*5.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*5.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
TOTAL EXPENSES	**2,665,071**	**2,759,970**	**2,852,017**	**2,947,282**	**3,045,878**	**3,147,921**	**3,259,792**	**3,369,096**	**3,482,221**	**3,599,302**
NET OPERATING INCOME	**704,485**	**688,565**	**677,376**	**664,893**	**651,049**	**635,774**	**612,738**	**594,385**	**574,375**	**552,628**
DEBT SERVICE										
CalHFA - 1st Mortgage	618,419	618,419	618,419	618,419	618,419	618,419	618,419	618,419	618,419	618,419
CalHFA - Bridge Loan	0	0	0	0	0	0	0	0	0	0
CalHFA - 2nd Mortgage	0	0	0	0	0	0	0	0	0	0
CalHFA Rehab Reserve Acct	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
DEBT COVERAGE RATIO	**1.14**	**1.11**	**1.10**	**1.08**	**1.05**	**1.03**	**0.99**	**0.96**	**0.93**	**0.89**
Cash Available for distribution	**86,067**	**70,147**	**58,958**	**46,474**	**32,630**	**17,356**	**(5,680)**	**(24,034)**	**(44,044)**	**(65,791)**

Alexis Apartments



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Scale 1 : 1,100,000

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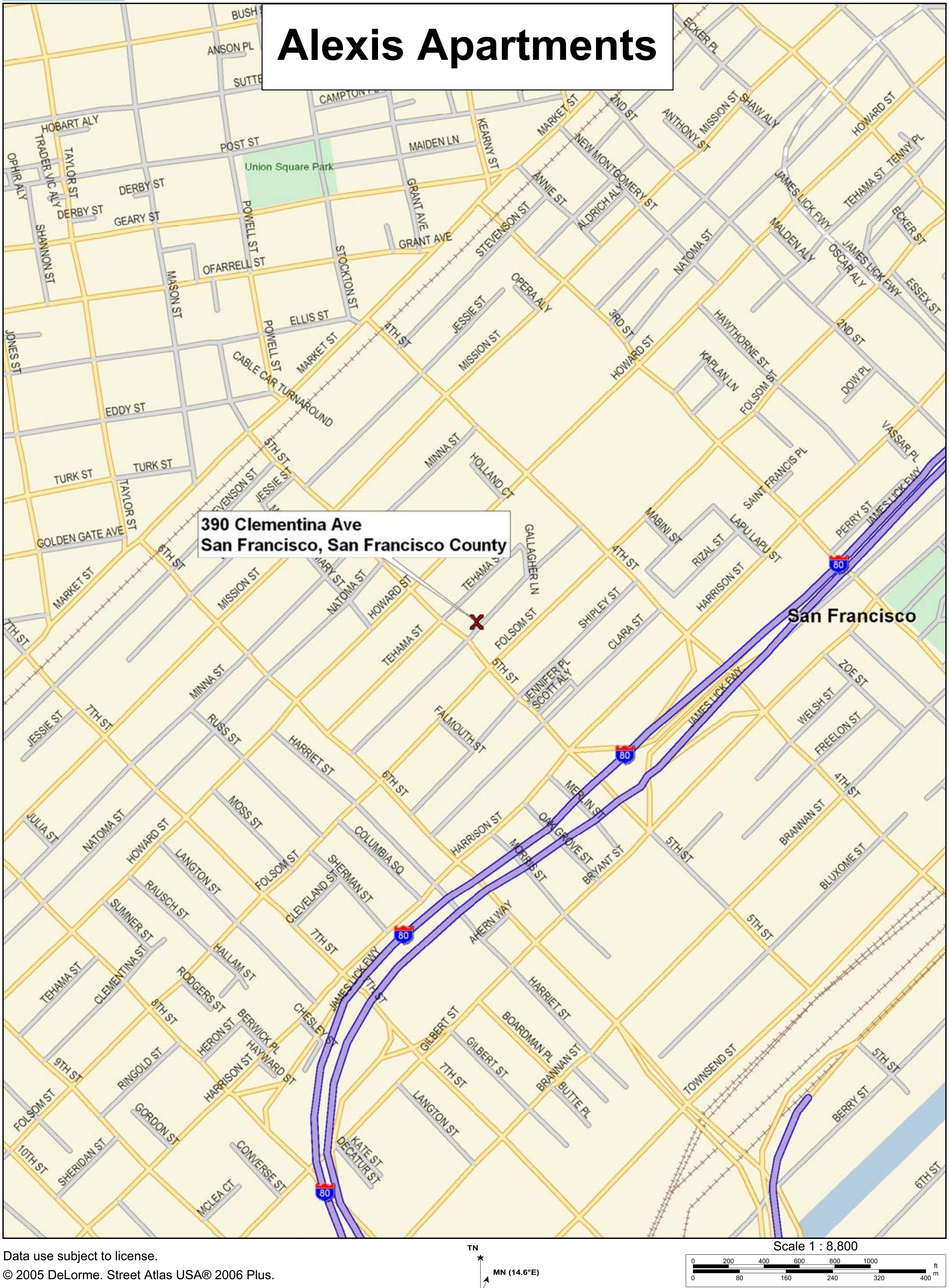
Street Atlas USA® 2006 Plus

Alexis Apartments



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RESOLUTION 07-30

RESOLUTION AUTHORIZING A FINAL LOAN COMMITMENT

WHEREAS, the California Housing Finance Agency (the "Agency") has received a loan application on behalf of Alexis Apartments of St. Patrick's Parish, a nonprofit corporation (the "Borrower"), seeking a loan commitment, the proceeds of which are to be used to provide financing for a multifamily housing development located in the City and County of San Francisco, State of California, to be known as Alexis Apartments (the "Development"); and

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

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

WHEREAS, on June 4, 2007, the Executive Director exercised the authority delegated to her under Resolution 94-10 to declare the official intent of the Agency to reimburse such prior expenditures for the Development; and

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

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

PROJECT NUMBER	DEVELOPMENT NAME/ LOCALITY	MORTGAGE AMOUNT
06-081-N	Alexis Apartments San Francisco, California	$8,830,000 Rehab First Mortgage $9,600,000 Perm First Mortgage

Resolution 07-30
Page 2

2. The Executive Director may modify the terms and conditions of the loans or loans as described in the Staff Report, provided that major modifications, as defined below, must be submitted to this Board for approval. "Major modifications" as used herein means modifications which either (i) increase the total aggregate amount of any loans made pursuant to the Resolution by more than 7%; or (ii) modifications which in the judgment of the Executive Director, or in his/her absence, either the Chief Deputy Director or the Director of Multifamily Programs of the Agency, adversely change the financial or public purpose aspects of the final commitment in a substantial way.

I hereby certify that this is a true and correct copy of Resolution 07-30 adopted at a duly constituted meeting of the Board of the Agency held on November 15, 2007 at Burbank, California.

ATTEST:______________________
Secretary

REPORTS

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State of California

M E M O R A N D U M

To: Board of Directors Date: October 31, 2007

Bruce D. Gilbertson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: REPORT OF BOND SALE AND INTEREST RATE SWAP AGREEMENTS MULTIFAMILY HOUSING REVENUE BONDS III, 2007 SERIES C

On October 3rd we set swap rates for $25,470,000 of $27,970,000 of multifamily variable rate bonds issued on October 18th. The Series C bonds were issued as tax-exempt auction rate bonds. The interest rates for the bonds are reset and interest is paid every 7 days. The Series C bonds are backed by our Aa3/AA- general obligation but are rated Aaa/AAA because of bond insurance provided by Financial Guaranty Insurance Company.

The Series C bonds have been issued to provide funds to finance new loans to six multifamily projects. Attached is a listing of the projects to be financed by the Series C bonds.

As shown in the table below, we have negotiated two interest rate swaps, together in an amount related to the new permanent loans. Consistent with our strategy for previous multifamily transactions, amounts related to acquisition/rehabilitation and lender loans are not being swapped due to the short term of these loans. As with previous transactions, we have chosen to delay the starting date for the two swaps. Delaying the effective start date enables us to minimize negative investment arbitrage during the period between the issuance of the bonds and the date new loans are funded.

Amount of Swap	Start Dates	End Dates	Fixed Rates Paid to Counterparties	Floating Rate Index
$11,345,000	2/1/2008	8/1/2042	3.728%	63% of LIBOR + 0.30%
$14,125,000	11/1/2009	8/1/2040	3.919%	63% of LIBOR + 0.30%

Projects To Be Financed With The Proceeds of Multifamily Housing Revenue Bonds III 2007 Series C

Project Name	Loan Type	Loan Amount	Interest Rate	Actual/Projected Loan Origination Date
Casa de las Hermanitas	Acq/Rehab	$ 4,265,000	variable	January 1, 2008
	Permanent	4,490,000	5.20%	November 1, 2009
	Second	1,035,000	5.20%	January 1, 2008
La Vista Apartments	Acq/Rehab	5,545,000	variable	November 1, 2007
	Permanent	5,545,000	5.20%	November 1, 2008
Lion Creek Phase II (1)	Permanent	4,040,000	5.90%	October 11, 2007
	Second	620,000	5.25%	October 11, 2007
Mercy Village Folsom	Lender	3,705,000	5.50%	November 1, 2007
Ridgewood/ La Loma	Acq/Rehab	3,075,000	variable	November 1, 2007
	Permanent	3,165,000	5.20%	November 1, 2009
	Second	1,160,000	5.20%	November 1, 2007
Yosemite Manor	Acq/Rehab	3,400,000	variable	November 1, 2007
	Permanent	950,000	5.30%	September 1, 2008
	Second	810,000	5.30%	November 1, 2007

(1) This is a local agency refunding.

State of California

M E M O R A N D U M

To Board of Directors **Date:** October 31, 2007

Bruce D. Gilbertson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: REPORT OF BOND SALE AND INTEREST RATE SWAP AGREEMENTS HOME MORTGAGE REVENUE BONDS 2007 SERIES I, 2007 SERIES J AND 2007 SERIES K

On November 7, 2007, the Agency expects to deliver $160,000,000 of bonds (the "Bonds") under the Home Mortgage Revenue Bond Indenture (HMRB) to Bear, Stearns & Co. Inc. The 2007 Series I and 2007 Series J Bonds will be issued as tax exempt fixed rate bonds and the 2007 Series K Bonds will be issued as tax exempt variable rate demand obligations with liquidity provided by KBC Bank N.V. ("KBC"). The 2007 Series I bonds are insured by FSA and are rated Aaa/AAA by Moody's and Standard & Poor's respectively. The 2007 Series J and 2007 Series K bonds are not insured. Additional details of the Bonds are outlined in the attached summary.

The Bonds are issued to provide financing for eligible mortgage loans under the Agency's Home Mortgage Purchase Program. The Agency expects that $113 million of the loans purchased with these proceeds will bear interest at a weighted average rate of 6.2% per annum and will be amortized over 30 years, $6 million will bear interest at a weighted average rate of 6.4% and will be amortized over 40 years, $11 million will bear interest at a weighted average rate of 6.6% per annum and will be used to purchase Interest Only Plus (IOP) loans and $26 million of the proceeds will yield zero percent and be used to subsidize the Agency's HMRB taxable issuances or the HMRB recycling program. The Agency expects to be able to provide homes for approximately 587 families with the proceeds.

The Agency has entered into two interest rate swap agreements for the 2007 Series K bonds. The swaps are structured with declining notional amounts that match the expected amortization of the corresponding variable rate bonds. For both of the swaps the Agency receives a variable rate of interest based on a percentage of one month LIBOR plus a spread. Bear Stearns was awarded one of the swaps ($25 million notional) on a negotiated basis and The Bank of New York was awarded the other swap ($25 million notional) through a competitive bidding process. Additional details of the Swaps are outlined in the attached summary.

SUMMARY OF THE BONDS

BOND SERIES	I	J	K
Par Amount	$17,280,000.	92,720,000	$50,000,000.
Type of Bonds (Tax-exempt)	Fixed (serial bonds)	Fixed (term bonds)	VRDO
Tax Treatment	AMT	AMT	AMT
Maturities $17,280,000 on $92,720,000 on $50,000,000 on	2/1/2009-8/1/2017	8/1/2022, 8/1/2027 & 8/1/2047	8/1/2037 & 2/1/2038
Credit Rating Moody's S&P	Aaa AAA	Aa2 AA-	Aa2/VMIG-1 AA-/A-1+
Interest Rates Initial Interest Rate (VRDO)	3.70%-4.35%	4.95%, 5.050% & *5.75%	TBD
Reset Frequency	N/A	N/A	Daily
Liquidity Provider	N/A	N/A	KBC
Insurance Provider	FSA	N/A	NA
Remarketing Agent	N/A	N/A	Bear, Stearns & Co.

SUMMARY OF THE SWAPS

SERIES	I	J	K
Notional Amounts Swap #1 Swap #2	N/A	N/A	$25,000,000 $25,000,000
Counterparties Swap #1 Swap #2	N/A	N/A	Bear, Stearns & Co.. The Bank of New York
Effective Dates Swap #1 Swap #2	N/A	N/A	11/07/07 11/07/07
Fixed Payor Rates Swap #1 Swap #2	N/A	N/A	3.987% 4.040%
Floating Rate Basis Swap #1 Swap #2	N/A	N/A	63% of Libor + 24bps 63% of Libor + 24bps
Reset Frequency Swap #1 Swap #2	N/A	N/A	Monthly Monthly
Average Life (yrs) Swap #1 Swap #2	N/A	N/A	21.60 27.58
Maturities Swap #1 Swap #2	N/A	N/A	8/1/2032 2/1/2038

The 5.75% coupon relates to the premium term bond maturing on August 1, 2047. The yield to maturity on this bond is 5.306%.

State of California

M E M O R A N D U M

To: Board of Directors **Date:** October 30, 2007

Bruce D. Gilbertson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: REPORT OF BOND SALE
HOME MORTGAGE REVENUE BONDS 2007 SERIES L, 2007 SERIES M AND 2007 SERIES N

On September 14, 2007, the Agency entered into purchase contracts for the delivery of \$200,000,000 of bonds under the Home Mortgage Revenue Bond indenture (HMRB). The bonds are federally taxable and will be issued in three series. The Series L and Series M bonds will have fixed interest rates which were set on September 14, 2007. The Series N bonds will be issued as variable rate. Interest rates on these bonds will be set just prior to delivery on November 29th. The bonds are not insured and carry the Aa2/AA- ratings of the HMRB indenture. Additional details of the bonds are outlined in the attached summary.

The bonds were privately placed. The Series L bonds were placed with Union Bank of California and the Series M and Series N bonds were placed with DePfa Bank. As you may recall, earlier this year CalHFA executed its first private placement of bonds without the assistance of an underwriter. A direct placement offers significantly lower costs of issuance as compared to publicly offered bonds and in this case, we also achieved a lower cost of funds. Directly placing these bonds with the banks will allow the Agency to achieve fixed rate pricing for the Series L and Series M bonds without experiencing swap and liquidity related risks normally associated with the hedging of variable rate bonds.

The bonds were issued to provide financing for eligible mortgage loans under the Agency's Home Mortgage Purchase Program. The bond proceeds will be used to purchase loans with interest rates between 3.00% and 6.625%. The Agency expects to be able to provide homes for approximately 700 families with the proceeds.

SUMMARY OF THE BONDS

BOND SERIES	2007 L	2007 M	2007 N
Par Amount	$50,000,000	$90,000,000	$60,000,000
Type of Bonds (Tax-exempt)	FIXED (term bonds)	FIXED (term bonds)	VARIABLE (term bonds)
Tax Treatment	TAXABLE	TAXABLE	TAXABLE
Maturities	8/1/2027	8/1/2032	2/1/2043
Credit Rating Moody's S&P	 Aa2 AA-	 Aa2 AA-	 Aa2 AA-
Initial Interest Rate	5.53%	5.835%	TBD*
Liquidity Provider	N/A	N/A	N/A
Insurance Provider	N/A	N/A	N/A
Remarketing Agent	N/A	N/A	N/A
Pricing	September 14, 2007	September 14, 2007	September 14, 2007
Closing	September 25, 2007	October 30, 2007	November 29, 2007

- The Series N bonds are Index Bonds that will reset quarterly and pay interest equal to Three-Month LIBOR plus 18 basis points.

State of California

M E M O R A N D U M

To: Board of Directors **Date:** October 31, 2007

Bruce D. Gilbertson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: UPDATE ON VARIABLE RATE BONDS AND INTEREST RATE SWAPS

Over a number of years the Agency has integrated the use of variable rate debt as a primary issuance strategy in providing capital to support its programmatic goals. Most of our interest rate exposure from variable rate debt is hedged in the swap market. This strategy has enabled us to achieve a significantly lower cost of funds and a better match between assets and liabilities.

The following report describes our variable rate bond and interest rate swap positions as well as the related risks associated with this financing strategy. The report is divided into sections as follows:

- Variable Rate Debt Exposure
- Fixed-Payer Interest Rate Swaps
- Basis Risk and Basis Swaps
- Risk of Changes to Tax Law
- Amortization Risk
- Termination Risk
- Types of Variable Rate Debt
- Liquidity Providers
- Bond and Swap Terminology

VARIABLE RATE DEBT EXPOSURE

This report describes the variable rate bonds and notes of CalHFA and is organized programmatically by indenture as follows: HMRB (Home Mortgage Revenue Bonds--CalHFA's largest single family indenture), MHRB (Multifamily Housing Revenue Bonds III--CalHFA's largest multifamily indenture), HPB (Housing Program Bonds--CalHFA's multipurpose indenture, used to finance a variety of loans including the Agency's downpayment assistance loans), and DDB (Draw Down Bonds used to preserve tax-exempt authority.) The total amount of CalHFA variable rate debt is $5.5 billion, 70% of our $7.9 billion of total indebtedness as of November 7, 2007.

VARIABLE RATE DEBT
($ in millions)

	Tied Directly to Variable Rate Assets	Swapped to Fixed Rate	Not Swapped or Tied to Variable Rate Assets	Total Variable Rate Debt
HMRB	$2	$3,763	$527	$4,292
MHRB	172	875	78	1,125
HPB	0	35	76	111
DDB	13	0	0	13
Total	$187	$4,673	$681	$5,541

As shown in the table above, our "net" variable rate exposure is $681 million, 8.56% of our indebtedness. The net amount of variable rate bonds is the amount that is neither swapped to fixed rates nor directly backed by complementary variable rate loans or investments The $681 million of net variable rate exposure ($496 million taxable and $185 million tax-exempt) is offset by the Agency's balance sheet and excess swap positions. While our current net exposure is not tied directly to variable rate assets, we have approximately $621 million (six month average balance as of 5/31/07) of other Agency funds invested in the State Treasurer's investment pool (SMIF) earning a variable rate of interest. From a risk management perspective, the $621 million is a balance sheet hedge for the $681 million of net variable rate exposure.

In order to maintain a certain level of confidence that the balance sheet hedge is effective, we have reviewed the historical interest rates earned on investments in the SMIF and LIBOR interest rate resets (most of our unhedged taxable bonds are index floaters that adjust at a spread to LIBOR). Using the data for the last ten years, we determined that there is a high degree of correlation between the two asset classes (SMIF and LIBOR) and that for every $1 invested in SMIF we can potentially hedge $1 of LIBOR-based debt.

The net variable rate exposure is further reduced by two other considerations: 1) as mentioned in the Amortization Risk section of this report, we have $86 million notional amount of interest rate swaps in excess of the original bonds they were to hedge, and 2) a portion of our unhedged exposure is tax-exempt debt which resets at the theoretical ratio of 65% of Libor. These two considerations serve to reduce the net effective variable rate exposure to the equivalent of $559 million of LIBOR-based debt. As a result, the $621 million of other Agency funds invested in SMIF effectively hedges approximately 111% of our current net variable rate exposure.

In addition, taking unhedged variable rate exposure mitigates the amortization risk without the added cost of purchasing swap optionality. Our unhedged variable rate bonds are callable on any date and allow for bond redemption or loan recycling without the cost of par termination rights or special bond redemption provisions. In addition, taking unhedged variable rate exposure diversifies our interest rate risks by providing benefits when short-term interest rates rise slower than the market consensus. In a liability portfolio that is predominately hedged using long-dated swaps, the unhedged exposure balances the interest rate profile of the Agency's outstanding debt.

FIXED-PAYER INTEREST RATE SWAPS

Currently, we have a total of 138 "fixed-payer" swaps with thirteen different counterparties for a combined notional amount of $4.7 billion. All of these fixed-payer swaps are intended to establish synthetic fixed rate debt by converting our variable rate payment obligations to fixed rates. These interest rate swaps generate significant debt service savings in comparison to our alternative of issuing fixed-rate bonds. This savings allows us to continue to offer loan products with exceptionally low interest rates to multifamily sponsors and to first-time homebuyers. The table below provides a summary of our notional swap amounts.

FIXED PAYER INTEREST RATE SWAPS
(notional amounts)
($ in millions)

	Tax-Exempt	Taxable	Totals
HMRB	$3,150	$697	$3,847
MHRB	875	0	875
HPB	35	0	35
TOTALS	$4,060	$697	$4,757

The following table shows the diversification of our fixed payer swaps among the thirteen firms acting as our swap counterparties. Note that our swaps with Lehman Brothers, Bear Stearns, and Goldman Sachs are with highly-rated structured subsidiaries that are special purpose vehicles used only for derivative products. We have chosen to use these subsidiaries because the senior credit of those firms is not as strong as that of the other firms. Note also that our most recent swaps with Merrill Lynch are either with their highly-rated structured subsidiary or we are benefiting from the credit of this triple-A structured subsidiary through a guarantee.

SWAP COUNTERPARTIES

Swap Counterparty	Credit Ratings Moody's	S & P	Fitch	Notional Amounts Swapped *($ in millions)*	Number of Swaps
Merrill Lynch Capital Services Inc.					
Guaranteed by:					
Merrill Lynch & Co.	A1	A+	A+	$ 665.9	18
MLDP, AG	Aaa	AAA	AAA	283.3	12
Merrill Lynch Derivative Products, AG	Aaa	AAA	AAA	366.2	17
Bear Stearns Financial Products Inc.	Aaa	AAA	NR	830.3	15
				295.5 *	8 *
Citigroup Financial Products Inc.	Aa1	AA	AA+	721.0	20
Lehman Brothers Derivative Products Inc.	Aaa	AAA[t]	NR	500.4	21
Goldman Sachs Mitsui Marine Derivative Products, L.P.	Aaa	AAA	NR	344.2	7
				318.7 *	5 *
AIG Financial Products Corp.	Aa2	AA	AA	317.3	9
JP Morgan Chase Bank	Aaa	AA	AA	213.0	7
Bank of America, N.A.	Aaa	AA+	AA+	208.8	5
Morgan Stanley Capital Services Inc	Aa3	AA-	AA-	136.7	2
BNP Paribas	Aa1	AA+	AA	89.1	2
UBS AG	Aaa	AA	AA+	55.8	2
The Bank of New York	Aaa	AA-	AA	25.0	1
				$4,757.0	138

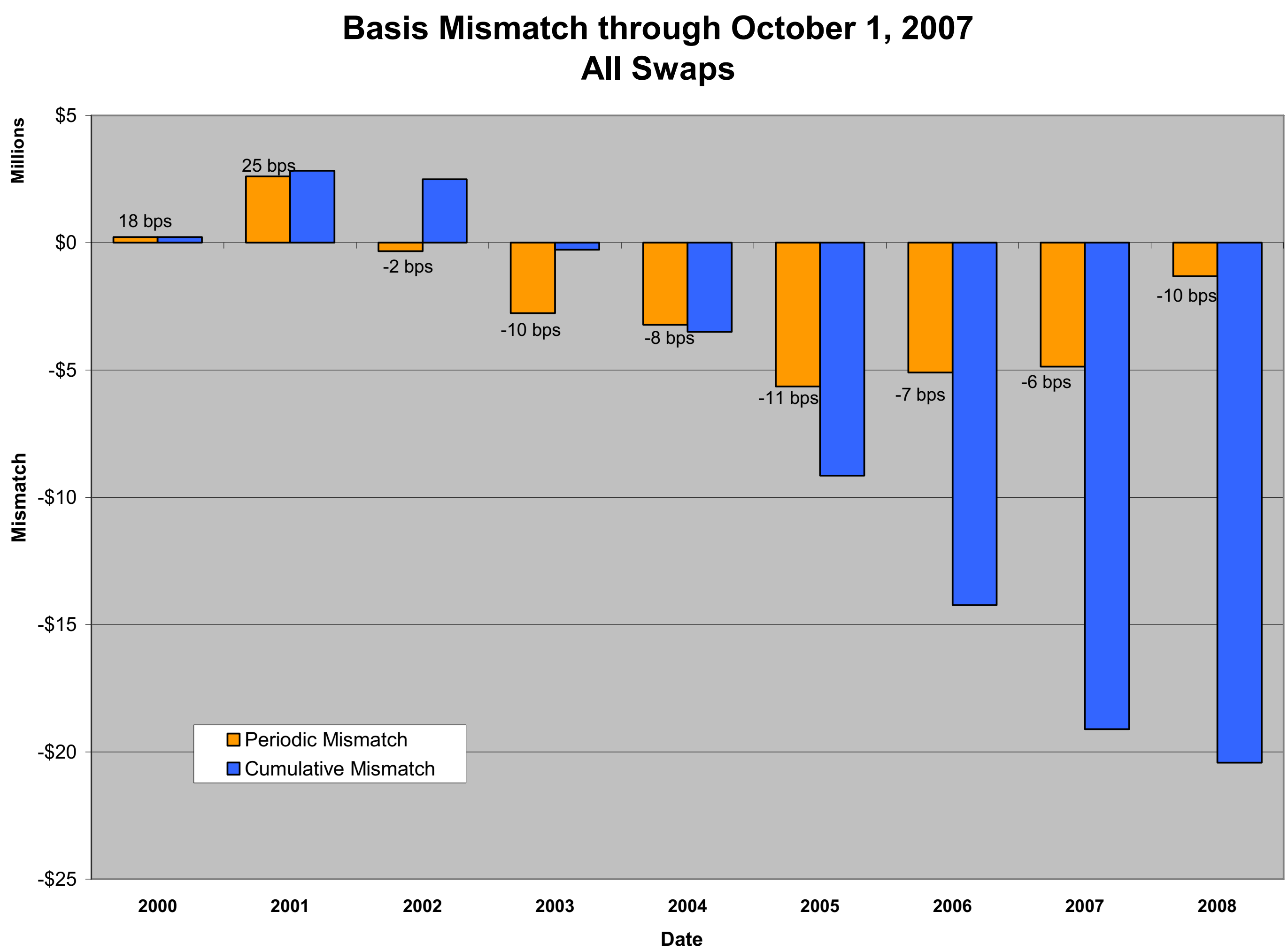
* *Basis Swaps (not included in totals)*

With interest rate swaps, the "notional amount" (equal to the principal amount of the swapped bonds) itself is not at risk. Instead, the risk is that a counterparty would default and, because of market changes, the terms of the original swap could not be replicated without additional cost.

For all of our fixed-payer swaps, we receive floating rate payments from our counterparties in exchange for a fixed-rate obligation on our part. In today's market, the net periodic payment owed under these swap agreements is from us to our counterparties. As an example, on our August 1, 2007 semiannual debt service payment date we made a total of $10.7 million of net payments to our counterparties. Conversely, if short-term rates were to rise above the fixed rates of our swap agreements, then the net payment would run in the opposite direction, and we would be on the receiving end.

<u>BASIS RISK AND BASIS SWAPS</u>

Almost all of our swaps contain an element of what is referred to as "basis risk" – the risk that the floating rate component of the swap will not match the floating rate of the underlying bonds. This risk arises because our swap floating rates are based on indexes, which consist of market-wide averages, while our bond floating rates are specific to our individual bond issues. The only exception is where our taxable floating rate bonds are index-based, as is the case of the taxable floaters we have sold to the Federal Home Loan Banks. The chart below is a depiction of the basis mismatch that we have encountered since 2000 when we entered the swap market.



As the chart shows, the relationship between the two floating rates changes as market conditions change. Some periodic divergence was expected when we entered into the swaps. Over the lifetime of our swaps we have experienced nearly $18 million of additional interest expense due to this basis mismatch. However, we have since mitigated much of this risk by changing our swap formula in 2005, as explained below. The result of these changes has decreased the periodic mismatch from a high of 11 basis points in 2005 to 6 basis points in 2007.

In the past we entered into swaps at a ratio of 65% of LIBOR, the London Inter-Bank Offered Rate which is the index used to benchmark taxable floating rate debt. These percentage-of-LIBOR swaps have afforded us with excellent liquidity and great savings when the average SIFMA/LIBOR ratio was steady at 65%. As short-term rates fell to historic lows and with an increased market supply of tax-exempt variable rate bonds, the historic relationship between tax-exempt and taxable rates was not maintained. For example, the average SIFMA/LIBOR ratio was 84.3% in 2003, 81.5% in 2004, and 72.5% in 2005. Now that short-term rates have risen significantly, the ratio has begun to fall. In 2006, it averaged 67.7%, and the average for 2007 to date is 68.9%. The SIFMA (Securities Industry and Financial Markets Association) index is the index used to benchmark tax-exempt variable rates.

When the SIFMA/LIBOR ratio is very high the swap payment we receive falls short of our bond payment, and the all-in rate we experience is somewhat higher. The converse is true when the percentage is low. In response, we and our advisors looked for a better formula than a flat 65% of LIBOR. After considerable study of California tax-exempt variable rate history, we revised the formula in December of 2002 to 60% of LIBOR plus 0.26% which resulted in comparable fixed-rate economics but performed better when short-term rates were low and the SIFMA/LIBOR percentage was high. In December 2005 we looked at the formula again and after completing a statistical analysis of CalHFA variable rate bonds as compared to the SIFMA and LIBOR indexes and taking into consideration the changing market conditions, we've decided to utilize several different swap formulas for our different types of bonds. After careful monitoring of the new swap formulas and adjusting for changing market conditions, we modified the swap formulas again in September 2007. The new swap formulas for AMT bonds are: 63% of LIBOR plus 0.30% for weekly resets and 63% of LIBOR plus 0.24% for daily resets. We expect to use these new formulas for new swap transactions and we will continue to monitor the SIFMA/LIBOR relationship and the performance of the new swap formulas and make adjustments as necessary.

In addition, we currently have basis swaps for $614 million of the older 65% of LIBOR swaps. The basis swaps provide us with better economics in low-rate environments by exchanging the 65% of LIBOR formula for alternative formulas that alleviate the effects of high SIFMA/LIBOR ratios. The table on the next page shows the diversification of variable rate formulas used for determining the payments received from our interest rate swap counterparties.

BASIS FOR VARIABLE RATE PAYMENTS
RECEIVED FROM SWAP COUNTERPARTIES
(notional amounts)
($ in millions)

	Tax-Exempt	Taxable	Totals
60% of LIBOR + 26bps	$1,879	$0	$1,879
62% of LIBOR + 25bps	570	0	570
3 mo. LIBOR + spread	0	442	442
SIFMA – 15bps	435	0	435
Enhanced LIBOR [1]	319	0	319
Stepped % of LIBOR [2]	295	0	295
65% of LIBOR	275	0	275
1 mo. LIBOR	0	206	206
97% of SIFMA	77	0	77
SIFMA – 20bps	60	0	60
63% of LIBOR + 24bps	50	0	50
6 mo. LIBOR	0	48	48
60% of LIBOR + 21bps	35	0	35
64% of LIBOR	27	0	27
63% of LIBOR + 30bps	26	0	26
64% of LIBOR + 25bps	13	0	13
TOTALS	$4,061	$696	$4,757

[1] Enhanced LIBOR – This formula is 50.6% of LIBOR plus 0.494% with the proviso that the end result can never be lower than 61.5% of LIBOR nor greater than 100% of LIBOR.

[2] Stepped % of LIBOR – This formula has seven incremental steps where at the low end of the spectrum the swap counterparty would pay us 85% of LIBOR if rates should fall below 1.25% and at the high end, they would pay 60% of LIBOR if rates are greater than 6.75%.

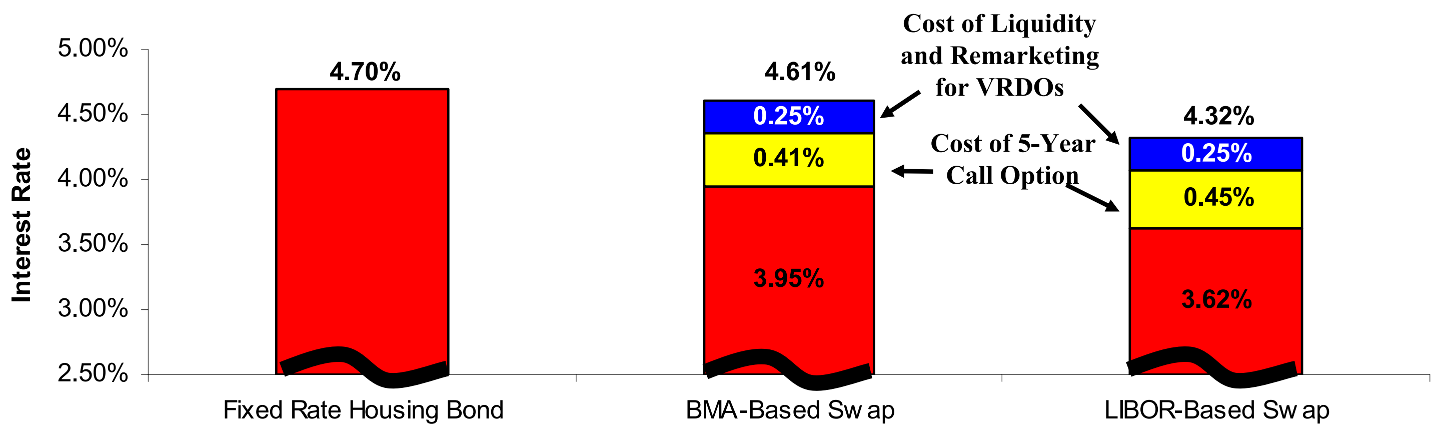
RISK OF CHANGES TO TAX LAW

For an estimated $3.4 billion of the $4 billion of tax-exempt bonds swapped to a fixed rate, we remain exposed to certain tax-related risks, another form of basis risk. In return for significantly higher savings, we have chosen through these interest rate swaps to retain exposure to the risk of changes in tax laws that would lessen the advantage of tax-exempt bonds in comparison to taxable securities. In these cases, if a tax law change were to result in tax-exempt rates being more comparable to taxable rates, the swap provider's payment to us would be less than the rate we would be paying on our bonds, again resulting in our all-in rate being higher.

We bear this same risk for $280 million of our tax-exempt variable rate bonds which we have not swapped to a fixed rate. Together, these two categories of variable rate bonds total $3.6 billion, 45.7% of our $7.9 billion of bonds outstanding. This risk of tax law changes is the same risk that investors take when they purchase our fixed-rate tax-exempt bonds.

The following bar chart shows the current benefit of our ability to assume the risk of changes to tax laws. Over the last several years this benefit (the difference between the cost of fixed rate housing bonds and the cost of a LIBOR based interest rate swap financing) has been as great as 100 basis points, and was the engine that made our interest rate swap strategy effective. In today's market this benefit is 38 basis points. The reduced economic benefit of assuming tax risk has led to recent decisions to issue some or all of our bonds as fixed rate housing bonds, especially for our homeownership programs. As market conditions change we will alter our financing strategies to obtain the lowest cost of borrowing while balancing the associated risks and benefits of alternative structures.

Costs of Funds for Fixed-Rate Bonds and Synthetic Fixed-Rate Bonds
(Variable Rate Bonds Swapped to Fixed)
(All Rates as of October 22, 2007)



SIFMA-Based Swap: SIFMA Index x 101%
LIBOR-Based Swap: 63% LIBOR + 24 bps

AMORTIZATION RISK

Our bonds are generally paid down (redeemed or paid at maturity) as our loans are prepaid. Our interest rate swaps amortize over their lives based on assumptions about the receipt of prepayments, and the single family transactions which include swapped bonds have generally been designed to accommodate prepayment rates between two and three times the "normal" rate. In other words, our interest rate swaps generally have had fixed amortization schedules that can be met under what we have believed were sufficiently wide ranges of prepayment speeds. Unfortunately, when market rates fell to unprecedented levels, we started receiving more prepayments than we ever expected.

Since January 1, 2002, we have received over \$6 billion of prepayments, including over \$1.4 billion in 2004, \$1.1 billion in calendar year 2005 and \$504 million in 2006. Of this amount, approximately \$2.03 billion is "excess" to swapped transactions we entered into. We have since recycled \$1.94 billion of the \$2.03 billion excess into new loans and have used \$166 million to cross-call high interest rate bonds.

While these persistent high levels of prepayments have eased, we have modified the structuring of new swaps by widening the band of expected prepayments. In addition, with the introduction of our interest only loan product we are structuring swap amortization schedules and acquiring swap par termination rights to coincide with the loan characteristics and expectations of borrower prepayment.

Also of interest is a \$86 million forced overswap mismatch between the notional amount of certain of our swaps and the outstanding amount of the related bonds. This mismatch has occurred as a result of the interplay between our phenomenally high incidence of prepayments and the "10-year rule" of federal tax law. Under this rule, prepayments received 10 or more years beyond the date of the original issuance of bonds cannot be recycled into new loans and must be used to redeem tax-exempt bonds. In the case of these recent bond issues, a portion of the authority to issue them on a tax-exempt basis was related to older bonds.

While this mismatch has occurred (and will show up in the tables of this report), the small semiannual cost of the mismatch will be more than offset by the large interest cost savings from our "net" variable rate debt. In other words, while some of our bonds are "over-swapped", there are significantly more than enough unswapped variable rate bonds to compensate for the mismatch. In addition, we will monitor the termination value of our "excess swap" position looking for opportunities to unwind these positions when market terminations would be at no cost or a positive value to us.

There are several strategies for dealing with excess prepayments: they may be reinvested, used for the redemption of other (unswapped) bonds, or recycled directly into new loans. Alternatively, we could make termination payments to our counterparties to reduce the notional amounts of the swaps, but this alternative appears to be the least attractive economically.

In consultation with our financial advisors, we have determined that the best long-term strategy is to recycle the excess prepayments into new CalHFA loans. Of course, for some financings this means that we will be bearing the economic consequences of replacing old 7% to 8% loans that have paid off with new loans at rates that will be current at the time we recycle. With our May 1, 2007 transfer of loans from our warehouse line we have recycled a total of $1.94 billion of excess prepayments since March 1999. This practice has resulted in reduced issuance activity over the last few years.

In addition we have begun a widespread strategy of reusing unrestricted loan prepayments to purchase new loans. We currently have more than $3.1 billion of swap notional having a fixed payer rate below the estimated net weighted average interest rate of 6.18% for new loans being reserved. In today's market, this tremendous recycling opportunity reduces transaction costs related to new issuance and preserves for future use our swap par termination rights.

TERMINATION RISK

Termination risk is the risk that, for some reason, our interest rate swaps must be terminated prior to their scheduled maturity. Our swaps have a market value that is determined based on current interest rates. When current fixed rates are higher than the fixed rate of the swap, our swaps have a positive value to us (assuming, as is the case on all of our swaps today, that we are the payer of the fixed swap rate), and termination would result in a payment from the provider of the swap (our swap "counterparty") to us. Conversely, when current fixed rates are lower than the fixed rate of the swap, our swaps have a negative value to us, and termination would result in a payment from us to our counterparty.

Our swap documents allow for a number of termination "events", i.e., circumstances under which our swaps may be terminated early, or (to use the industry phrase) "unwound". One circumstance that would cause termination would be a payment default on the part of either counterparty. Another circumstance would be a sharp drop in either counterparty's credit ratings and, with it, an inability (or failure) of the troubled counterparty to post sufficient collateral to offset its credit problem. It should be noted that, if termination is required under the swap documents, the market determines the amount of the termination payment and who owes it to whom. Depending on the market, it may be that the party who has caused the termination is owed the termination payment.

As part of our strategy for protecting the agency when we entered the swap market in late 1999, we determined to choose only highly-creditworthy counterparties and to negotiate "asymmetrical" credit requirements in all of our swaps. These asymmetrical provisions impose higher credit standards on our counterparties than on the agency. For example, our counterparties may be required to collateralize their exposure to us when their credit ratings fall from double-A to the highest single-A category (A1/A+), whereas we need not collateralize until our ratings fall to the mid-single-A category (A2/A).

Monthly we monitor the termination value of our swap portfolio as it grows and as interest rates change. Because termination is an unlikely event, the fact that our swap portfolio has a negative value, while interesting, is not necessarily a matter of direct concern. We have no plans to terminate swaps early (except in cases where the swap notional is excess to the bonds being hedged or we negotiated "par" terminations when we entered into the swaps) and do not expect that credit events triggering termination will occur, either to us or to our counterparties.

Currently, the Government Accounting Standards Board only requires that our balance sheet and income statement be adjusted for the market value of our swaps in excess of the bonds being hedged. However, it does require that the market value be disclosed for all of our swaps in the notes to our financial statements.

The table below shows the history of the fluctuating negative value of our swap portfolio for the past year.

TERMINATION VALUE HISTORY

Date	Termination Value ($ in millions)
10/31/06	($141.0)
11/30/06	($174.8)
12/31/06	($132.7)
1/31/07	($113.8)
2/28/07	($155.7)
3/31/07	($137.7)
4/30/07	($129.3)
5/31/07	($83.2)
6/30/07	($40.4)
7/31/07	($64.4)
8/31/07	($101.8)
9/30/07	($110.1)

It should be noted that during this period, the notional amount of our fixed-payer swaps has been increasing. When viewing the termination value, one should consider both the change in market conditions and the increasing notional amount.

TYPES OF VARIABLE RATE DEBT

The table below shows our variable rate debt sorted by type, i.e., whether auction rate, indexed rate, or variable rate demand obligations (VRDOs). Auction and indexed rate securities cannot be "put" back to us by investors; hence they typically bear higher rates of interest than do "put-able" bonds such as VRDOs.

TYPES OF VARIABLE RATE DEBT
($ in millions)

	Auction Rate & Similar Securities	Indexed Rate Bonds	Variable Rate Demand Obligations	Total Variable Rate Debt
HMRB	$156	$959	$3,177	$4,292
MHRB	420	0	705	1,125
HPB	0	0	111	111
DDB	0	13	0	13
Total	$576	$972	$3,993	$5,541

LIQUIDITY PROVIDERS

The table below shows the financial institutions providing liquidity in the form of standby bond purchase agreements for our VRDOs. Under these agreements, if our variable rate bonds are put back to our remarketing agents and cannot be remarketed, these institutions are obligated to buy the bonds.

LIQUIDITY PROVIDERS
($ in millions)

Financial Institution	$ Amount of Bonds	Indenture
Dexia Credit Local	$8126	HMRB
Lloyds TSB	436.7	HMRB
Fannie Mae	376.2	HMRB/MHRB
BNP Paribas	264.6	HMRB
Bank of Nova Scotia	211.9	HMRB
DEPFA Bank	210.5	MHRB
KBC	254.0	HMRB
Calyon	174.5	HMRB
Bank of America	164.9	HMRB
JP Morgan Chase Bank	156.5	HMRB
Bayerische Landesbank	153.9	HMRB
Landesbank Hessen-Thuringen	151.0	MHRB
Westdeutsche Landesbank	149.4	HMRB/MHRB
Fortis	120.0	HMRB
State Street Bank	91.4	HMRB
Bank of New York	86.9	HMRB
CalSTRS	66.8	HMRB/MHRB
LBBW	61.1	HPB
Citibank N.A.	50.0	HPB
Total	$3,992.9	

Unlike our interest rate swap agreements, our liquidity agreements do not run for the life of the related bonds. Instead, they are seldom offered for terms in excess of five years, and a portion of our agreements require annual renewal. We expect all renewals to take place as a matter of course; however, changes in credit ratings or pricing may result in substitutions of one bank for another from time to time.

BOND AND SWAP TERMINOLOGY

COUNTERPARTY
One of the participants in an interest rate swap

DATED DATE
Date from which first interest payment is calculated.

DELAYED START SWAP
A swap which delays the commencement of the exchange of interest rate payments until a later date.

DELIVERY DATE, OR ISSUANCE DATE
Date that bonds are actually delivered to the underwriters in exchange for the bond proceeds.

GENERAL OBLIGATION BOND
A type of security which is evidence of a debt secured by all revenues and assets of an organization.

INDENTURE
The legal instrument that describes the bonds and the pledge of assets and revenues to investors. The indenture often consists of a general indenture plus separate series indentures describing each issuance of bonds.

INTEREST RATE CAP
A financial instrument which pays the holder when market rates exceed the cap rate. The holder is paid the difference in rate between the cap rate and the market rate. Used to limit the interest rate exposure on variable rate debt.

INTEREST RATE SWAP
An exchange between two parties of interest rate exposures from floating to fixed rate or vice versa. A fixed-payer swap converts floating rate exposure to a fixed rate.

LIBOR
London Interbank Offered Rate. The interest rate highly rated international banks charge each other for borrowing U.S. dollars outside of the U.S. Taxable swaps often use LIBOR as a rate reference index. LIBOR swaps associated with tax-exempt bonds will use a percentage of LIBOR as a proxy for tax-exempt rates.

MARK-TO-MARKET
Valuation of securities or swaps to reflect the market values as of a certain date. Represents liquidation or termination value.

MATURITY
Date on which the principal amount of a bond is scheduled to be repaid.

NOTIONAL AMOUNT
The principal amount on which the exchanged swap interest payments are based.

OFFICIAL STATEMENT
The "prospectus" or disclosure document describing the bonds being offered to investors and the assets securing the bonds.

PRICING DATE

Date on which issuer agrees (orally) to sell the bonds to the underwriters at certain rates and terms.

REDEMPTION

Early repayment of the principal amount of the bond. Types of redemption: "special", "optional", and "sinking fund installment".

REFUNDING

Use of the proceeds of one bond issue to pay for the redemption or maturity of principal of another bond issue.

REVENUE BOND (OR SPECIAL OBLIGATION BOND) (OR LIMITED OBLIGATION BOND)

A type of security which is evidence of a debt secured by revenues from certain assets (loans) pledged to the payment of the debt.

SIFMA INDEX

Securities Industry and Financial Markets Association Municipal Swap Index. A weekly index of short-term tax-exempt rates.

SALE DATE

Date on which purchase contract is executed evidencing the oral agreement made on the pricing date.

SERIAL BOND

A bond with its entire principal amount due on a certain date, without scheduled sinking fund installment redemptions. Usually serial bonds are sold for any principal amounts to be repaid in early (10 or 15) years.

SERIES OF BONDS

An issuance of bonds under a general indenture with similar characteristics, such as delivery date or tax treatment. Example: "Name of Bonds", 1993 Series A. Each series of Bonds has its own series indenture.

SWAP CALL OPTION

The right (but not the obligation) to terminate a predetermined amount of swap notional amount, occurring or starting at a specific future date.

SYNTHETIC FIXED RATE DEBT

Converting variable rate debt into a fixed rate obligation through the use of fixed-payer interest rate swaps.

SYNTHETIC FLOATING RATE DEBT

Converting fixed rate debt into a floating rate obligation through the use of fixed-receiver interest rate swaps.

TERM BOND

A bond with a stated maturity, but which may be subject to redemption from sinking fund installments. Usually of longer maturity than serial bonds.

VARIABLE RATE BOND

A bond with periodic resets in its interest rate. Opposite of fixed rate bond.

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State of California

M E M O R A N D U M

To: Board of Directors **Date:** October 30, 2007

Bruce D. Gilbertson, Director of Financing

From: **CALIFORNIA HOUSING FINANCE AGENCY**

Subject: ANNUAL INVESTMENT REPORT

In 1995 the Board adopted an investment policy and asked for a periodic investment report. Attached for your information is an investment report as of June 30, 2007, the end date for the most recent fiscal year. This report shows that CalHFA moneys continue to be invested conservatively and in accordance with the Board-approved investment policy.

INVESTMENT REPORT
JUNE 30, 2007

SUMMARY

As of June 30, 2007, CalHFA had $9.7 billion of assets, of which $2.1 billion (21%) consisted of investments (not mortgages). During the 2006/2007 fiscal year, CalHFA's total revenues were $617 million, of which $123 million (20%) was investment interest income. When comparing the investment balance at June 30, 2006 to the investment balance at June 30, 2007, there is a $1 billion decrease. The reasons for the decrease are discussed below under the heading "Investment Agreements".

The following table shows the types of investments we hold for different categories of funds.

	AMOUNT INVESTED *($ in millions)*		
Investment Type	Bond Moneys	Non-Bond Moneys	Total
Investment agreements	$809.6	$0.1	$809.7
State investment pool	502.7	591.2	1,093.9
Securities/Commercial Paper (Fair market value)	105.6	9.1	114.7
Money market and Bank deposit	19.9	29.5	49.4
Totals	$1,437.8	$629.9	$2,067.7

INVESTMENT AGREEMENTS

As stated in the Investment Policy, we normally invest bond moneys in investment agreements. Such agreements give us a high level of security of principal, a fixed rate of return to match the fixed cost of our debt, and complete liquidity so that we can use them like interest-bearing checking accounts and make deposits and withdrawals on short notice. Balances invested in investment agreements have decreased by $1.1 billion from last fiscal year for the following reasons:

- At June 30, 2006 there was $754 million of bond proceeds invested in investment agreements that were associated with temporary financings (Drawdown Bonds). During the year we refunded these drawdown bonds, replacing them with long term bonds suitable to finance our loan programs. As a result these investments were effectively converted into loans during the fiscal year ending June 30, 2007.

- The Agency continued its practice of recycling loan prepayments that are temporarily invested in investment agreements into new single family mortgages. For the fiscal year ending June 30, 2007 we recycled $469 million of loan prepayments.

- Over the last two fiscal years the Agency has elected, to use the State's Investment Pool (Surplus Money Investment Fund "SMIF") for the reinvestment of bond proceeds because we were unable to obtain investment agreements with fixed rate yields at or above the cost of our debt issuance. In addition, SMIF is a good hedge against our unhedged variable rate debt.

The following table shows the types of bond moneys that are deposited into investment agreements.

INVESTMENT AGREEMENT BALANCES
($ in millions)

	Bond Proceeds (For Loan Purchases)	Drawdown Bond Proceeds	Reserve Funds	Debt Service Funds	Totals
Single Family	$236.3	$0	$119.9	$270.9	$627.1
Multifamily	87.2	0	1.7	93.6	182.5
Totals	$323.5	$0	$121.6	$364.5	$809.6

The first two attachments show information about our $809.7 million of deposits with financial institutions providing us with investment agreements. Note the high credit ratings of the institutions. If these credit ratings were to fall below a certain threshold level, we have the right to request collateralization or the return of our deposits.

STATE INVESTMENT POOL (SURPLUS MONEY INVESTMENT FUND "SMIF")

As shown in the table on the first page, we have $1,093.9 million invested with the State Treasurer in the SMIF, which, over time, has given us security, a fair return (5.235% during the quarter ending June 30, 2007), complete liquidity, and administrative simplicity.

As stated in the Investment Policy, we invest most non-bond moneys (Funds invested under our Housing Assistance Trust, Contract Administration Programs, money received from HUD for the Section 8 projects, servicing impound account moneys, funds set aside for warehousing of loans, funds held in the Agency's operating account and general reserves of the Agency), in the SMIF. We also invest an increasing amount of bond moneys in the pool, including, most recently, Home Mortgage Revenue Bond proceeds as well as the proceeds of some of our new multifamily bonds and our Housing Program Bonds.

SECURITIES

The third attachment provides additional information about the $114.7 million (fair market value) of securities and commercial paper we hold. This category includes $ 52.2 million of Fannie Mae and Ginnie Mae securities backed by loans originated for our single family and multifamily programs.

The commercial paper was purchased by our bond trustee (U.S. Bank Trust, National Association) for reinvest of certain reserves, excess revenues and escrow account moneys.

MONEY MARKET AND BANK DEPOSITS

Our bond trustee sweeps overnight deposits into a U.S. Treasury money market fund which was yielding 3.77% as of June 30, 2007. The amount invested in the money market includes some bond program moneys which we expect to use to purchase loans or to pay costs of issuance. In addition, this category includes loan servicing revenues held in commercial bank deposit accounts.

SUMMARY OF CALIFORNIA HOUSING FINANCE AGENCY FUNDS DEPOSITED IN INVESTMENT AGREEMENTS - JUNE 30, 2007

INVESTMENT AGREEMENT PROVIDER	MOODY'S RATING	STANDARD & POOR'S RATING	AMOUNT INVESTED
Depfa	Aa3	AA-	$228,620,489
Societe General	Aa2	AA	151,354,382
Aegon Institutional Markets	Aa3	AA	123,261,610
Matched Funding Corp. (AIGMFC)	Aa2	AA	85,919,730
Rabobank Int.	Aaa	AAA	75,917,667
*Bayerische Landesbank	Aaa	AAA	52,677,831
Trinity	Aaa	AAA	22,562,416
CDC Funding	Aa2	AA	20,275,868
MBIA Inv. Management Corp.	Aaa	AAA	18,552,798
Royal Bank of Canada	Aaa	AA-	8,501,086
FGIC Cap. Market Services	Aaa	AAA	5,385,874
Citibank	Aaa	AA+	5,193,397
*Westdeutsche LB	Aaa	AA-	4,559,085
Bank of America, N.A.	Aaa	AA+	3,865,823
Citicorp	Aa1	AA	1,708,022
Pacific Life Co.	Aa3	AA	1,274,116
Bankamerica Corp.	Aa1	AA	105,191
Total Funds Invested in Investment Agreements			$ 809,735,385

*Institution's ratings based on state guarantee

California Housing Finance Agency

Funds Invested in Investment Agreements

As of June 30, 2007

Totals by Financial Institution Ratings

Moody's Ratings	Amount Invested	Percentage of Total Invested
Aaa	$ 197,215,977	24.36%
Aa1	1,813,213	0.22%
Aa2	257,549,980	31.81%
Aa3	353,156,215	43.61%
Total	$809,735,385	100.00%

S & P Ratings	Amount Invested	Percentage of Total Invested
AAA	$ 175,096,586	21.62%
AA+	9,059,220	1.12%
AA	383,898,919	47.41%
AA-	241,680,660	29.85%
Total	$809,735,385	100.00%

Summary of CalHFA Investments in Securities

As of June 30, 2007

Type of Investment	Par Value	Book Value	Market Value	Weighted Average Coupon	Weighted Average Remaining Maturity
GNMA Securities	$ 6,843,989	$ 6,843,989	$ 6,779,745	5.78%	24.80 Years
FNMA Securities	51,540,561	51,540,561	45,376,625	3.67%	27.27 Years
LNMA Securities*	478,874	478,874	463,927	3.00%	5.17 Years
Commercial Paper	60,010,000	60,011,591	59,678,785	5.15%	0.31 Years
U.S. Treasury Bonds	1,085,000	954,034	1,205,367	6.25%	17.13 Years
REFCORP Bonds	158,000	176,236	204,736	8.63%	14.55 Years
FHLMC Securities	780,000	789,423	934,538	8.25%	9.92 Years
Totals	$120,896,424	$120,794,709	$114,643,724		

*Linda Mae Securities: securities associated with habitat for humanity loans.

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State of California

M E M O R A N D U M

To: **CalHFA Board of Directors** **Date:** 31 October 2007

From: **Di Richardson, Director of Legislation** Di
CALIFORNIA HOUSING FINANCE AGENCY

Subject: Legislative Report

Here is the final legislative report for 2007. Below you will find the final status of bills acted upon b the Governor. As always, if you have any questions, please feel free to contact me at 916.324.0801.

CalHFA Sponsored

AB 929 (Runner, Sharon) - California Housing Finance Agency: bonds
Last Amend: 04/09/2007
Status: SIGNED BY THE GOVERNROR; Chapter 274, Statutes 2007

Summary: This bill would increase the amount of debt CalHFA may have outstanding by $2 billion (from $11.15 billion to $13.15 billion).

SB 707 (Ducheny) - Housing loan conversions.
Last Amend: 6/21/2007
Status: SIGNED BY THE GOVERNOR, Chapter 658, Statutes 2007.

Summary: This bill would authorize HCD and CalHFA to modify and extend the term of existing multifamily housing loans made under older loan programs.

Bonds

AB 927 (Saldana) - Multifamily Housing Program
Last Amend: 09/25/2007
Status: SIGNED BY THE GOVERNOR, Chapter 618, Statutes 2007.

Summary: This bill would require, effective January 1, 2008, that a portion of the assistance provided to a project under the Multifamily Housing Program to be expended for senior rental housing developments in the same proportion as the number of lower income elderly renter households in the state bears to the total number of lower income renter households in the state, as reported by the federal

Department of Housing and Urban Development on the basis of the most recent decennial census conducted by the United States Census Bureau.

AB 1053 (Nunez) – Regional Planning, Housing and Infill Incentive Account: programs
Last Amend: 9/7/2007
Status: SIGNED BY THE GOVERNOR, Chapter 692, Statues 2007

- **Summary:** This bill was originally a vehicle to divide the Regional Planning, Housing, and Infill Incentive Account ($850 million) funds from Proposition 46. It was amended late in the session to instead allow business improvement districts applying jointly with a city, county, public housing authority to redevelopment agency to qualify as an "eligible applicant" for grants under the program.

AB 1091 (Bass) - Transit-Oriented Development Implementation Program
Last Amend: 9/7/2007
Status: VETOED BY THE GOVERNOR.

Summary: Proposition 46 allocated $300 million to the Transit Oriented Development Account, administered by HCD. This bill would substantially revise the housing requirements for grants for the provision of infrastructure necessary to support a higher density development project within close proximity to a transit station. This bill would authorize the department to grant financial assistance, to local governments, redevelopment agencies, and transit agencies for providing the infrastructure necessary for the development of higher density uses, including residential uses, within 1/2 mile of the entrance to a transit station.

Governor's Message: I am returning Assembly Bill 1091 without my signature. This bill would modify the existing Proposition 1C Transit-Oriented Development Implementation Program by changing the maximum distance between a proposed project and a transit station from one-quarter mile to one-half mile. The program was created to provide high density affordable housing in close proximity to transit stations to encourage public transit ridership and vehicle emissions reduction. This bill could substantially reduce the effectiveness of this program by allowing for developments one-half mile in distance from a transit station. This half-mile measurement could be taken from the outer edge of the development, and could result in a walking distance substantially greater than one-half mile, which could discourage many residents from utilizing public transit. This bill is inconsistent with the State's goals to reduce vehicle emissions and encourage alternative methods of transportation. In addition, I believe this bill is unnecessary since the Department of Housing and Community Development is preparing program guidelines that will be adopted later this year to provide enough flexibility to allow critical projects to be funded, while at the same time preserving the important goals of this program. It is for these reasons that I cannot sign this legislation into law. Sincerely, Arnold Schwarzenegger

AB 1252 (Caballero) - Housing Urban-Suburban-and-Rural Parks Account
Last Amend: 9/7/2007
Status: Pending on Assembly Floor (Concurrence).

> **Summary:** This bill would have create the Housing-Related Parks Program within the HCD, using funds allocated, upon appropriation by the Legislature, from the Housing Urban-Suburban-and-Rural Parks Account within Prop 1C, to provide grants to cities and counties for the creation or rehabilitation of parks in conjunction with eligible housing projects. The bill was amended very late in the session to delete all of the existing language an instead focused on the 2006 Park Bond.

AB 1460 (Saldana) - Multifamily Housing Program: project prioritization
Last Amend: 8/27/2007
Status: SIGNED BY THE GOVERNOR, Chapter 710, Statues 2007.

> **Summary:** This bill would require the Department of Housing and Community Development to, with regard to the Multifamily Housing Program, award reasonable priority points for projects to prioritize sustainable building methods established in accordance with certain criteria listed under state regulations relating to federal and state low-income housing tax credits.

SB 46 (Perata) - Housing and Emergency Shelter Trust Fund Act of 2006: Regional Planning, Housing, and Infill Incentive Account
Last Amend: 7/16/2007
Status: Pending in Assembly Appropriations.

> **Summary:** This bill would require the Department of Housing and Community Development, upon appropriation by the Legislature of the funds in the Regional Planning, Housing, and Infill Incentive Account ($850 million), to establish and administer a competitive grant program to allocate those funds to selected qualifying infill projects for capital outlay related to infill housing development and related infill infrastructure needs, in amounts of not less than an unspecified amount and not more than an unspecified amount per project per annual funding cycle. Simply put, this bill would establish the process to distribute funds from the $850 million Regional Planning, Housing and Infill Incentive Account contained in Proposition 1C, and is intended to provide incentives for efficient land-use policy that rejects sprawl in favor of urban infill development.

SB 86 (Committee on Budget and Fiscal Review) - State government.
Last Amend: 07/19/2007
Status: SIGNED BY THE GOVERNOR, Chapter 179, Statutes of 2007.

> **Summary:** This is a “budget trailer bill” and contains several programmatic changes needed to implement the current budget. This bill currently contains language needed to implement the Regional Planning, Housing, and Infill Incentive Account ($850 million). This bill will likely contain a compromise between, and move in place of SB 46 and AB 1053.

SB 546 (Ducheny) - Department of Housing and Community Development: bond fund expenditures: report
Last Amend: 06/25/2007

Status: Placed on Inactive File.

Summary: This bill would require that cumulative information on programs funded under the Housing and Emergency Shelter Trust Fund Acts of 2002 and 2006 be included in the Department of Housing and Community Development's annual report.

SB 586 (Dutton) - Affordable Housing Innovation Fund: California Affordable Housing Revolving Development and Acquisition Program
Last Amend: 9/7/2007
Status: SIGNED BY GOVERNOR, Chapter 652, Statutes 2007.

Summary: This bill would allocate the $100 million in the Affordable Housing Innovation Fund created by Prop 1C. It would appropriate $50 million to the California Affordable Housing Revolving Development and Acquisition Program; $5 million for the Construction Liability Insurance Reform Pilot Program; $35 million for a local housing trust fund matching grant program; and $10 million for the Innovative Homeownership Program. The bill would require the department to grant certain preferences and priorities when awarding the $35 million under the local housing trust fund matching grant program.

Homelessness

ACR 61 (Lieber) – Joint Committee on Homelessness in California.
Last Amend: Introduced
Status: Pending Committee assignment in Assembly.

Summary: This measure would establish the Joint Committee on Homelessness in California, to study and investigate issues relating to homelessness, which would consist of five Assembly Members appointed by the Speaker of the Assembly and five Senators appointed by the Senate Committee on Rules.

Land Use

AB 641 (Torrico) - Developer fees
Last Amend: 06/28/2007
Status: SIGNED BY THE GOVERNOR, Chapter 603, Statutes 2007.

Summary: Prohibits local governments from requirement the payment of local school construction fees before the developer has received a certificate of occupancy, for any housing development in which at lest 49% of the units are affordable to low-or very low-income households.

AB 987 (Jones) - Low and Moderate Income Housing Fund: affordability covenants and restrictions
Last Amend: 8/30/2007
Status: SIGNED BY THE GOVERNOR, Chapter 690, Statutes 2007.

Summary: This bill would require redevelopment agencies to make certain changes to the monitoring and recording of affordability covenants, and would give persons adversely impacted by a breach of those covenants to enforce them against any owner who violates them and each subsequent owner who continues the violation. This bill would only impact units that are created or substantially rehabilitated on or after January 1, 2008.

SB 303 (Ducheny) - Local government: housing.
Last Amend: 6/25/2007
Status: Held under submission in Assembly Local Government.

Summary: This bill would require the general plan, and each of its elements to encompass a planning and projection period of at least 20 years, except for the housing and open-space elements, and would require each element, except for the housing and open-space elements, to be updated at least every five years. This bill would require the housing element to be updated, and would require the conservation element and the open-space element to be updated concurrently with the housing element.

Misc

AB 239 (DeSaulnier) - Recording fees: Contra Costa and San Mateo Counties.
Last Amend: 04/30/2007
Status: Pending in Assembly Local Government Committee, no hearing date set.

Summary: This bill would authorize the Contra Costa County Board of Supervisors or the San Mateo Board of Supervisors to additionally charge a flat fee of not more than $25 for each document that is recorded, if the document is in excess of one page, for every real estate instrument, as defined, paper, or notice required or permitted by law to be recorded in Contra Costa County or San Mateo County. The bill would require the Contra Costa County Board of Supervisors or the San Mateo County Board of Supervisors, if it charges this fee, to establish a fund for deposit of the moneys raised by the increase, which shall be used to assist in the development of affordable housing for very low income households, lower income households, and moderate-income households. Opponents argue that it is inequitable to require only those individuals that record a document to fund affordable housing. If it is deemed necessary to implement some type of funding mechanism to general affordable housing funds, it should be as broad an application as possible.

AB 793 (Strickland) - Property taxation: affordable housing assessments.
Last Amend: 08/01/2007
Status: Pending hearing before Senate Revenue and Taxation Committee.

Summary: Existing law rebuttably presumes that the fair market value of real property, other than possessory interests, is the purchase price paid in the transaction for the property. For purposes of this presumption, existing law defines "purchase price" as the total consideration provided by the purchaser or on the purchasers behalf, valued in money, whether paid in money or otherwise. Existing law requires the county assessor to consider, when valuing real property for property taxation purposes, the effect of any enforceable restrictions to which the use of the land may be subjected. This bill would exclude from the meaning of purchase price, for purposes of the rebuttable presumption that the purchase price of real property is the fair market value of the property. This bill would also require the county assessor to consider, when valuing real property for property taxation purposes, restrictions on the resale price of real property in a recorded real property deed or other recorded real property transfer document for real property that was purchased by its occupant through an affordable housing program operated by a city, a county, the state, or a nonprofit organization.

AB 1020 (Runner, Sharon) - Recordation: change of ownership.
Last Amend: 7/17/2007
Status: SIGNED BY THE GOVERNOR, Chapter 277, Statutes 2007.

Summary: Existing property tax law specifies those circumstances in which the transfer of ownership interests results in a change in ownership of the real property, and provides that certain transfers do not result in a change of ownership. This bill would provide that the recordation of a certificate of sale pursuant to specified provisions of law relating to property sold subject to a right of redemption does not constitute a change of ownership. The author states that this bill is a technical bill that provides County Recorders with the legal tools necessary for effectively carrying out their duties with regard to public agencies, and it clarifies when a change in ownership occurs during a foreclosure proceeding.

Mortgage Lending

SB 385 (Machado) - Real estate: mortgages: real estate brokers
Last Amend: 8/31/07
Status: SIGNED BY THE GOVERNOR, Chapter 301, Statutes 2007.

Summary: This bill would require the Commissioner of Financial Institutions to apply federal guidance to all state-regulated financial institutions, including, but not limited to, privately insured, state-chartered credit unions, and would authorize the commissioner to issue emergency and final regulations for clarification purposes . The bill would also require the Commissioner of Real Estate and the Commissioner of Corporations to apply that guidance to real estate brokers and licensees, respectively, and would authorize those commissioners to adopt emergency and final regulations or rules for clarification purposes, as specified. The bill would require the Secretary of Business, Transportation and Housing to ensure that these commissioners coordinate their policymaking and rulemaking efforts.